



THE PRINCE GEORGE'S COUNTY GOVERNMENT

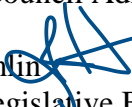
Office of Audits and Investigations


June 30, 2021

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-074-2021 (DR-2)

CR-074-2021 (*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 EXEMPTION for the purpose of approving a full exemption of the school facilities surcharge for all residential units within The HUB mixed-use student housing project.

Fiscal Summary

Direct Impact

Expenditures: No additional expenditures likely.

Revenue: \$1,638,980 forgone in a one-time exemption to the school facilities surcharge.

14741 Governor Oden Bowie Drive, Upper Marlboro, Maryland 20772
VOICE (301) 952-3431; FAX (301) 780-2097; TDD (301) 925-5167

Indirect Impact

Potentially positive.

Legislative Summary:

CR-74-2021, proposed by the Council Chair at the request of the County Executive, was presented and referred to the Committee of the Whole on 22 June 2021. CR-74-2021 would fully exempt the 161-unit The HUB student housing project in College Park from the school facilities surcharge.

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

Several exemptions are provided to the school facilities surcharge which presumably aim to encourage certain types of developments within the Beltway.⁴ In accordance with the University of Maryland, College Park's "University District Vision 2020" and Maryland General Assembly House Bill 225 of 2019,⁵ 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" and specifies that the surcharge may be waived in housing "west of U.S. Route 1, North of Knox Road and South of Metzertott Road."⁶ On 26 January 2021, the City of College Park requested that the County Council grant a full exemption for The HUB project.

As established under CR-065-2021⁷, the Fiscal Year 2021 school facilities surcharge increased 4.2% from the previous fiscal year in accordance with the CPI. The surcharge is as follow:

- \$10,180 per unit "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

¹ Prince George's County Code, [Section 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)(2), 10-192.01(b)(3), and 10-192.01(b)(6).

⁵ [Maryland House Bill 225](#), 2019.

⁶ Prince George's County Code: [10-192.01\(b\)\(4\)\(D\)](#).

⁷ [CR-065-2021](#).

plan or conceptual site 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”

- \$17,451 per unit “for permits issued for all other buildings.”

Resource Personnel:

Travis Bostick, Special Assistant to the Deputy Chief Administrative Officer for Economic Development

Discussion/Policy Analysis:

Waiving or otherwise providing exemptions from County-established charges and fees is one of several ways in which counties may incentivize businesses to move to the area. Arguments for allowing exemptions point to the long-term positive effects of more businesses or residents in an area, thereby increasing the tax-base over the benefits of a one-time charge. More housing and, specifically, more compact housing would increase transit-oriented development within the Developed Tier and help meet the County’s Plan 2035. 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 student per capita detrimental effect on public schools in the area. Additionally, 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.⁸

On the other hand, waiving fees for businesses that would conduct business in the County regardless of a one-time fee would only decrease the total revenue available for improved public services. Calculations on waiving surcharges may consider whether the waived amount would result in the business abstaining from construction as a result of the surcharge. As the University of Maryland, College Park campus would continue to create a natural demand for student housing, it would be safe to assume that another developer would meet the demand for new housing.

Provided that student housing for Bowie State University and Capitol Technology University is exempt from the school facilities surcharge, the Council may wish to explore why the University of Maryland, College Park was not also explicitly exempt from the surcharge.⁹ In addition, the Council may wish to review if other mechanisms are in place to grant economic incentives that do not take from possible funding for the renovation, upkeep, and construction of public schools within the County.

⁸ CR-015-2021, [Transmittal](#).

⁹ Prince George’s County Code: [10-192.01](#).

Fiscal Impact:

- *Direct Impact*

Adoption of CR-074-2021 will result in a negative fiscal impact to the County in the form of foregone school facilities surcharge revenue.

The HUB Project includes 161 units of undergraduate student housing and 1,022 square feet of new retail and pedestrian friendly public realm improvements. Assessing a \$10,180 school facilities surcharge per unit for all 161 residential units located in the Developed Tier would yield \$1,638,980. Adoption of CR-074-2021 would decrease the funds available to service bonds and renovate, expand, or construct new public schools.

<u>Surcharge per Unit</u>		<u>Foregone Revenue</u>
\$10,180 x 161 units	=	\$1,638,980

- *Indirect Impact*

Inasmuch as the investment serves to increase the general appeal of the area resulting in more economic activity for area businesses (such as restaurants and entertainment), there may be long-term indirect positive fiscal impacts for the City of College Park and Prince George's County.

- *Appropriated in the Current Fiscal Year Budget*

N/A

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.