Montgomery County Council

Committee: Joint
Staff: Pam Dunn, Senior Legislative Analyst; Glenn Orlin, Senior Analyst; Robert Drummer, Senior Legislative Attorney
Purpose: To make preliminary decisions – straw vote expected
Keywords: #subdivision staging policy, impact tax, recordation tax

ADDENDUM
AGENDA ITEM #1
October 30, 2020
Worksession

SUBJECT

2020-2024 Subdivision Staging Policy
Bill 37-20, Subdivision - Preliminary Plan - Adequate Public Facilities – Amendments
Bill 38-20, Taxation - Development Impact Taxes for Transportation and Public School Improvements - Amendments
Expedited Bill 39-20, Taxation - Recordation Tax - Amendments

EXPECTED ATTENDEES

Casey Anderson, Planning Board Chair
Gwen Wright, Tanya Stern, Jason Sartori, Lisa Govoni, Hye-Soo Baek, Eric Graye and David Anspacher, Planning Department
Meredith Wellington, Office of the County Executive
Essie McGuire and Adrienne Karamihas, Montgomery County Public Schools (MCPS)
Christopher Conklin, Gary Erenrich, and Andrew Bossi, Department of Transportation (DOT)
Mary Beck, Pofen Salem, and Veronica Jaua, Office of Management and Budget (OMB)
David Platt and Estela Boronat de Gomes, Department of Finance

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

N/A

DESCRIPTION/ISSUE

N/A

AGENDA ITEM #1
October 30, 2020
ADDENDUM

M E M O R A N D U M

October 29, 2020

TO: County Council

FROM: Pamela Dunn, Senior Legislative Analyst
Glenn Orlin, Senior Analyst
Robert H. Drummer, Senior Legislative Attorney

SUBJECT: 2020-2024 Subdivision Staging Policy (SSP), Bill 37-20 – Subdivision, APF Amendments, Bill 38-20 - Development Impact Taxes for Public School Improvements, and Expedited Bill 39-20 - Recordation Tax Amendments

PURPOSE: Worksession

This addendum provides updated impact tax, Utilization Premium Payment, and revenue information (©1-7). It includes material received from the Office of Management and Budget (OMB) regarding impact tax revenue (©8-21), information on impact fees in other jurisdictions (©22-23), recent correspondence received from the Cities of Rockville (©24-26) and Gaithersburg (©27-28); the cities' comments not addressed below will be discussed at the worksession. This report also reviews a proposal by Councilmember Friedson regarding the transportation impact tax for desired growth and investment areas (©33-38).

A. <u>Impact Taxes and Utilization Premium Payments</u>

On ©1-7 are several tables related to school impact taxes, the Utilization Premium Payment (UPP), and the estimated revenue impact of various impact tax rates and UPP scenarios. On ©1 is a comparison of the current Countywide school impact tax by structure type to the Committee recommended impact tax rates and the Planning Board recommended impact tax rates, by School Impact Area. On ©2 is a comparison of the current Countywide school impact tax by structure type to the Committee recommended impact tax rates and the resulting impact tax rate if the County is divided into only two School Impact Areas—Turnover and Infill. On ©3-4 are estimates of the potential change in revenue for various impact tax and UPP options. These revenue estimates are not a forecast of future revenue. The analysis uses the current pipeline of development as a proxy for future development to show the *relative* impact of different impact tax rates, exemptions, discounts, and Utilization Premium Payments (UPP). On ©5-6 are updated UPP tables for various percentages of the applicable impact tax. And last, on ©7 are two examples that compare the Committee recommended impact tax plus the Committee recommended UPP and

Councilmember Jawando's recommended UPP (for an elementary school and a high school) to the current impact tax, showing the possible per unit change in fees/taxes by structure type and School Impact Area.

B. <u>Shady Grove/Rockville Policy Area boundary</u>

EYA is planning to develop the King Buick property on the west side of MD 355. Of the 20-acre property, a parcel of 10 acres is within the City of Rockville, where the County's SSP rules do not apply, and the impact tax rates fall into the "Orange" category. The remaining 10 acres is in an adjacent parcel outside the City boundary in the Shady Grove Policy Area, where the County's SSP rules do apply, and the impact tax rates fall into the "Red" category. Red area transportation impact tax rates are 60% less than those in the Orange area.

EYA is requesting that the City annex the 'County' portion of this property, and that the City ask the County Council to apply Red area impact tax rates to the to-be-annexed portion of the King Buick property. The Rockville Mayor and Council met on October 26 and decided to make that request of the County Council (©24). A map showing the Shady Grove Policy Area and the boundary of the King Buick property is on ©29.

A conceptual site plan of the site—which would have a total of 366 dwelling units—is on ©30; the current City/County boundary through the site is shown with a dashed line. The current 'County' portion of the site would include 102 market-rate townhouses, 59 market-rate multifamily low-rise units, and 44 MPDUs; the 'City' portion would include 109 market-rate townhouses, 41 market-rate multifamily low-rise units, and 11 MPDUs. Altogether there would be 211 market-rate townhouses, 100 market-rate multifamily low-rise units, and 55 MPDUs (the 15% requirement, which here would apply whether in the City or the County). The table below shows what would be the total impact taxes if: the entire property were in the Red policy area (as requested by EYA and the City); or if the area remained split by the City/County boundary. The table also includes the associated school impact tax, which would be the same regardless.

	Transportation Tax	School Tax*	Total Impact Tax
Split Red/Orange (now)	$3,206,335	$4,284,451	$7,490,786
All in Red area (proposed)	$1,851,743	$4,284,451	$6,136,194

** The entire property is in the 'Infill" area under the proposed School Impact Tax.

Thus, the reduction in the tax to be paid by EYA under its and Rockville's proposal would be *$1,354,592*: a 42% reduction in the transportation tax, and an 18% reduction in overall impact taxes. If the 'County' area is included in the City, the City would impose a $44,100 Transportation Improvement Fee on multi-family units there, so the net reduction to EYA would be $1,310,492.

Another aspect to consider is how the transportation impact funds would be used. According to current law, transportation impact tax revenue collected on development in the City can only be spent on projects specifically identified in a Memorandum of Understanding between the City and the County. As a result, the City exercises considerable control over these County funds. (The existing MOU has been in effect since 2006; for the past six years DOT has been attempting to negotiate a revised MOU with the City, to date to no avail.) The amount going into this "Rockville Account" would differ under the two scenarios:

	"Rockville Account"	General District	Total Impact Tax
Split Red/Orange (now)	$2,258,335	$948,300	$3,206,335
All in Red area (proposed)	$1,851,743	$0	$1,851,743

Thus, combining these two parcels into a Red area within the City would reduce the contribution to the Rockville Account by $406,592 and reduce the contribution to the General District Account (from which funds could be used to pay for capacity-adding projects anywhere in the County) by $948,300.

Over the years, the County has tried to conform the policy area boundaries for Rockville and Gaithersburg to their respective municipal boundaries. This has been done to make clear where the County's SSP rules apply and where they don't apply. (Rockville and Gaithersburg each have their own adequate public facilities ordinance.) Impact tax rates have been linked to policy area boundaries. The complexity with EYA's and Rockville's proposal is that it would require revising the boundary to include both parcels (upon annexation of the parcel outside the City) in the City of Rockville Policy Area, but to assign the combined parcel impact tax rates 60% lower, as if it were in the Shady Grove Policy Area.

Another point is that both parcels are beyond the half-mile walkshed of the Shady Grove Metro Station (©31); Red areas historically have been identified as those areas generally within a half-mile walk of a station. However, the Shady Grove Metro Station has always been the outlier, and the property considered for annexation—although beyond a half-mile—is closer than several other properties that are currently within the Shady Grove Policy Area boundary.

Should the Council wish to concur with EYA's and the City's request, Council staff recommends identifying the 20-acre consolidated property in the SSP as a 'satellite' of the Rockville Town Center Policy Area. The Town Center Policy Area was created many years ago strictly for the purposes of applying the lower set of transportation impact tax rates to the roughly half-mile walkshed of the Rockville Metro Station (©32); since it is entirely in the City, the County's SSP rules do not apply. The same situation pertains to this 20-acre property.

C. Designated Growth Area Discount Against the Transportation Impact Tax

The Government Operations and Fiscal Policy (GO) Committee considered but rejected unanimously a proposed discount of school impact taxes in certain Designated Growth Area and Investment Areas (DGAs). Councilmember Friedson has now proposed that there be such a discount, but to the transportation impact tax instead. He suggests applying a 40% discount on the transportation impact tax in all previously identified DGAs, excepting those within Red policy areas, where the rates are already 60% lower than in Orange policy areas and 68% lower than in Yellow and Green policy areas. His proposal is described on ©33-38.

A map showing the DGAs (in olive) is on ©39. The map also shows underlying layers of Enterprise zones (red) and Opportunity zones (dark green); if the Council were to agree with the GO Committee's recommendation to exempt all impact taxes in these areas, then where these overlap with DGAs there would be no further discount, of course.

Since the proposal was announced early this week, the City of Rockville has expressed its opposition to applying it within its boundary. It believes the discount "would result in a loss of millions of dollars in future revenue for City transportation projects" (see ©25). On the other hand, the City of Gaithersburg has indicated its support for it, believing that "A reduction in the transportation impact tax would help drive development to the *Activity Centers* and continue to encourage a mix of residential and non-residential uses" (©27).

OMB estimates that, counting only those residential developments currently in the approved pipeline, about $60 million in gross revenue from the transportation impact tax would be foregone over the next decade, an average gross reduction of $6 million annually. This estimate of gross revenue is low since it does not include non-residential development in the pipeline and prospective residential and non-residential developments that will be seeking subdivision approval. Net revenue will be lower than the gross revenue, however, because of credits granted to developers for constructing capacity-adding projects.

Council staff has the same serious concerns about this proposal as with the Planning Board's proposal to provide this discount to the school impact tax. The Council of Governments Cooperative Forecast estimates that, increasingly, households and jobs will gravitate to Activity Centers and hotspots anyway, with 76 percent of the County's household growth and 80 percent of its job growth occurring in these areas. OMB's evaluation of impact tax collections from FY15-FY20 showed almost 66 percent of collections coming from development within the County's Activity Centers. If DGAs are already desirable areas for development, what is the public policy rationale for charging 40% less of a transportation impact tax than developments outside DGAs?

This proposal, as with the proposal for discounting the school impact tax in DGAs, strays very far from what an impact tax is supposed to be: a means for development to pay for its incremental impact on capacity, whether it be teaching stations in schools or more capacity in the roadway, bicycle, pedestrian, or bus transit networks. A large exception to this rule is the range of affordable housing exemptions and discounts, but past Councils decided long ago to place a higher public policy priority on providing affordable housing than having that housing pay for its impact on schools or transportation. A lesser but still significant exemption has been for development in Enterprise zones—now proposed to be expanded significantly by extending this exemption to Opportunity zones—the purpose of which is to incentivize growth in distressed areas (although to date the Enterprise zone exemption has not promoted commercial development in a meaningful way). Smaller exemptions (or $0 rates) exist for some other uses: bioscience, hospitals, places of worship (which were assessed a low impact tax for 20 years until the Council decided to eliminate it in 2016), clergy houses, student-built houses, and charitable and philanthropic institutions; with the exception of bioscience, each was deemed to provide a quasi-public purpose.

Granting an exemption or a discount to a development has the same fiscal impact as the County spending an equal amount to aid a development. Rather than providing a blanket exemption or discount, the County would do better to use public funds more surgically by investing in those individual developments for which it would get the most public policy bang for the public buck. This means allocating considerably more funds to the Housing Initiative and Economic Development Funds instead.

