



THE PRINCE GEORGE'S COUNTY GOVERNMENT

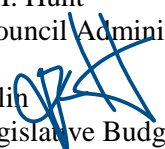
Office of Audits and Investigations


July 14, 2020

FISCAL AND POLICY NOTE

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin 
Senior Legislative Budget and Policy Analyst

FROM: Arian Albear 
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CR-067-2020

CR-67-2020 (Proposed and presented by: The Chair of the Council at the request of the County Executive)

Assigned to the Committee of the Whole

A RESOLUTION CONCERNING SCHOOL FACILITIES SURCHARGE for the purpose of approving a full exemption of the school facilities surcharge for all residential units used for undergraduate student housing within the Northgate Project.

Fiscal Summary

Direct Impact

Expenditures: \$2,891,920 forgone in a one-time exemption to the school surcharge fee.

Revenue: None expected.

Indirect Impact

Potentially positive.

Legislative Summary

CR-67-2020, proposed by the Council Chair at the request of the County Executive, was presented and referred to the Committee of the Whole on July 14, 2020. CR-67-2020 would fully exempt the Northgate Project of the school facilities surcharge for all residential units used for undergraduate student housing.

Background/Current Law

Prince George's County Code Section 10-192.01(a) authorizes the County Council to impose a school facilities surcharge for "new residential construction for which a building permit is issued on or after July 1, 2003."¹ The surcharge is to be used to pay for "1) [a]dditional or expanded public school facilities such as renovations to existing school buildings or other systemic changes; or 2) [d]ebt service on bonds issued for additional or expanded public school facilities or new school construction" and is not intended to supplant other County or State funding.² As required under Section 10-192.01(b)(1)(B), this surcharge is adjusted yearly for inflation according to the Consumer Price Index (CPI) published by the United States Department of Labor for the preceding fiscal year.³

In reference to universities situated within the County, the school facilities surcharge does not apply to multi-family housing

- (i) "[d]esignated as student housing that that [*sic*] is located in the area within the campus of Capitol Technology University located adjacent to and east of Springfield Road in Parcels 1 and 2...
- (ii) (ii) [d]esignated as student housing by Bowie State University and the governing body of Prince George's County that is located within 1 mile of Bowie State University."⁴

Several exemptions are provided to the school facilities surcharge fee which presumably aim to buttress lower-income individuals and areas, and encourage certain types of developments within the Beltway.⁵ In accordance with the University of Maryland, College Park's "University District Vision 2020" and House Bill 225 of the Maryland General Assembly in 2019,⁶ Section 10-192.01(b)(4)(D) of the County Code enables the County Council to "exempt some or all of the school facilities surcharge for undergraduate student housing within a designated geographical area located in the City of College Park"⁷ and specifies that the surcharge may be waived in housing "west of U.S. Route 1, North of Knox Road and South of Metzert Road."⁸ On January 14, 2020, the City of College Park requested that the County Council grant a full or partial exemption for the Northgate Project.⁹

As established under CB-44-2020, the current school facilities surcharge fee increased 0.3% from the previous fiscal year in accordance with the Consumer Price Index (CPI). Fees are as follow:

- "\$9,770 for permits issued for buildings located between Interstate Highway 495 and the District of Columbia and for permits issued for buildings included within a basic plan or conceptual site

¹ Prince George's County Code: [10-192.01\(a\)](#).

² Ibid. 10-192.01(f) and (e).

³ Ibid. 10-192.01(b)(3).

⁴ Ibid. 10-192.01(b)(4)(A).

⁵ Ibid. 10-192.01(b)(2), 10-192.01(b)(3), and 10-192.01(b)(6).

⁶ [Maryland House Bill 225](#), 2019.

⁷ CR-67-2020 [Agenda Item Summary](#).

⁸ Prince George's County Code: [10-192.01\(b\)\(4\)\(D\)](#).

