

Office of the County Auditor
Auditor's Analysis

Council Bill No. 58-2022

Introduced: September 6, 2022

Auditor: Michael A. Martin

Fiscal Impact:

Our Office is unable to determine the foregone revenue resulting from this legislation, as we are unable to determine the square footage of future residential additions that would be assessed at the maximum Public School Facilities Surcharge (surcharge) rate, versus those that are assessed a lower rate due to an affiliation with senior housing or affordable housing.

However, for residential additions that will be assessed at the current maximum surcharge rate, there will be forgone revenue of \$6.18 per square foot. This amount is based on the difference between the proposed surcharge rate for residential additions of \$1.32 and the current maximum rate of \$7.50, which went into effect January 1, 2022.

For a historical context of how this proposed reduction in the school surcharge fee to \$1.32 per square foot would have impacted residential additions over the last three fiscal years (including Fiscal Year 2023 to date), please see the table below:

Fiscal Year	Total Sq. Ft. of Residential Additions	Total School Surcharge Fee Revenue	Average School Surcharge Rate*	Foregone Revenue
FY 2020	92,906	\$ 166,962	\$ 1.80	\$ (44,326)
FY 2021	114,865	\$ 339,616	\$ 2.96	\$ (187,994)
FY 2022	182,416	\$ 959,718	\$ 5.26	\$ (718,929)
FY 2023 (year-to-date)	21,036	\$ 104,826	\$ 4.98	\$ (77,059)

* These averages are less than the full surcharge assessment rate because some additions were eligible for a reduced surcharge rate under the current County Code provisions.

There will be no fiscal impact associated with additions classified as senior housing under 42 U.S.C 3607(b), as the rate for such units is already assessed at \$1.32 per square feet.

Purpose:

This legislation provides for construction that is classified as an addition to be assessed a Public Schools Facilities Surcharge of \$1.32 per square foot of occupiable area in residential buildings. Per the text of the legislation, “addition construction” represents any construction of an addition to a building where the work requires a Howard County building permit and where the addition either:

- Increases property’s gross square feet of occupiable nonresidential structure
- Increases property’s gross square feet of occupiable residential structure

NOTE: Activity deemed to be “addition construction” is currently assessed under the higher rate of \$7.50 per occupiable square foot in residential buildings as new construction is classified per Section 20.143(b)(2)(iii).

Other Comments:

The Public Schools Facilities Surcharge rate is \$7.50 per square foot of occupiable residential space. The rate will remain in effect until the rate is adjusted for inflation in accordance with Section 20.143(b)(4) of the County Code.

Per current County Code provisions, reduced school surcharge rates have only been applicable to certain new residential construction classified as senior housing or affordable housing regardless of whether it was considered a new build or addition.

The Director of the Department of Inspections, Licenses and Permits (DILP) confirmed that the surcharge fee has historically only been applied to residential structures and never to nonresidential structures. The Director indicated that DILP evaluates construction building permits and determines whether it should be classified as an addition or new build and that it is standard practice for all additions to a residential structure to be considered residential, regardless of use.