This packet contains:	Circle #
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CM Friedson's proposal to discount transportation impact tax rates in Certain Designated Growth Areas	33-38
Map of Designated Growth Areas	39

Proposed School Impact Tax Rates

	CURRENT	JOINT COMMITTEE			PLANNING BOARD							
	Countywide	Infill	Turnover	Greenfield	Infill		Turnover			Greenfield		
					Standard	DGA	Standard	DGA	AR Zone	Standard	DGA	AR Zone
Single-Family Detached	$26,207	$20,130	$21,530	$33,809	$19,707	$19,707	$21,582	$21,582	$25,898	$33,809	$33,809	$40,571
Single-Family Attached	$27,598	$18,063	$23,884	$28,691	$17,311	$10,387	$23,928	$14,357	$28,714	$28,691	$28,691	$34,429
Multifamily Low-rise	$21,961	$6,448	$11,555	$15,582	$4,370	$2,622	$9,688	$5,813	$11,626	$24,898	$24,898	$29,878
Multifamily High-rise	$6,113	$3,193	$2,326	$5,279	$4,370	$2,622	$9,688	$5,813	$11,626	$24,898	$24,898	$29,878

Rate changes from Current Rates

	CURRENT	JOINT COMMITTEE			PLANNING BOARD							
	Countywide	Infill	Turnover	Greenfield	Infill		Turnover			Greenfield		
					Standard	DGA	Standard	DGA	AR Zone	Standard	DGA	AR Zone
Single-Family Detached		-6,077	-4,677	7,602	-6,500	-6,500	-4,625	-4,625	-309	7,602	7,602	14,364
Single-Family Attached		-9,535	-3,714	1,093	-10,287	-17,211	-3,670	-13,241	1,116	1,093	1,093	6,831
Multifamily Low-rise		-15,513	-10,406	-6,379	-17,591	-19,339	-12,273	-16,148	-10,335	2,937	2,937	7,917
Multifamily High-rise		-2,920	-3,787	-834	-1,743	-3,491	3,575	-300	5,513	18,785	18,785	23,765

% Change from Current Rates

	CURRENT	JOINT COMMITTEE			PLANNING BOARD							
	Countywide	Infill	Turnover	Greenfield	Infill		Turnover			Greenfield		
					Standard	DGA	Standard	DGA	AR Zone	Standard	DGA	AR Zone
Single-Family Detached		-23%	-18%	29%	-25%	-25%	-18%	-18%	-1%	29%	29%	55%
Single-Family Attached		-35%	-13%	4%	-37%	-62%	-13%	-48%	4%	4%	4%	25%
Multifamily Low-rise		-71%	-47%	-29%	-80%	-88%	-56%	-74%	-47%	13%	13%	36%
Multifamily High-rise		-48%	-62%	-14%	-29%	-57%	58%	-5%	90%	307%	307%	389%

Proposed School Impact Tax Rates

	CURRENT	JOINT COMMITTEE			No Greenfield	
	Countywide	Infill	Turnover	Greenfield	Infill	Turnover
Single-Family Detached	$26,207	$20,130	$21,530	$33,809	$20,510	$21,990
Single-Family Attached	$27,598	$18,063	$23,884	$28,691	$17,841	$23,813
Multifamily Low-rise	$21,961	$6,448	$11,555	$15,582	$5,200	$12,148
Multifamily High-rise	$6,113	$3,193	$2,326	$5,279	$3,193	$2,600

Rate changes from Current Rates

	CURRENT	JOINT COMMITTEE			No Greenfield	
	Countywide	Infill	Turnover	Greenfield	Infill	Turnover
Single-Family Detached		-6,077	-4,677	7,602	-5,697	-4,217
Single-Family Attached		-9,535	-3,714	1,093	-9,757	-3,785
Multifamily Low-rise		-15,513	-10,406	-6,379	-16,761	-9,813
Multifamily High-rise		-2,920	-3,787	-834	-2,920	-3,513

% Change from Current Rates

	CURRENT	JOINT COMMITTEE			No Greenfield	
	Countywide	Infill	Turnover	Greenfield	Infill	Turnover
Single-Family Detached		-23%	-18%	29%	-22%	-16%
Single-Family Attached		-35%	-13%	4%	-35%	-14%
Multifamily Low-rise		-71%	-47%	-29%	-76%	-45%
Multifamily High-rise		-48%	-62%	-14%	-48%	-57%

SCHOOL IMPACT TAX PIPELINE REVENUE ESTIMATES UNDER DIFFERENT PROPOSED SCENARIOS				
	Current	**Planning Board 60 UPP**	**Committee 20, 40, 60 UPP**	**CM Jawando 50, 100, 150 UPP**
Standard Impact Taxes (net of MPDUs)	$390,351,432	$293,654,673	$244,630,871	$244,630,871
Desired Growth and Investment Areas	$0	($66,153,496)	$0	$0
AR Zone	$0	$178,433	$0	$0
Active Enterprise Zone Exemption	($13,186,738)	($5,498,475)	($7,966,941)	($7,966,941)
Former Enterprise Zone Exemption	($21,834,108)	$0	$0	$0
Opportunity Zone Exemption	$0	($30,286,285)	($29,936,340)	($29,936,340)
25% Affordable Exemption - Additional MPDUs	($2,694,758)	($2,356,714)	($2,301,508)	($2,301,508)
25% Affordable Exemption - Market Rate Units	($16,572,920)	($10,572,602)	($10,293,041)	($10,293,041)
IMPACT TAX REVENUE	**$336,062,908**	**$178,965,533**	**$194,133,041**	**$194,133,041**
Utilization Premium Payments	$0	$34,860,942	$24,173,942	*$60,434,855
IMPACT TAX + UPP REVENUE	**$336,062,908**	**$213,826,476**	**$218,306,983**	**$254,567,896**
Moratorium Impact Tax Loss	($29,010,428)	$0	$0	$0
Moratorium UPP Loss	$0	$0	$0	$0
MORATORIUM ADJUSTED REVENUE	**$307,052,479**	**$213,826,476**	**$218,306,983**	**$254,567,896**
Annual Amount 10yr Buildout (3,511 units/year)	$30,705,248	$21,382,648	$21,830,698	$25,456,790
Annual Large Home Premium	$1,663,385	$0	$0	$0
ANNUAL REVENUE	**$32,368,633**	**$21,382,648**	**$21,830,698**	**$25,456,790**
DIFFERENCE FROM CURRENT		**($10,985,985)**	**($10,537,935)**	**($6,911,843)**
Percentage change from current		-33.9%	-32.6%	-21.4%

*$32,140,098 of the estimated UPP revenue is related to projects in the WJ school service area. As of 7/1/21, it may no longer have a utilization >135% if current CIP funding is retained. An adjusted UPP under this proposal would equal $28,294,757 and result in approximately ($8,462,468) annual difference from the current tax.

SCHOOL IMPACT TAX PIPELINE REVENUE ESTIMATES UNDER DIFFERENT PROPOSED SCENARIOS						
	Current	**Committee 20, 40, 60 UPP**	**Committee 30, 60, 100 UPP**	**No Greenfld 20, 40, 60 UPP**	**No Greenfld 30, 60, 100 UPP**	**Former EZ, No OZ**
Standard Impact Taxes (net of MPDUs)	$390,351,432	$244,630,871	$244,630,871	$239,113,411	$239,113,411	$244,630,871
Desired Growth/Investment	$0	$0	$0	$0	$0	$0
AR Zone	$0	$0	$0	$0	$0	$0
Active Enterprise Zone Exempt	($13,186,738)	($7,966,941)	($7,966,941)	($7,922,366)	($7,922,366)	($7,966,941)
Former Enterprise Zone Exempt	($21,834,108)	$0	$0	$0	$0	($11,404,598)
Opportunity Zone Exemption	$0	($29,936,340)	($29,936,340)	($29,937,918)	($29,937,918)	$0
25% Affordable Exempt. MPDUs	($2,694,758)	($2,301,508)	($2,301,508)	($2,233,379)	($2,233,379)	($2,301,508)
25% Affordable Exempt. MKTs	($16,572,920)	($10,293,041)	($10,293,041)	($10,266,617)	($10,266,617)	($10,293,041)
IMPACT TAX REVENUE	**$336,062,908**	**$194,133,041**	**$194,133,041**	**$188,753,130**	**$188,753,130**	**$212,664,783**
Utilization Premium Payments	$0	$24,173,942	$38,339,439	$23,853,467	$37,869,838	$24,173,942
IMPACT TAX + UPP REVENUE	**$336,062,908**	**$218,306,983**	**$232,472,480**	**$212,606,597**	**$226,622,968**	**$236,838,726**
Moratorium Impact Tax Loss	($29,010,428)	$0	$0	$0	$0	$0
Moratorium UPP Loss	$0	$0	$0	$0	$0	$0
MORATORIUM ADJUSTED REVENUE	**$307,052,479**	**$218,306,983**	**$232,472,480**	**$212,606,597**	**$226,622,968**	**$236,838,726**
Annual Amount 10yr Buildout (3,511 units/year)	$30,705,248	$21,830,698	$23,247,248	$21,260,660	$22,662,297	$23,683,873
Annual Large Home Premium	$1,663,385	$0	$0	$0	$0	$0
ANNUAL REVENUE	**$32,368,633**	**$21,830,698**	**$23,247,248**	**$21,260,660**	**$22,662,297**	**$23,683,873**
DIFFERENCE FROM CURRENT		**($10,537,935)**	**($9,121,385)**	**($11,107,973)**	**($9,706,336)**	**($8,684,760)**
Percentage change from current		-33.9%	-32.6%	-34.3%	-30.0%	-26.8%

Util. Premium Payments (20%)		Single-family		Multifamily	
		Detached	**Attached**	**Low-Rise**	**High-Rise**
Infill Impact Areas	**Elementary**	$1,678	$1,505	$537	$266
	Middle	$1,007	$903	$322	$160
	High	$1,342	$1,204	$430	$213
Turnover Impact Areas	**Elementary**	$1,794	$1,990	$963	$194
	Middle	$1,077	$1,194	$578	$116
	High	$1,435	$1,592	$770	$155
Greenfield Impact Areas	**Elementary**	$2,817	$2,391	**$1,299**	**$440**
	Middle	$1,690	$1,435	**$779**	**$264**
	High	$2,254	$1,913	**$1,039**	**$352**

Util. Premium Payments (40%)		Single-family		Multifamily	
		Detached	**Attached**	**Low-Rise**	**High-Rise**
Infill Impact Areas	**Elementary**	$3,355	$3,011	$1,075	$532
	Middle	$2,013	$1,806	$645	$319
	High	$2,684	$2,408	$860	$426
Turnover Impact Areas	**Elementary**	$3,588	$3,981	$1,926	$388
	Middle	$2,153	$2,388	$1,156	$233
	High	$2,871	$3,185	$1,541	$310
Greenfield Impact Areas	**Elementary**	$5,635	$4,782	**$2,597**	**$880**
	Middle	$3,381	$2,869	**$1,558**	**$528**
	High	$4,508	$3,825	**$2,078**	**$704**

Util. Premium Payments (50%)		Single-family		Multifamily	
		Detached	**Attached**	**Low-Rise**	**High-Rise**
Infill Impact Areas	**Elementary**	$4,194	$3,763	$1,343	$665
	Middle	$2,516	$2,258	$806	$399
	High	$3,355	$3,011	$1,075	$532
Turnover Impact Areas	**Elementary**	$4,485	$4,976	$2,407	$485
	Middle	$2,691	$2,986	$1,444	$291
	High	$3,588	$3,981	$1,926	$388
Greenfield Impact Areas	**Elementary**	$7,044	$5,977	**$3,246**	**$1,100**
	Middle	$4,226	$3,586	**$1,948**	**$660**
	High	$5,635	$4,782	**$2,597**	**$880**

Util. Premium Payments (60%)		Single-family		Multifamily	
		Detached	Attached	Low-Rise	High-Rise
Infill Impact Areas	Elementary	$5,033	$4,516	$1,612	$798
	Middle	$3,020	$2,709	$967	$479
	High	$4,026	$3,613	$1,290	$639
Turnover Impact Areas	Elementary	$5,383	$5,971	$2,889	$582
	Middle	$3,230	$3,583	$1,733	$349
	High	$4,306	$4,777	$2,311	$465
Greenfield Impact Areas	Elementary	$8,452	$7,173	**$3,896**	**$1,320**
	Middle	$5,071	$4,304	**$2,337**	**$792**
	High	$6,762	$5,738	**$3,116**	**$1,056**

