



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

March 10, 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-015-2021

CR-015-2021 (*Proposed and introduced 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 within the Union on Knox Project.

Fiscal Summary

Direct Impact

Expenditures: No additional expenditures likely.

Revenue: \$2,188,480 forgone in a one-time exemption to the school facilities surcharge.

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Indirect Impact

Potentially positive.

Legislative Summary

CR-015-2021, proposed by the Council Chair at the request of the County Executive, was introduced and referred to the Committee of the Whole on February 23, 2021. CR-015-2021 would fully exempt the Union on Knox Project of the school facilities surcharge for 224 qualifying residential units.

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 House Bill 225 of the Maryland General Assembly in 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 Metzert Road."⁶ On 14 January 2020, the City of College Park requested that the County Council grant a full exemption for the Union on Knox Project.

As established under CB-044-2020, the Fiscal Year 2021 school facilities surcharge increased 0.3% from the previous fiscal year in accordance with the CPI. The surcharge is as follow:

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\(b\)\(4\)\(D\)](#).

- “\$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 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.”⁷
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Resource Personnel

Angie Rodgers, Office of the County Executive

Discussion/Policy Analysis

Waiving County-established charges and fees is one of several ways in which counties may incentivize businesses to move to the area. Arguments for allowing waivers 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 County Executive requests for school facilities surcharge to be waived based on the project having no impact on public schools and the projects economic contribution to the City of College Park and Prince George’s County.⁸ 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. 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.⁹

On the other hand, waiving fees to businesses which would move to the County regardless of whether the fee is waived 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 leaving or not establishing themselves in the area.

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.¹⁰ In addition, the Council may wish to review if other mechanisms are in place to grant economic incentives that do

⁷ Prince George’s County Code, [Section 10-192.01](#).

⁸ CR-067-2020, [Attachment A](#).

⁹ CR-015-2021, [Transmittal](#).

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

not take from possible funding for the renovation, upkeep, and construction of public schools within the County.

Fiscal Impact

Direct Impact

Adoption of CR-015-2021 will result in a negative fiscal impact to the County in the form of foregone school facilities surcharge revenue.

The Union on Knox Project includes 341 units of student housing and 20,000 square feet of new retail and pedestrian friendly public realm improvements – representing a \$138 million investment. 117 studio units are exempt from the fee in accordance to County Code Section 10-192.01(c)(2). Assessing a \$9,770 school facilities surcharge per unit for the remaining 224 residential units located in the Developed Tier would yield \$2,188,480. Adoption of CR-015-2021 would decrease the funds available to service bonds and renovate, expand, or construct new public schools.

$$\begin{array}{rcl} \text{Surcharge per Unit} & & \text{Foregone Revenue} \\ \$9,770 \times 224 \text{ units} & = & \mathbf{\$2,188,480} \end{array}$$

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 County and the City of College Park.

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.