⁹ [Transmittal](#) from the County Executive.

plan that abuts an existing or planned mass transit rail station site operated by the Washington Metropolitan Area Transit Authority or by the Maryland Transit Administration; and

- \$16,748 for permits issued for all other buildings.”¹⁰

Resource Personnel

Angie Rodgers, Office of the County Executive

Discussion/Policy Analysis

Attachment A, the Northgate request for school surcharge exemption, requests that the surcharge fee be waived on the basis of the project having no impact on public.¹¹ The school facilities surcharge fee is considered an impact fee due to increased population and the probable increase in school-age children living in the new units. As undergraduate student housing for the University of Maryland is expected to have little to no impact on public schools, waiving the surcharge will not have a per capita student detrimental effect on public schools in the area.

Since the school facilities surcharge law was amended in 2003 to allow private sector student housing built near the University of Maryland to be exempt from the surcharge, all eligible student housing projects built in College Park have received this exemption.¹²

Fiscal Impact

Direct Impact

Adoption of CR-67-2020 may decrease the amount of funds available to service bonds and renovate, expand, or construct new schools.

The Northgate project includes 296 units of student housing, 1,084 square feet of ground floor commercial retail space and 300 structured parking spaces that represents a \$140 million investment.¹³ The Finance Director for the Northgate Project projected that based on the estimated value upon completion of \$80,925,000, County property taxes would be an estimated \$749,366 annually¹⁴ – the surcharge exemption, a one-time waiver, would total \$2,891,920.¹⁵ The total per unit waiver amount for 296 units is \$9,770.

¹⁰ [CR-044-2020](#), lines 17-21.

¹¹ [CR-67-2020, Attachment A](#).

¹² [CR-67-2020, Attachment A](#).

¹³ [Transmittal](#) from the County Executive.

¹⁴ [CR-67-2020, Attachment A](#).

¹⁵ Attachment A provides an estimate using the per-unit surcharge amount from fiscal year 2015 (\$9,035) and arrives at a total waiver of \$2,674,360, a difference of \$217,560. This is a difference of \$217,560.

Below are the property projected values compared to the current assessed value as provided by the Northgate Project coordinators under Attachment A:¹⁶

Projected value			Current Assessed Value			Increase in taxes from development
\$ 80,925,000			\$ 2,836,800			
<u>Taxes & Fees:</u>	<u>Rate*</u>	<u>Amount</u>	<u>Taxes & Fees:</u>	<u>Rate*</u>	<u>Amount</u>	
PGC	\$ 0.926	\$ 749,366	PGC	\$ 0.926	\$ 26,269	754,332
PGC-Supplemental Education	0.040	32,370	PGC-Supplemental Education	0.040	1,135	
Park & Planning	0.294	237,920	Park & Planning	0.294	8,340	229,579
Total County related		1,019,655	Total County related		35,744	983,911
State of MD	0.112	90,636	State of MD	0.112	3,177	87,459
Stormwater/Flood control	0.054	43,700	Stormwater/Flood control	0.054	1,532	42,168
Wash.Sub.Transit	0.026	21,041	Wash.Sub.Transit	0.026	738	20,303
Total property tax excluding City		1,175,031	Total property tax excluding City		41,190	1,133,841
College Park	0.325	263,006	College Park	0.325	9,220	253,787
Total Property Taxes		<u>\$ 1,438,037</u>	Total Property Taxes		<u>\$ 50,410</u>	<u>\$ 1,387,627</u>

* Based on FY2020 rates

Indirect Impact

The aforementioned investment, along with the increase in student population to the area will have a number of positive economic effects within the community and City of College Park. In as much as the surcharge is passed down to consumers (undergraduate students), receiving the waiver would allow for greater expenditure in area businesses (restaurants, entertainment) and an overall increase in economic activity.

Effective Date of Proposed Legislation

The proposed Resolution shall be effective on the date of adoption.

If you require additional information, or have questions about this fiscal impact statement, please reach out to me via phone or email.

¹⁶ CR-67-2020, Attachment A.