Util. Premium Payments (100%)		Single-family		Multifamily	
		Detached	Attached	Low-Rise	High-Rise
Infill Impact Areas	Elementary	$8,388	$7,526	$2,686	$1,330
	Middle	$5,032	$4,516	$1,612	$798
	High	$6,710	$6,022	$2,150	$1,064
Turnover Impact Areas	Elementary	$8,970	$9,952	$4,814	$970
	Middle	$5,382	$5,972	$2,888	$582
	High	$7,176	$7,962	$3,852	$776
Greenfield Impact Areas	Elementary	$14,088	$11,954	$6,492	$2,200
	Middle	$8,452	$7,172	$3,896	$1,320
	High	$11,270	$9,564	$5,194	$1,760

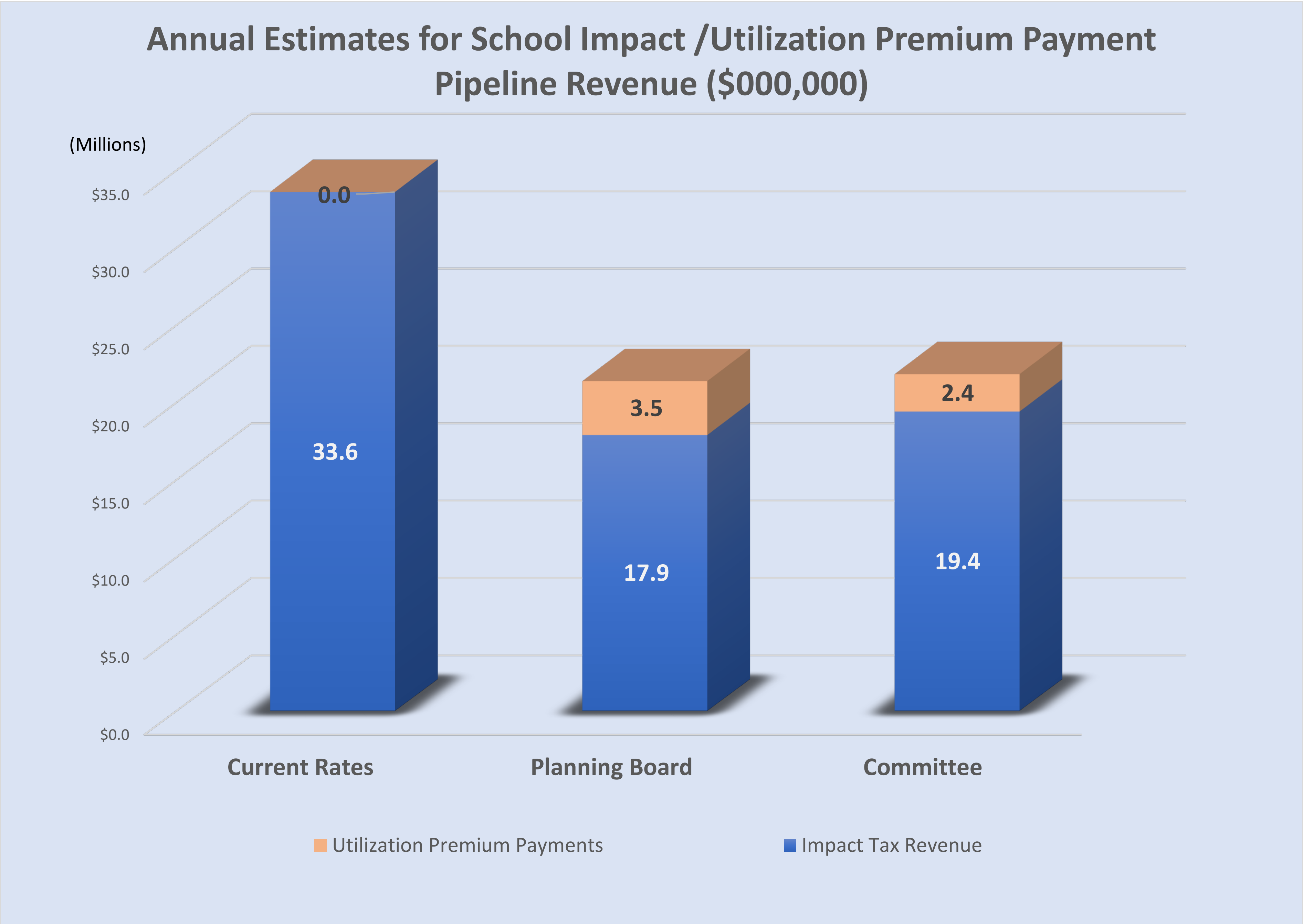
1. Example of Committee Impact Tax Rates plus UPP of 20% at the Elementary Level and 40% at the High School Level														
	Infill					Turnover					Greenfield			
	sfd	sfa	low	high		sfd	sfa	low	high		sfd	sfa	low	high
Impact Tax	$20,130	$18,063	$6,448	$3,193		$21,530	$23,884	$11,555	$2,326		$33,809	$28,691	$15,582	$5,279
20% UPP ES Level	$1,678	$1,505	$537	$266		$1,794	$1,990	$963	$194		$2,817	$2,391	$1,299	$440
40% UPP HS Level	$2,684	$2,408	$860	$426		$2,871	$3,185	$1,541	$310		$4,508	$3,825	$2,078	$704
Impact Tax + UPP	$24,492	$21,976	$7,845	$3,885		$26,195	$29,059	$14,059	$2,830		$41,134	$34,907	$18,959	$6,423
Difference from current	($1,715)	($5,622)	($14,116)	($2,228)		($12)	$1,461	($7,902)	($3,283)		$14,927	$7,309	($3,002)	$310

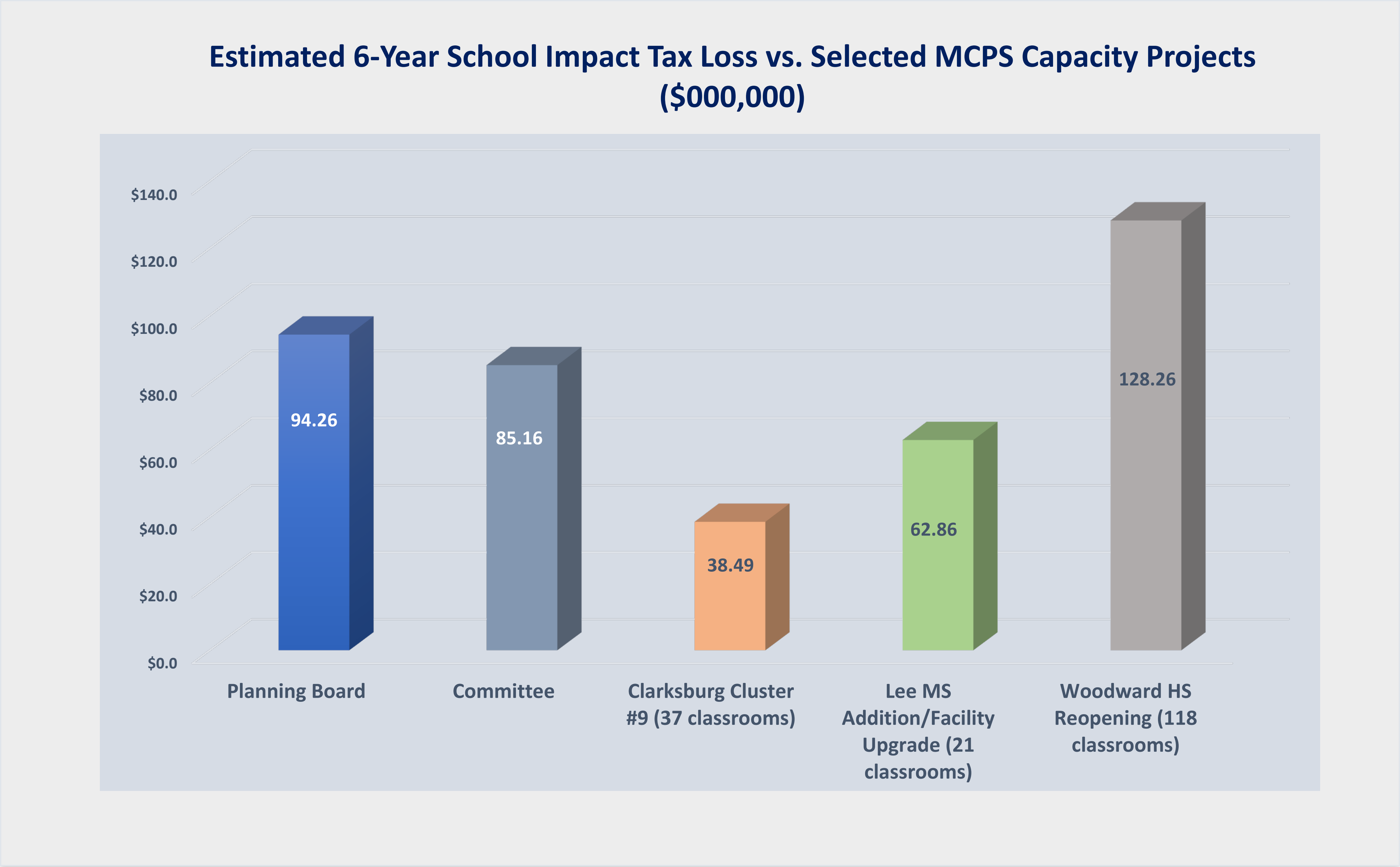
2. Example of Committee Impact Tax Rates plus UPP of 50% at the Elementary Level and 100% at the High School Level														
	Infill					Turnover					Greenfield			
	sfd	sfa	low	high		sfd	sfa	low	high		sfd	sfa	low	high
Impact Tax	$20,130	$18,063	$6,448	$3,193		$21,530	$23,884	$11,555	$2,326		$33,809	$28,691	$15,582	$5,279
50% UPP ES Level	$4,194	$3,763	$1,343	$665		$4,485	$4,976	$2,407	$485		$7,044	$5,977	$3,246	$1,100
100% UPP HS Level	$6,710	$6,022	$2,150	$1,064		$7,176	$7,962	$3,852	$776		$11,270	$9,564	$5,194	$1,760
Impact Tax + UPP	$31,034	$27,848	$9,941	$4,922		$33,191	$36,822	$17,814	$3,587		$52,123	$44,232	$24,022	$8,139
Difference from current	$4,827	$250	($12,020)	($1,191)		$6,984	$9,224	($4,147)	($2,526)		$25,916	$16,634	$2,061	$2,026

1. For each School Impact Area, the first example shows the change in the impact tax plus the added UPP for a project where the elementary school serving the development is over the 105 % utilization threshold requiring a UPP of 20% of the applicable impact tax at the elementary level and where the high school is over the 120% utilization threshold requiring a UPP of 40% of the applicable impact tax at the high school level.

2. For each School Impact Area, the second example shows the change in the impact tax plus the added UPP for a project where the elementary school serving the development is over the 105% utilization threshold requiring a UPP of 50% of the applicable impact tax at the elementary level and where the high school is over the 120% utilization threshold requiring a UPP of 100% of the applicable impact tax at the high school level.

OMB Concerns Regarding Reduced Impact Tax Revenues


Annual Estimates for School Impact /Utilization Premium Payment
Pipeline Revenue ($000,000)
(Millions)
$35.0
$30.0
$25.0
$20.0
$15.0
$10.0
$5.0
$0.0
0.0
33.6
3.5
17.9
2.4
19.4
Current Rates
Planning Board
Committee
Utilization Premium Payments
Impact Tax Revenue


Estimated 6-Year School Impact Tax Loss vs. Selected MCPS Capacity Projects
($000,000)
$140.0
$120.0
$100.0
$80.0
$60.0
$40.0
$20.0
$0.0
94.26
85.16
38.49
62.86
128.26
Planning Board
Committee
Clarksburg Cluster #9 (37 classrooms)
Lee MS Addition/Facility Upgrade (21 classrooms)
Woodward HS Reopening (118 classrooms)

MCPS IMPACT TAX ELIGIBLE CIP PROJECTS

School Projects By Level	Total Cost ($000S)	# Classrooms	Council District
Thurgood Marshall ES Addition - design only	630	6	3
Highland View ES Addition - design only	775	10	5
Lake Seneca ES Addition - design only	875	12	2
Pine Crest ES Addition	8,623	9	5
Montgomery Knolls ES Addition	10,605	4	5
Ashburton ES Addition	10,944	4	1
S. Christa McAuliffe ES Addition	11,386	10	2
Ronald McNair ES Addition	11,403	6	2
Cresthaven ES Addition	11,966	11	5
Roscoe Nix ES Addition	16,372	11	5
Stonegate ES - Major Capital Project	34,426	7	4
South Lake ES - Major Capital Project	34,898	3	2
DuFief ES Addition/Facility Upgrade	38,028	14	2
Burnt Mills ES - Major Capital Project	38,406	12	5
Clarksburg Cluster ES #9 (New)	38,486	37	2
Woodlin ES - Major Capital Project	38,697	8	5
Gaithersburg Cluster Elementary School #8	39,000	39	3
Total Elementary School Projects	345,520	203	

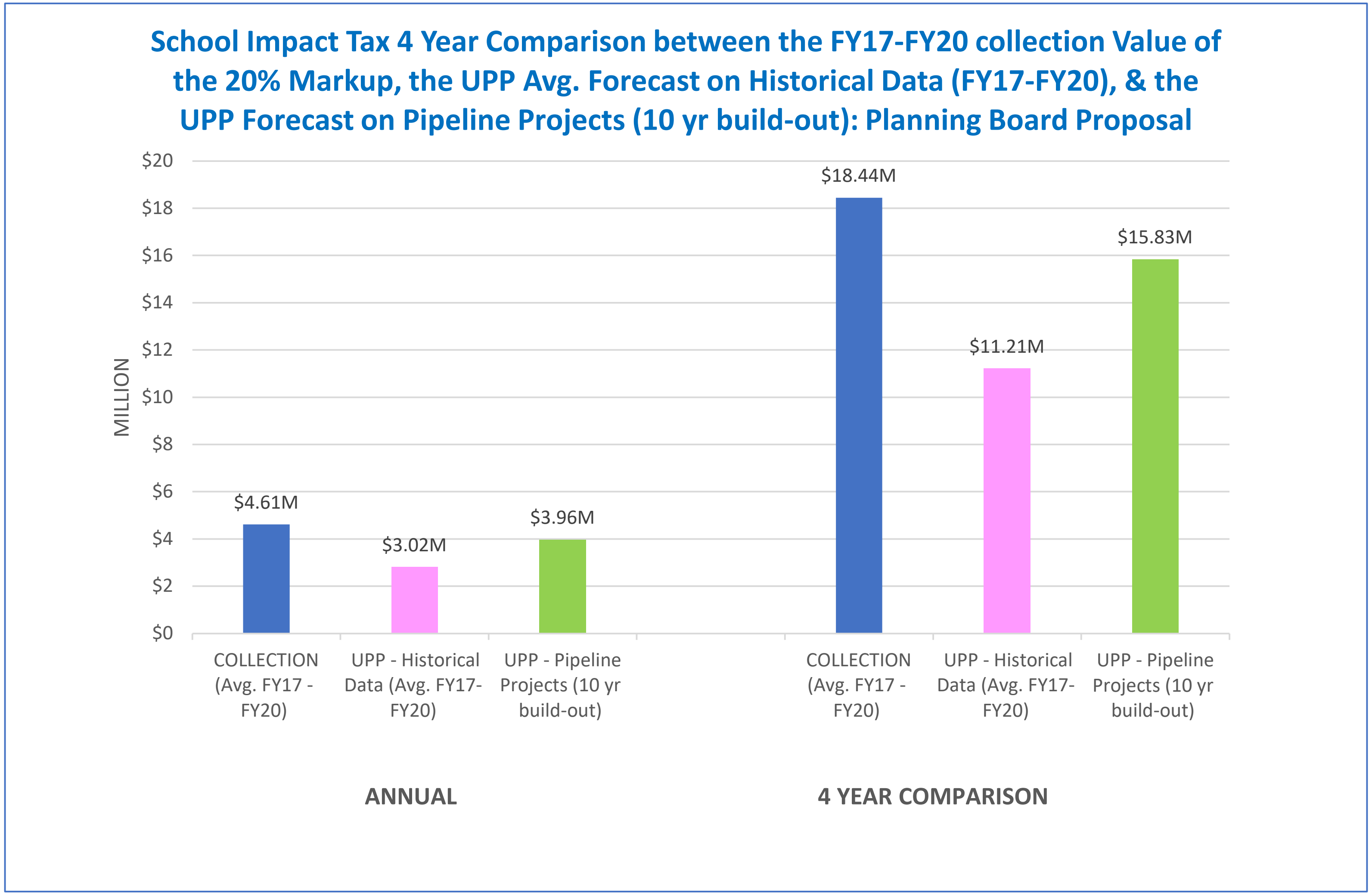
MCPS IMPACT TAX ELIGIBLE CIP PROJECTS

School Projects By Level	Total Cost ($000S)	# Classrooms	Council District
Parkland MS Addition	14,638	12	3
Thomas W. Pyle MS Addition	25,114	14	1
Takoma Park MS Addition	25,186	16	5
Silver Spring International MS Addition	35,140	15	5
Col. E. Brooke Lee MS Addition/Facility Upgrade	62,864	21	4
Neelsville MS - Major Capital Project	64,911	7	2
Total Middle School Projects	227,853	85	
Charles W. Woodward HS Reopening	128,235	118	1
John F. Kennedy HS Addition	26,578	18	4
Walt Whitman HS Addition	30,577	18	1
Poolesville HS - Major Capital Project	71,313	15	1
Crown HS (New)	136,302	112	3
Northwood HS Addition/Facility Upgrades	138,356	49	5
Total High School Projects	531,361	330	
Total All MCPS Capacity Projects	1,104,734	618	

Pipeline Analysis Suggests That…

- By restructuring the rates down from 120% of per seat costs and granting 40% discounts for projects in designated growth areas, we are giving up funding equivalent to one new elementary school (Clarksburg Cluster ES #9) and a half an addition (Pinecrest ES) - 42 classrooms
- By exempting projects in Opportunity Zones, we are giving up funding equivalent to approximately $2.2M/year – enough to pay for the Cresthaven ES Addition – 11 classrooms
- Impact tax exemptions for Viva White Oak would be sufficient to fund the Pinecrest ES Addition – 9 classrooms

- NOTE: Based on six-year totals assuming a 10-year pipeline buildout.



School Impact Tax 4 Year Comparison between the FY17-FY20 collection Value of the 20% Markup, the UPP Avg. Forecast on Historical Data (FY17-FY20), & the UPP Forecast on Pipeline Projects (10 yr build-out): Planning Board Proposal
MILLION
$20
$18
$16
$14
$12
$10
$8
$6
$4
$2
$0
$4.61M
$3.02M
$3.96M
$18.44M
$11.21M
$15.83M
COLLECTION (Avg. FY17 - FY20)
UPP - Historical Data (Avg. FY17-FY20)
UPP - Pipeline Projects (10 yr build-out)
COLLECTION (Avg. FY17 - FY20)
UPP - Historical Data (Avg. FY17-FY20)
UPP - Pipeline Projects (10 yr build-out)
ANNUAL
4 YEAR COMPARISON

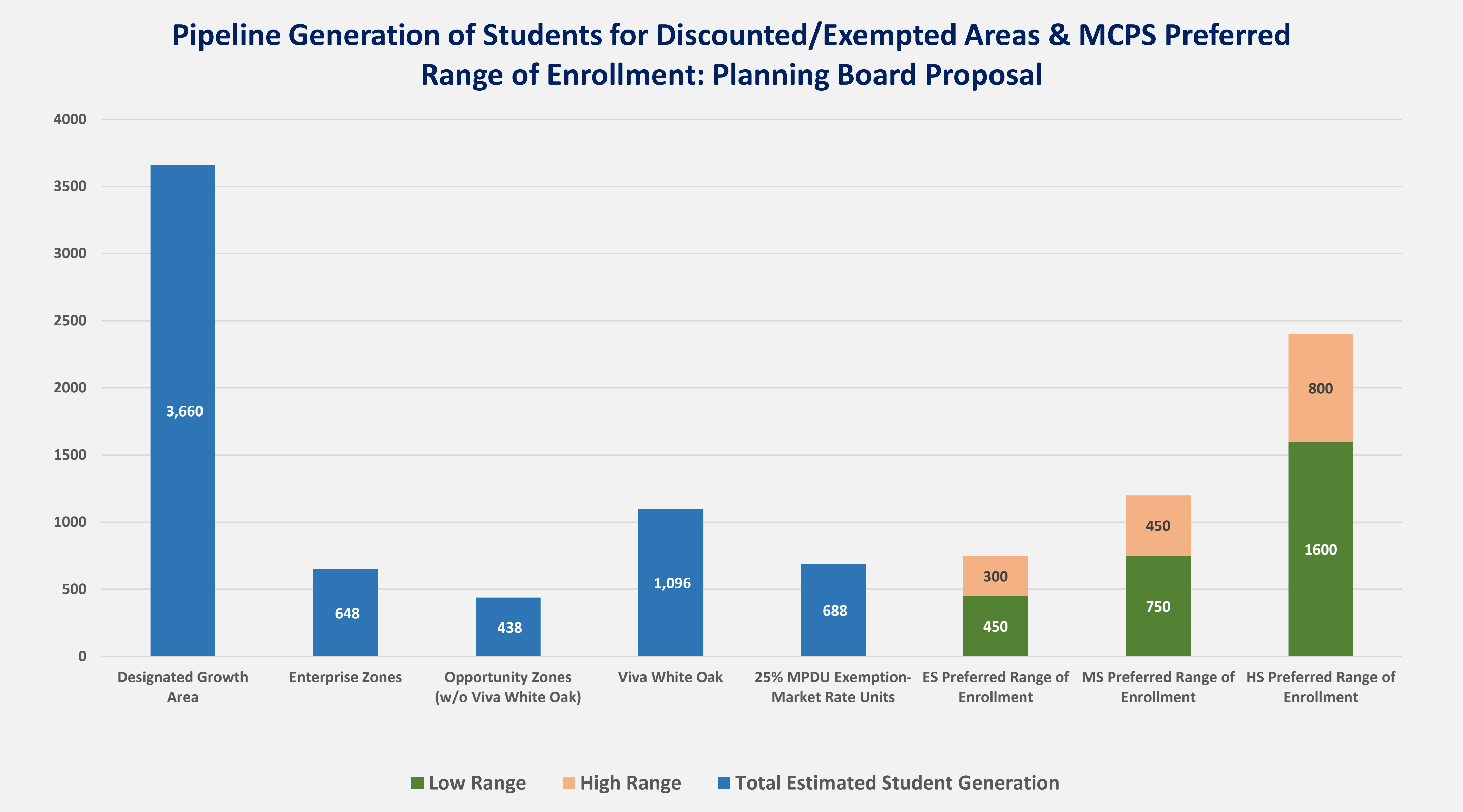
Pipeline Analysis Suggests That…

- The current 25% MPDU exemption for 4 pipeline projects **market rate** units results in foregone impact taxes equivalent to $20M over 6 years
- The Planning Board's proposal to tighten the exemption is estimated to provide an additional $6M over 6 years – enough to fund over 65% o the 9-classroom Pine Crest ES addition
- The expected additional revenue that could be generated from the proposed 25% MPDU limitation will be diminished if those pipeline projects are located in Opportunity Zones.
- The Opportunity Zone exemption will take away a powerful financial incentive to increase the number of MPDUs.
- Grandfathering pipeline projects currently submitted for review would mean that it would likely be at least four years until revenues are realized from this proposed change.

- NOTE: Based on six-year totals assuming a 10-year pipeline buildout.

Historical Analysis Suggests That…

- The annual average surcharge collections ($1.660M) were sufficient to fund design work for additions at Highland View and Lake Seneca elementary schools – 22 classrooms
- Utilization premium payments would not have been sufficient to make up for the reduction in impact taxes related to a 100% vs. 120% per seat calculated rate. Annually, the average loss would have been approximately $1.6M – enough to pay for an elementary school addition over a 6 year period.



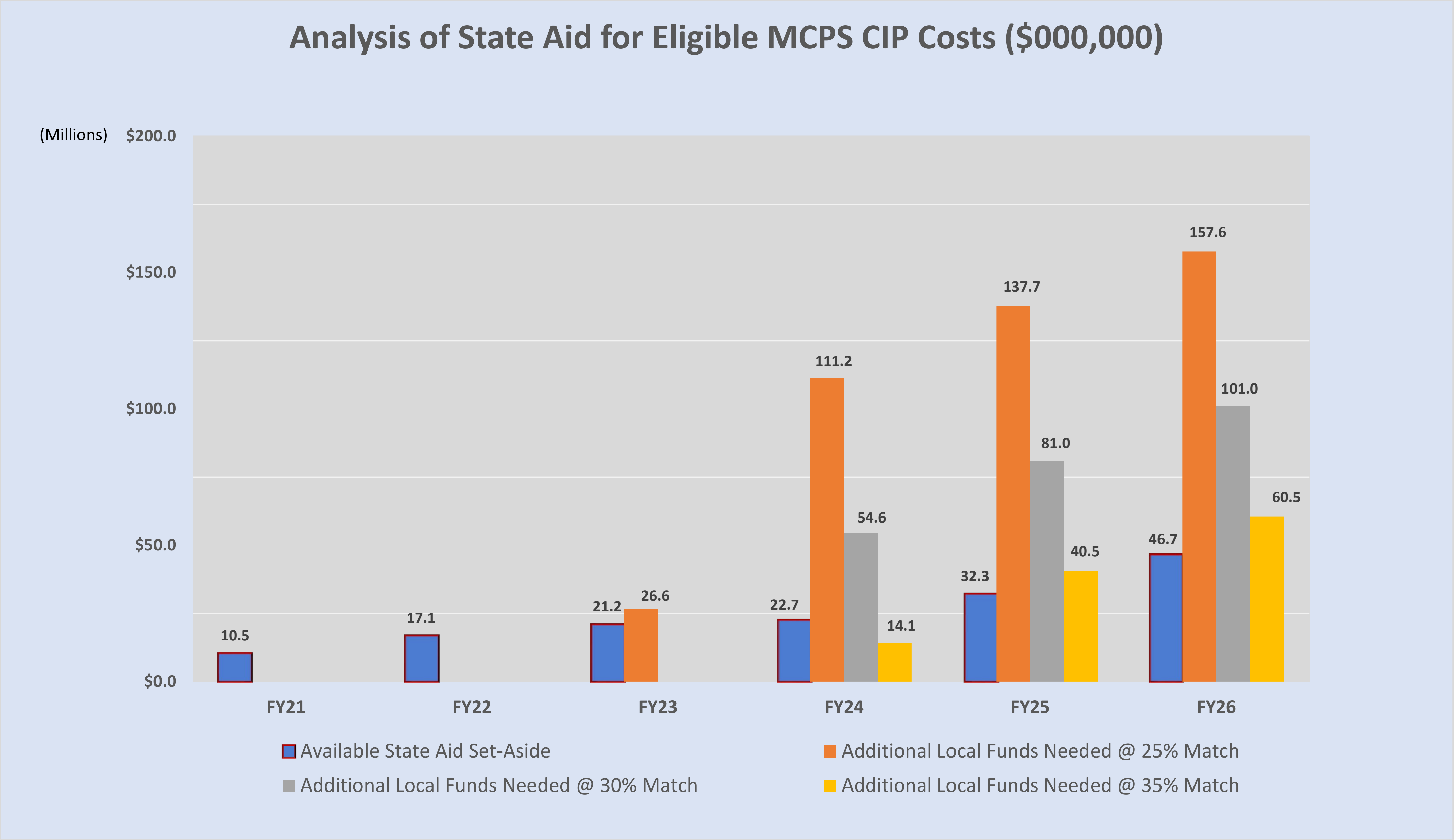
Pipeline Generation of Students for Discounted/Exempted Areas & MCPS Preferred Range of Enrollment: Planning Board Proposal
4000
3500
3000
2500
2000
1500
1000
500
0
3,660
648
438
1,096
688
300
450
450
750
800
1600
Designated Growth Area
Enterprise Zones
Opportunity Zones (w/o Viva White Oak)
Viva White Oak
25% MPDU Exemption-Market Rate Units
ES Preferred Range of Enrollment
MS Preferred Range of Enrollment
HS Preferred Range of Enrollment
Low Range
High Range
Total Estimated Student Generation

MCPS STATE AID COMPLEXITIES

- The Build to Learn Act has the potential to allocate $400M in additional State Aid for Montgomery County school construction
- Current State and local practices result in a State aid match ratio between 20%-25% - far below the 50% the County is eligible for.
- Without sufficient local resources, the County will be unable to meet the match requirements needed to leverage the full County allocation.
- Non-debt local CIP funding sources will be critical to the County’s ability to leverage the Build to Learn Act funding.

Analysis of State Aid As a Percent of Eligible MCPS CIP Costs ($000s)

Analysis of State Aid as a Percent of Eligible MCPS CIP Costs ($000s)							
	6 Year Total	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26
Total State Aid Eligible MCPS CIP Project Costs	1,281,667	233,719	201,095	233,408	228,778	202,316	182,351
State Aid Budgeted	432,834	54,134	58,700	65,000	85,000	85,000	85,000
State Aid as a Percent of Eligible MCPS Costs	33.8%	23.2%	29.2%	27.8%	37.2%	42.0%	46.6%
Additional Local Funds Needed @ 25% Match			n/a	26,592	111,222	137,684	157,649
Additional Local Funds Needed @ 30% Match					54,555	81,017	100,982
Additional Local Funds Needed @ 35% Match					14,079	40,541	60,506
FY22 additional match is not anticipated due to prior forward funding.							



Analysis of State Aid for Eligible MCPS CIP Costs ($000,000)
(Millions)
$200.0
$150.0
$100.0
$50.0
$0.0
10.5
17.1
21.2
26.6
22.7
111.2
54.6
14.1
32.3
137.7
81.0
40.5
46.7
157.6
101.0
60.5
FY21
FY22
FY23
FY24
FY25
FY26
Available State Aid Set-Aside
Additional Local Funds Needed @ 25% Match
Additional Local Funds Needed @ 30% Match
Additional Local Funds Needed @ 35% Match

What Could Be Purchased with $6.3M in transportation impact taxes over 6 years

- BRT System Development – support for New Hampshire Avenue & North Bethesda Transitway
- BIPPA projects – Veirs Mill/Randolph ($3.2M); Purple Line ($8.2M); Wheaton CBD ($3.0M)
- Bradley Boulevard Improvements – $9.8M
- Dale Drive Shared Use Path - $8.4M
- Fenton Street Cycletrack - $4.1M
- Good Hope Road Shared Use Path - $4.7M
- Observation Drive Extended - $39.8M through FY26

Impact Fees/Taxes

Impact fees and taxes are a highly debated tool to fund public facilities such as schools and roads. In some jurisdictions, they are highly contested. In other jurisdictions, they have been an important tool to fund needed facilities. Montgomery County and Howard County, MD have some of the highest impact fees/taxes in Maryland. In states that have APFO or concurrency laws there are more likely to be impact fees applied to new development. Using impact fees and taxes with lower or higher rates to incentivize particular growth patterns and forms is becoming more popular (ex. Howard County).

Impact fees and taxes are assessed by various factors such as per dwelling unit type, location, per square foot, per dwelling unit type, and average cost per student. Among local jurisdictions, Prince George's County in Maryland and Loudoun County in Virginia vary their impact fees or recommended proffers by location.

Table I1 summarizes the most current comparison of local development impact fees and taxes.

Table I1. Impact Fees and Taxes in Other Jurisdictions.

Jurisdiction	School Impact Tax/Fee Range	Determining Factor(s)	Update Year	Other Notes
Montgomery County, MD	$6,113-$26,207 per unit	Dwelling type; unit size	FY20	Single-family detached, single-family attached, multifamily high-rise, multifamily low-rise; $2 increase for each square foot of gross floor area that exceeds 3,500 square feet, to a maximum of 8,500 square feet
Anne Arundel County, MD	$2,636-$12,177 per unit	Unit size	FY20	
Caroline County, MD	$5,000 per unit	N/A	FY19	
Frederick County, MD	$6,974-$16,248 per unit	Dwelling type	FY20	Single-family detached, townhouse, all other
Harford County, MD	$1,200-$6,000 per unit	Dwelling type	FY20	Single-family detached, townhouse, all other
Howard County, MD	$1.32-$4.75 per square foot	Dwelling type	2020	Paid on senior and affordable units too; scheduled increases in 2021 and 2022
Prince George's County, MD	$9,741-$16,698 per unit	Location	FY19	Inside/outside the Capital Beltway; inflation adjusted annually
Queen Anne's County, MD	$4.56 per square foot	N/A	FY20	

Jurisdiction	School Impact Tax/Fee Range	Determining Factor(s)	Update Year	Other Notes
St. Mary's County, MD	See note	N/A	FY18	The impact fee was increased to $25,488 in FY18, however, that covers the impacts on all public facilities, not just schools. It is unclear what portion of that covers schools.
Talbot County, MD	$2,429-$3,466 per unit	Dwelling type	FY20	Single-family detached, all other
Fairfax County, VA	$1,373-$6,536 per unit	Dwelling type	FY17	Proffer contribution; single-family detached, single-family attached, multifamily high-rise, multifamily low-rise; suggested proffer is per student (calculated per unit range using most recent student yield ratios)
Loudoun County, VA	$5,493-$34,062 per unit	Dwelling type; location (5 locations)	FY19	Proffer contribution; single-family detached, single-family attached, multifamily, multifamily stacked; largely greenfield development

October 27, 2020

City of Rockville
111 Maryland Avenue
Rockville, Maryland
20850-2364
www.rockvillemd.gov

240-314-5000
TTY 240-314-8137

The Honorable President Sidney Katz and County Councilmembers
Montgomery County Council
100 Maryland Avenue
Rockville, Maryland 20850

Dear President Katz and members of County Council,

At its October 26th meeting, the Mayor and Council continued the review of the latest recommendations regarding the Montgomery County Draft 2020/2024 County Growth Policy (CGP), and directed me to provide their additional feedback, which is documented below. This letter supplements the City's letters submitted to you on September 15th and October 20th addressing this matter.

Recommendation to Change the Orange Transportation Policy Designation to the Red Designation for a Property Within the City Limits - The City received a request from EYA's representative, Bob Youngentob, for the Mayor and Council to recommend that the County Council change the proposed transportation policy area for a property currently in the city limits. The 10-acre property is adjacent to the King Buick site on MD 355 and is currently designated within the Orange Transportation Policy Area (see Map). Last evening, the Mayor and Council unanimously voted to recommend that the County Council change the designation of the 10-acre property within the city to the Red Transportation Policy Area. Thus, upon annexation, both properties need to be designated for the Red Transportation Policy Area.

The Mayor and Council desire for the King Buick site within the County to be annexed and developed comprehensively with the adjacent property in the city. The property currently included in the Orange policy area is appropriate to designate for the Red policy area, since it is closer to the Shady Grove Metro station than are other designated Red policy area properties. The King Buick property that is in the County should be retained in the Red policy area, should it be annexed into Rockville. In addition, the reduced transportation impact tax is needed for the project to move forward from an economic feasibility perspective.

Recommendation to Support Key Points Within County Councilmember Jawando's October 4th Memo on Subdivision Staging Policy Amendments (see enclosure) – The Mayor and Council unanimously supported the following items included in County Councilmember Jawando's memo:

- The need to do more to support overcrowded schools and other infrastructure in order to incentivize the kinds of development that will address our missing middle family housing crisis.

- Implementing a Utilization Premium Payment (UPP) in areas with overcrowded schools below a utilization of 120%. Specifically, the Mayor and Council supported requiring UPP payments of 50% of impact taxes beginning at 105% capacity and doubling the UPP payment to 100% of the impact taxes, once the capacity has reached 120%. This action will bring in additional needed funds to help address overcrowding issues.

- The need to address the lack of two-and-three-bedroom units in our multi-family housing. Incentives, as recommended by Councilmember Jawando, are needed to address our limited missing middle family housing stock. Discounted impact taxes should be used to further our commitment to providing more housing options for families by incentivizing increases in the number of two-and-three-bedroom units.

Recommendation Not to Apply Reduced Transportation Impact Taxes Within Designated Desired Growth and Investment Areas within the City of Rockville - The City received a request from County staff to review County Councilmember Friedson's proposal to reduce the transportation impact tax rate by 40% within designated Growth and Investment Areas. The Mayor and Council concurred with staff to not support this reduction in transportation impact taxes in these areas within the city. Rockville does not have sufficient information and has not performed a thorough evaluation to support a significant change such as this. The City needs to know if this discount in transportation impact taxes is needed and will result in enough development to off-set the loss in transportation funds through additional tax revenue. The proposed discount would result in a loss of millions of dollars in future revenue for City transportation projects.

Reemphasize the Mayor and Council's Recommendations in the enclosed October 20th Letter – this letter supplements the October 20th letter and the Mayor and Council want to emphasize the following:

- *Eliminating Schools and Transportation Impact Fees Exemptions Within Rockville's Opportunity Zones or, if the County Council does not take this action, then provide a "grandfathering" clause for project plans and other developments that have been approved by the Mayor and Council of Rockville prior to the adoption of the County Growth Policy. Without this grandfathering clause, the exemption would apply to our recently-approved project plan for Twinbrook Quarter. With the County's proposal to exempt properties in Opportunity Zones from the Transportation Impact Tax, the City would lose this same $2.5 million in Phase I alone that could be used to help pay for needed transportation-related projects in the City of Rockville.*

- *Ensuring Future Funding to Address School Capacity and Needed Upgrades to Existing Schools.*

- *Addressing Affordable Housing through such things as providing incentives to increase this type of housing within new developments in Opportunity Zones and other areas with discounted impact taxes.*

On behalf of our Mayor and Council, I appreciate your continued consideration to make the requested changes to the County's Growth Policy. The Mayor and Council of Rockville are scheduled to again discuss the proposed County Growth Policy at their November 2nd meeting to consider providing additional feedback. If you have questions, please feel free to contact me.

Sincerely,

Robert DiSpirito
City Manager

cc: Rockville Mayor and Council
Tim Chesnutt, Acting Deputy City Manager
Ricky Barker, Planning and Development Services Director
Craig Simoneau, Public Works Director
Cindy Walters, Acting City Attorney
Linda Moran, Assistant to the City Manager
Sara Taylor-Ferrell, City Clerk/Director of Council Operations

October 28, 2020

The Honorable Sidney A. Katz
Montgomery County Council Office Building
100 Maryland Avenue
Rockville, Maryland 20850

Dear President Katz:

On behalf of the Gaithersburg City Council, I would like to express our appreciation to the County Council for the comprehensive and thoughtful review of the 2020-2024 Subdivision Staging Policy (SSP) and the associated tax bills throughout the committee process. Recognizing the substantial changes in the demographic and development patterns that have occurred in the County over the last three decades, the Planning Board proposed an SSP that reflects a significant departure from the principles of prior plans. Even in the most normal times, we understand and appreciate the difficult task of determining the best and most appropriate policies for an area as expansive and diverse as Montgomery County, and recognize that the current economic and public health crisis has added another layer of complexity.

In my comments on November 15, 2020, the City Council and I suggested the Impact Tax Bill (38-30), Sections 52-41 and 52-54, include language regarding the Enterprise Zones and Opportunity Zones. Namely, that those boundaries remain valid during the entire 4 years of the SSP Implementation period (2020-2024), even if these programs are eliminated by the State or Federal Government during that period.

One of the Planning Board's original recommendations was to reduce the tax on *Desired Growth and Investment Areas* (*Activity Centers*) and change the school funding calculation. In order to offset the loss in revenue, an increase in the recordation tax was necessary to generate sufficient funding. During the recent Government Operations Committee meeting there was a recommendation to eliminate discounting the school impact taxes for these areas. However, it is our understanding that Councilmember Friedson has proposed an alternative recommendation that would provide a 40% discount on the transportation impact tax, rather than discounting the school impact tax. A reduction in the transportation impact tax would help drive development to the *Activity Centers* and continue to encourage a mix of residential and non-residential uses. Therefore, we respectfully request your support for Councilmember Friedson's proposal.

If the Council ultimately determines that increasing the Recordation Tax is necessary, we would like to reiterate our previous request that the County enter into a MOU with the City that would allow a portion of the Recordation Tax to be allocated to the City's Housing Initiative Fund, which is our mechanism for building affordable housing stock within the City.

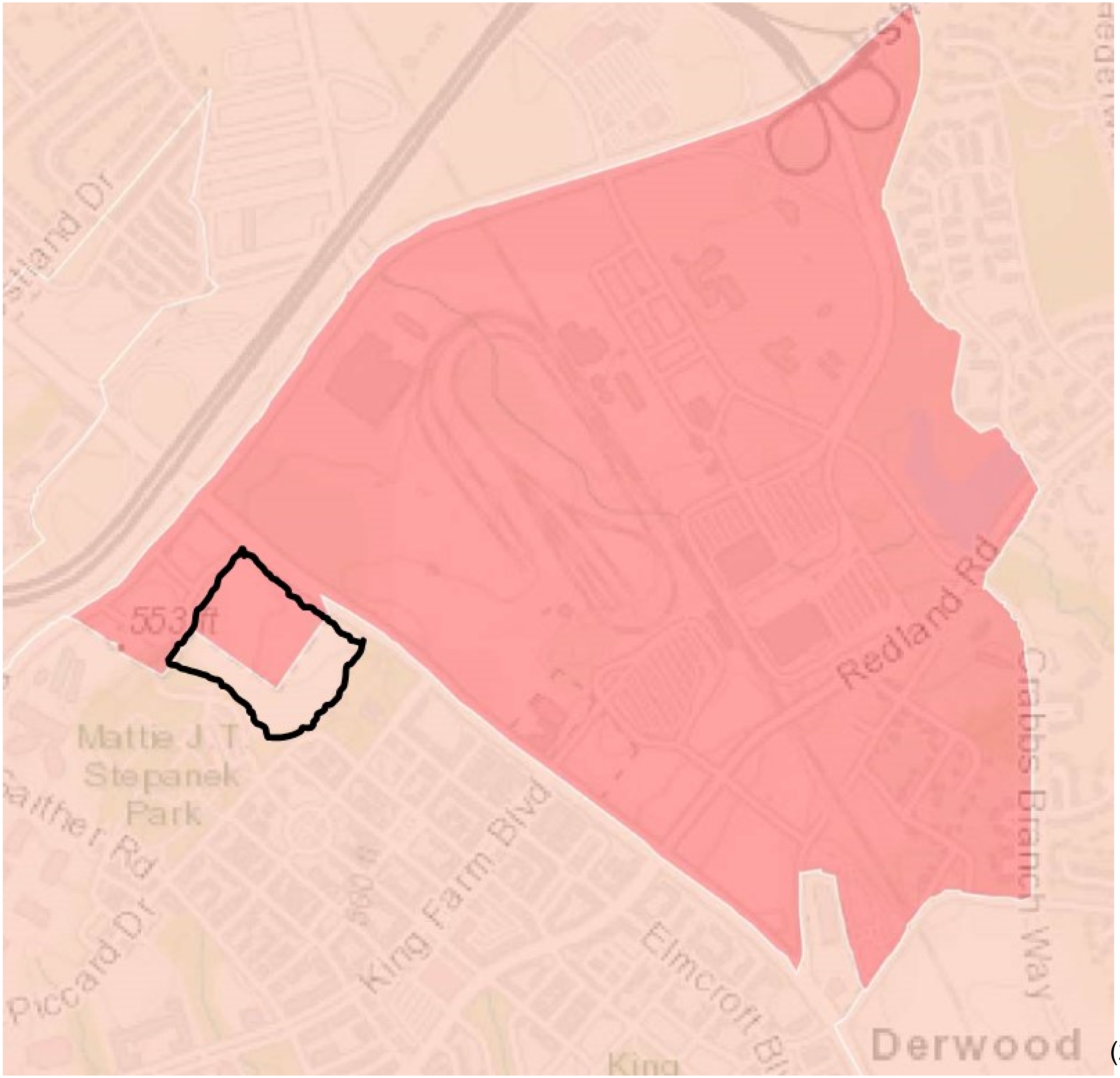
Finally, we request that the Council include a provision in the Impact Tax Bill, Section 52-50, which would allow more flexibility in the use of the Transportation Impact Tax funds for such things as vision zero initiatives and safety improvements. Such a provision would help the County achieve its Vision Zero goals and take a holistic view of all modes of transportation.

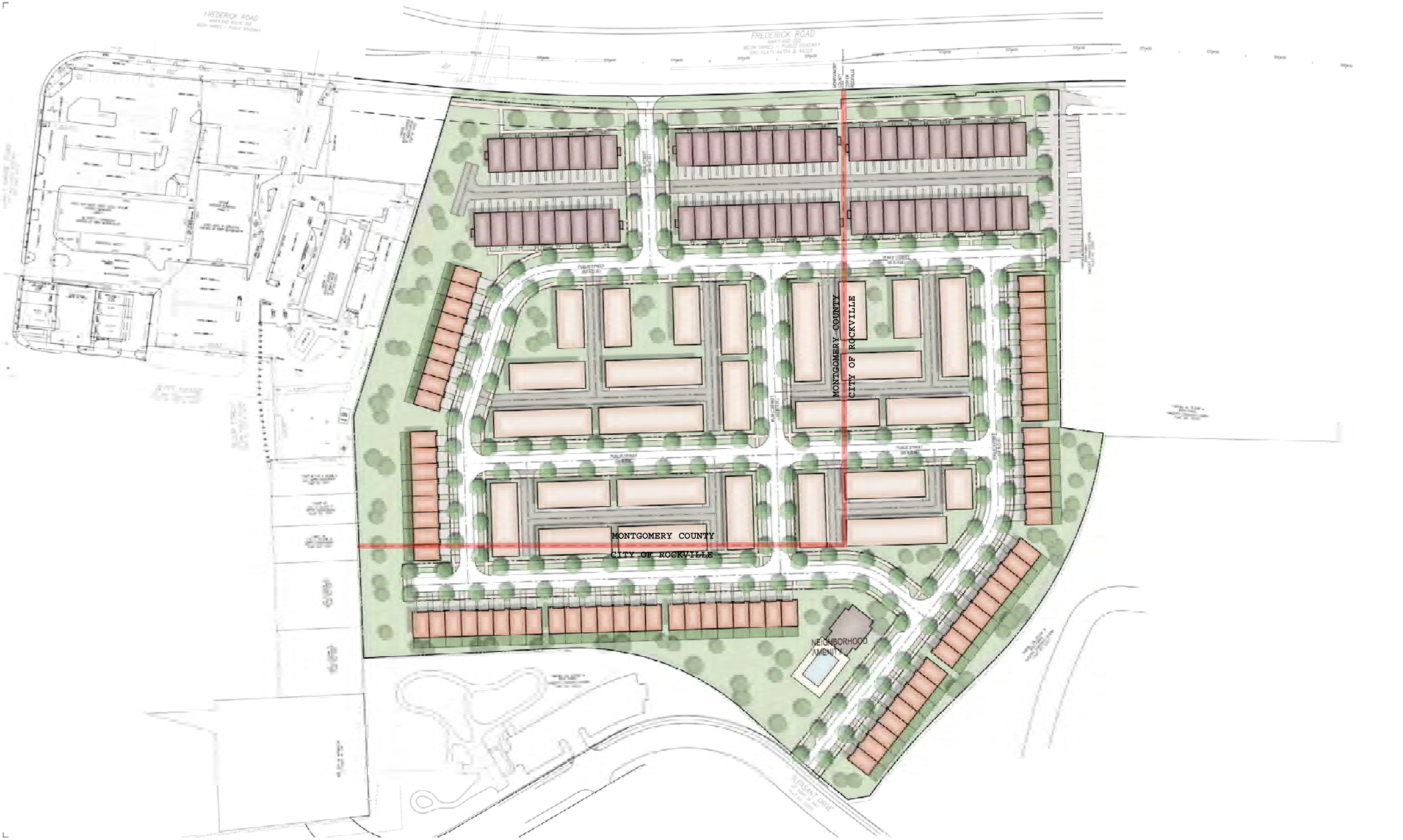
Thanks for your consideration. Please do not hesitate to contact me with any questions or for further discussion about the concerns we have outlined. We look forward to continuing to work with you throughout this process.

Sincerely,

Jud Ashman
Mayor

Cc: County Council members
Glenn Orlin


Redland Rd
Mattie J. T. Stepanek Park
King Farm Blvd
Elmcroft Blvd
Crabbs Branch Way
Piccard Dr
Gaither Rd
Derwood
King
553 ft
(29)



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CONCEPTUAL SITE PLAN

September 29, 2020

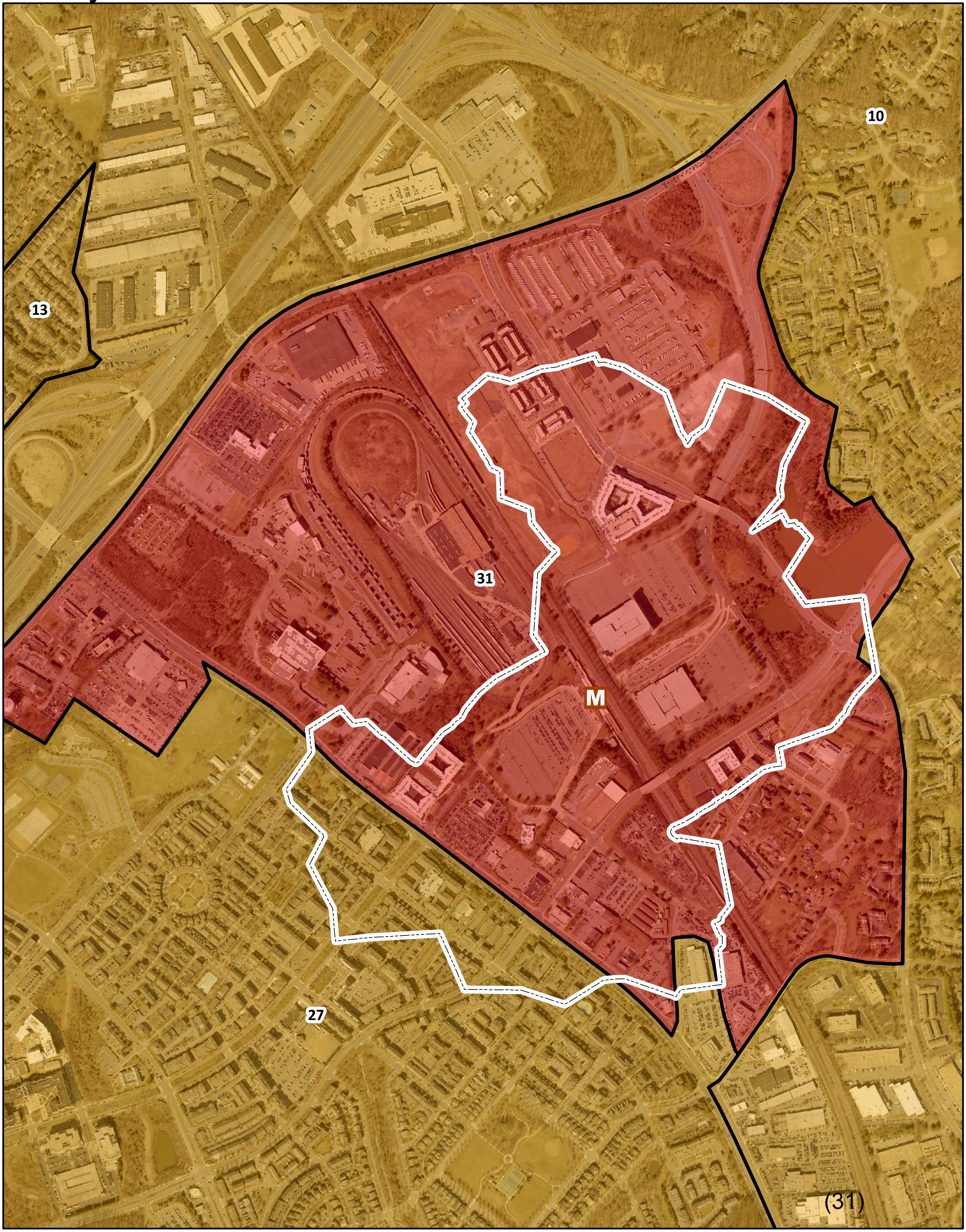
KING PROPERTIES

CITY OF ROCKVILLE, MD

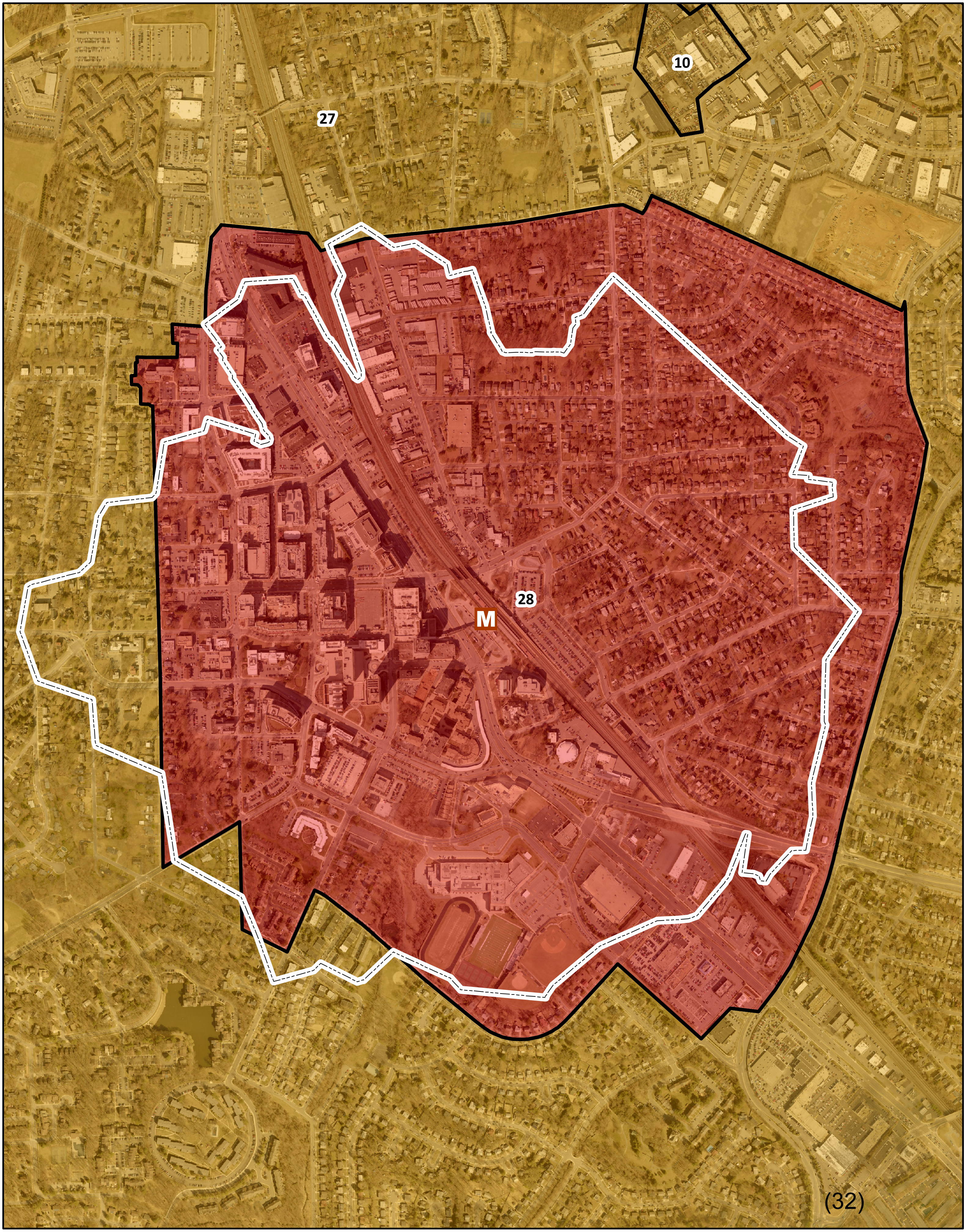
0 30 60 120
Scale: 1" = 60'

v12a

Shady Grove



Rockville



MEMORANDUM

October 26, 2020

TO: Councilmembers

FROM: Councilmember Andrew Friedson

SUBJECT: Desired Growth & Investment Areas

As we work our way through the Planning Board's recommended FY 2020-2024 Subdivision Staging Policy, one of the most important tasks before us is to set what we deem to be the most appropriate transportation and school impact tax rates. Like other Councils before us, we are examining the rationales behind previously approved Subdivision Staging Policies and reviewing updated data and refined enrollment trends in the context of today's land use patterns and best practices for transit-oriented, sustainable growth. The question that guides our work is not will we grow but, rather, how we will grow. And that question must be answered very intentionally and based on sound land use policy.

The Planning Board transmitted their recommendations after much deliberation, careful thought, and public input. They got many things right including refined student generation rates using geographic data, strengthened pedestrian and bike transportation tests, a new requirement for Vision Zero impact statements, and updated red policy areas incorporating future Purple Line station areas.

As you know, the Planning Board also recommended the establishment of *Desired Growth and Investment Areas,* with the goal of promoting and incentivizing smart growth. I agree with the Planning Board's goal with respect to this recommendation and share the sentiment that our county must grow in the most sustainable manner possible. However, I do not think discounting school impact taxes in these areas was the appropriate vehicle to advance our smart growth objectives. The cost of a student seat does not vary by geographical location, only the student generation rates do. The Planning Board successfully recommended rates based upon the most refined data available regarding student generation rates by housing type and geographic area of the county.

The application of *Desired Growth and Investment areas* has a direct nexus to transportation impact taxes for one very simple reason: Development in areas closer to significant transportation infrastructure places far less of a burden on our transportation network. Residents in such areas are much more likely to walk, bike, and/or use transit as opposed to the 73-78 percent who travel by auto in yellow and green policy areas. The 2016 creation of red, orange, yellow, and green transportation policy areas served as a solid construct for better aligning our transportation impact tax rates to actual impacts of new development. However, I believe this construct could be even better refined and as such, am proposing creating new *Desired Growth and Investment Areas* as part of the transportation policy areas and setting the locational adjustment factor at 0.6. The red policy areas that overlap with the Desired Growth and Investment Areas would remain unchanged at a locational adjustment factor of 0.4. This adjustment would better reflect access to existing transit infrastructure along our major corridors and in our activity centers and help create the conditions needed to ensure the success of future transit projects like the planned countywide BRT network, Corridor Cities Transitway, and additional bus routes by encouraging the development needed to support such infrastructure.

Additional information pertaining to this proposal, including a chart showing the addition of the Desired Growth and Investment Area, is attached for your reference. I appreciate your consideration of this proposal and look forward to discussing it in one of our upcoming work sessions.

cc:
Casey Anderson, Chair, Planning Board
Gwen Wright, Director, Planning Department
Jason Sartori, Chief, Countywide Planning and Policy, Planning Department
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Transportation Impact Tax Rate –

The 2016 SSP introduced two significant changes to the calculation of transportation impact taxes. The first change was the categorization of transportation policy areas into four distinct categories. For each policy area the observed Non-Auto Driver Mode Share (NADAMS) for work trips, current land use density of the policy area and forecasts of future land use density were recorded. Observing the relative grouping of policy areas with respect to current land use patterns, the prevalence of modes of travel other than the single occupant vehicle, and the planning vision for different parts of the County, four transportation policy area categories were created and defined as follows:

- Red Policy Areas are characterized by Down County Central Business Districts and Metro Station Policy Areas (MSPA) characterized by high-density development and the availability of premium transit service (i.e., Metrorail/MARC.
- Orange Policy Areas are characterized by corridor cities, town centers, and emerging Transit-Oriented Development (TOD) areas where premium transit service (i.e., Corridor Cities Transitway, Purple Line/Bus Rapid Transit) is planned.
- Yellow Policy Areas are characterized by lower density areas of the County characterized by mainly residential neighborhoods with community-serving commercial areas.
- Green Policy Areas include the County's agricultural reserve and rural areas.

The transportation policy areas were then assigned to one of the four categories based on their relative characteristics. Below are the transportation policy areas under each category.

Table 1.

Transportation Policy Area Category			
Red	Orange	Yellow	Green
Bethesda CBD MSPA	Bethesda/Chevy Chase	Aspen Hill	Damascus
Friendship Heights MSPA	Burtonsville Town Center	Clarksburg	Rural East
Glenmont MSPA	Chevy Chase Lake	Cloverly	Rural West
Grosvenor MSPA	Clarksburg Town Center	Fairland/Colesville	
Rockville Town Center MSPA	Derwood	Germantown East	
Shady Grove MSPA	Gaithersburg City	Germantown West	
Silver Spring CBD MSPA	Germantown Town Center	Montgomery	
Twinbrook MSPA	Kensington/Wheaton	Village/Airpark	
Wheaton CBD MSPA	Long Branch	North Potomac	
White Flint MSPA	North Bethesda	Olney	
	R&D Village	Potomac	
	Rockville City		
	Silver Spring/Takoma Park		
	Takoma/Langley		
	White Oak		

The other significant change to the calculation of transportation impact taxes was the creation of locational adjustment factors for each of the four policy area categories. Prior to 2016 there were three transportation policy area categories: Metro Station Policy Areas, Clarksburg, and everywhere in the County. And transportation impact tax rates were set such that the Metro Station Policy Area rate was approximately half the Countywide rate for both residential and commercial uses, while the Clarksburg rate was approximately 33 percent higher for residential uses and about 16 percent higher for commercial uses.

In 2016, locational adjustment factors for each of the policy area categories were created. The adjustment factors for residential uses were calculated by comparing home-based work vehicle miles traveled within each policy area category to the countywide average. For commercial uses, locational adjustment factors were calculated by comparing home-based work non-auto drive mode shares for each policy area category to the countywide average.

The table below shows the relevant data from 2016 and adjustment factors recommended at the time by Planning staff.

Table 2. Residential and Commercial Locational Adjustment Factors.

	RESIDENTIAL			COMMERCIAL		
Policy Area Category	HBW VMT	Ratio to County Average	Adjustment Factor	HBW NADMS	Ratio to County Average	Adjustment Factor
County Average	11.45			32.6		
Red	4.27	37%	0.25	45.2	81%	0.75
Orange	9.01	79%	0.75	28.3	106%	1.00
Yellow	15.39	134%	1.25	16.6	124%	1.25
Green	25.84	226%	2.00	10.2	133%	1.25

In 2016, the base transportation impact tax rates were also updated using housing and job growth forecasts to estimate future trip generation and estimated transportation CIP expenditures over the forecast period. After evaluating the updated tax rates adjusted by the locational factors, the Council considered several options in its review of the 2016 SSP. During this review, a primary consideration was the impact of eliminating the Transportation Policy Area Review mitigation payment. After much deliberation, the Council set the factors for residential and commercial uses equal to each other, as follows:

- Red Policy Area impact taxes were set to 40% of the base rates.
- Orange Policy Area impact taxes were set equal to the base rates.
- Yellow and Green Policy Area impact taxes were both set to 125% of the base rates.

These changes resulted in transportation impact taxes for residential uses increasing in many areas. On the commercial side, compared to the Planning Board's recommendations, the Council's rates were set 5% lower in the Red Policy Areas and 20% higher in the Orange, Yellow and Green Policy Areas.

Since these rates took effect on March 1, 2017, the rates have twice been adjusted for inflation (on July 1, 2017 and July 1, 2019). The current rates are shown below in Table 3.

Table 3. Current Transportation Impact Tax Rates, Effective July 1, 2019.

Land Use	Red PA	Orange PA	Yellow PA	Green PA
Residential Uses				
SF Detached	$7,838	$19,591	$24,490	$24,490
SF Attached	$6,413	$16,030	$20,038	$20,038
MF Low-Rise	$4,986	$12,465	$15,582	$15,582
MF High-Rise	$3,561	$8,904	$11,130	$11,130
MF Senior	$1,424	$3,562	$4,452	$4,452

Commercial Uses				
Office	$7.15	$17.90	$22.40	$22.40
Industrial	$3.60	$8.90	$11.20	$11.20
Bioscience	$0.00	$0.00	$0.00	$0.00
Retail	$6.35	$16.00	$19.95	$19.95
Place of Worship	$0.00	$0.00	$0.00	$0.00
Private School	$0.55	$1.45	$1.85	$1.85
Hospital	$0.00	$0.00	$0.00	$0.00
Social Service Agencies	$0.00	$0.00	$0.00	$0.00
Other Non-Residential	$3.60	$8.90	$11.20	$11.20

In this SSP update, the Planning Board did not recommend changes to the transportation impact tax rates. Under what is before the Council at this time, the rates in Table 3 will remain in effect until they are updated again by the rate of inflation on July 1, 2021. Given changes the CIP since 2016, including changes in the estimated cost of providing transportation facilities, and updated housing and job growth forecasts, the July 2021 update should include a recalibration of the base rates and locational adjustment factors including updated data on vehicle miles traveled and Non-Auto Driver Mode Share to reflect the new policy area designations that have added new Red Policy Areas and modified the boundaries of others. All future biennial updates can use the standard rate of inflation adjustment.

However, regardless of the timing of the update, the Planning Board Draft provides an opportunity to consider a change to the transportation impact tax, although it was not presented exactly that way. In the Planning Board's Draft SSP, Recommendation 6.2 includes a proposed 40% school impact tax discount for development in Desired Growth and Investment Areas, citing the Montgomery County Housing Needs Assessment's observation that the number of housing cost burdened households[1] is rising within the county's transit corridors. The GO Committee did not support this recommendation because the lack of a connection to school costs. However, the motivation for the proposal is valid and an adjustment to the transportation impact tax provides a logical alternative.

Rather than providing a discount to the school impact tax, provide a discount to the transportation impact tax in the desired growth and investment areas. This will help encourage growth in these areas by helping to lower development costs which is not only consistent with smart and sustainable growth principles, it can help reduce the cost burden in these areas by both increasing the housing supply generally and increasing the amount of affordable housing, in addition to encouraging complementary commercial development that creates whole communities.

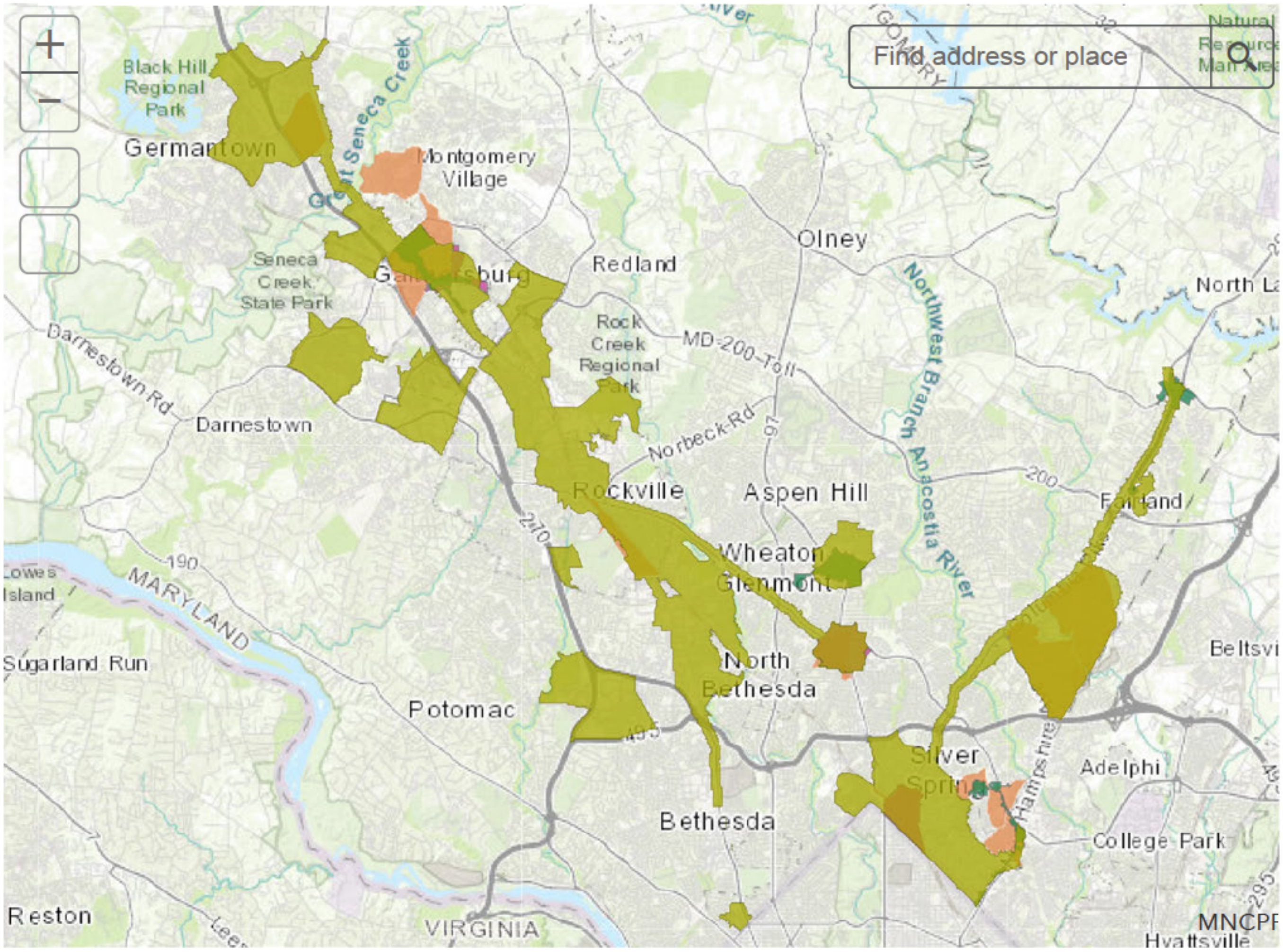
Below is a table showing the current transportation impact tax rates with an added rate for the desired growth and investment areas.

Table 4. Current Transportation Impact Tax Rates, effective July 1, 2019.

Land Use	Red PA	Desired Growth Areas	Orange PA	Yellow PA	Green PA
Locational Factors	**0.4**	**0.6**	**1**	**1.25**	**1.25**
Residential Uses					
SF Detached	$7,838	$11,755	$19,591	$24,490	$24,490
SF Attached	$6,413	$9,618	$16,030	$20,038	$20,038
MF Low-Rise	$4,986	$7,479	$12,465	$15,582	$15,582

[1] Households who pay more than 30 percent of their income for housing. If you include transportation costs this percentage is closer to 35 percent.

MF High-Rise	$3,561	$5,342	$8,904	$11,130	$11,130
MF Senior	$1,424	$2,137	$3,562	$4,452	$4,452
Commercial Uses					
Office	$7.15	$10.75	$17.90	$22.40	$22.40
Industrial	$3.60	$5.35	$8.90	$11.20	$11.20
Bioscience	$0.00	$0.00	$0.00	$0.00	$0.00
Retail	$6.35	$9.60	$16.00	$19.95	$19.95
Place of Worship	$0.00	$0.00	$0.00	$0.00	$0.00
Private School	$0.55	$0.85	$1.45	$1.85	$1.85
Hospital	$0.00	$0.00	$0.00	$0.00	$0.00
Social Service Agencies	$0.00	$0.00	$0.00	$0.00	$0.00
Other Non-Residential	$3.60	$5.35	$8.90	$11.20	$11.20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