

Office of the County Auditor
Auditor's Analysis - REVISED

Council Bill No. 8-2021 (ZRA 193)

Introduced: January 4, 2021

Auditor: Michael Martin

Fiscal Impact:

The fiscal impact of this legislation (based on known development proposed by Blue Stream LLC) would result in increased commercial fee-in-lieu payments of approximately \$1.3 million. *According to Sec. 127.5 of the County Zoning Regulations, and as confirmed by the Department of Planning and Zoning, the Blue Stream development has frontage on U.S. Route 1. Therefore, the fee-in-lieu would be calculated at \$50 per square foot. The optional \$25 per square foot fee-in-lieu is only available for properties with no frontage on U.S. Route 1.*

The projected fiscal impact noted above does not include the effect of future development or impact of additional residential space and reduced commercial space. Determining that impact would require an extensive economic study.

Based on information provided in the Department of Planning and Zoning's (DPZ) Technical Staff Report, the fiscal impact of this legislation is calculated based upon Blue Stream LLC's proposed 1,345-unit development and the removal of the minimum 20 square feet per unit requirement of commercial space at \$50 per square foot.

All County revenue from commercial fee-in-lieu payments will be managed in a separate fund by the Howard County Economic Development Authority (HCEDA). These proceeds will be used to promote commercial development within the U.S. Route 1 corridor.

The Auditor's Office has asked HCEDA to provide additional details on these funds and how they will be utilized going forward. See the response from HCEDA in Attachment A.

Purpose:

The purpose of this legislation is to amend the Howard County Zoning Regulations to allow Corridor Activity Center (CAC) zoned properties that have or are adjoined to a parcel with 800 or more residential units the ability to reduce the required commercial square footage below the current minimum of 20 square feet per unit.

The requirement to pay \$50 per reduced square foot below the baseline of 70 square feet remains in the zoning regulation for developments with frontage on U.S. Route 1 and with at least 800

residential units. The fee is only \$25 per square foot for developments that have no frontage on U.S. Route 1 but are adjoined to a development with at least 800 residential units.

This bill also removes the need for a market-based study to support such a reduction in the amount of required commercial space per unit.

Other Comments:

According to DPZ, commercial buy downs have resulted in increased residential development in some cases. Two developments, Morris Place and Howard Square, have taken advantage of the current buy down options to minimize their commercial space requirement and thereby maximizing residential capacities.

Morris Place paid a fee-in-lieu of \$259,000 to eliminate its entire commercial obligation whereas Howard Square reduced its commercial requirement by 33,766 square feet through a combination of fee-in-lieu payments totaling \$1.25 million and provisions allowable under Moderate-Income Housing Unit (MIHU) and Leadership in Energy and Environmental Design (LEED) ratings.

The Department of Planning and Zoning indicated the practice of mandating piecemeal commercial space requirements has not been an effective tool to promote growth and revitalization in the U.S. Route 1 corridor area. Removing the commercial requirement may increase the total number of residential units in a development.

Attachment A

PROVIDED BY LARRY TWELE IN AN EMAIL TO THE AUDITOR ON JANUARY 22, 2021
Comments added by the Auditor's Office

ROUTE 1 REDEVELOPMENT REVOLVING INVESTMENT AND PROMOTION FUND Howard County - ZRA 193-

2021

Background

Council Bill 2-21016 approved ZRA 156 and became effective July 2, 2016.

The total collected from Developer fees was **\$1,508,342**: \$1,249,342 (Howard Square) + (\$259,000 Morris Place)

Finance performed a \$650K transfer out of EDA operating budget to capital projects in FY17 under authority of *Internal Order 7-114*.

- \$400K to C-0285- funded expenditures that could not otherwise be funded with "old" bond funds; This funded a variety of capital project expenses along the Route 1 Corridor. Types of expenses include: civil engineering and survey services (i.e. Alignment studies, hydraulic and hydrologic studies, location surveys, forest con plats and easements and deed descriptions); traffic and pedestrian improvements; consulting for the Route 1 Master Plan; sidewalk design and pedestrian improvement for OOT (Brewers Court, Rowanberry, and Patel Drive).
- \$250K to C-0344

The balance of \$858,342 was placed in US Rt. 1 Corridor spending authority in EDA's FY18 operating budget, *Program Revenue Fund 2150000000*

To date the EDA has charged \$295,682 that has supported focused marketing and staff efforts for Rt. 1 attraction and expansion projects and promotion of the Rt. 1 Tax Credit. **The Auditor's Office confirmed with HCEDA that a new fund is not being created, they will add the new revenues to the existing balance, and establish a new capability utilizing the existing fund.**

During the period of FY19 and FY20 the results of these efforts has resulted in:

- 47 Business clients that either relocated to or expanded operations
- accounting for 2310 new jobs, 2550 retained jobs
- Capital Expenditures of \$123,404,914
- Impacting 2,551,019 sq. ft. commercial space.

As these were assumed to be "one time" money, the balance of these funds were largely held in reserve to aide in the pending completion of the Rt 1 study that was in process during FY18/19.

The Auditor's Office confirmed with HCEDA, that the total balance remaining in the Route 1 Program is \$562,660.

Use of ZRA 193 funds

Because of the significant amount of funds that could be generated by ZRA 193, The Howard County Economic Development Authority (HCEDA) proposes to establish a Rt 1 Redevelopment Revolving Investment and Promotion Fund to serve as the principal tool for Howard County to effect positive change

Attachment A

along the Route 1 corridor. **(The Auditor's Office confirmed with HCEDA that a new fund is not being created, they will add the new revenues to the existing balance, and establish a new capability utilizing the existing fund.)** The Fund will be used to support commercial and industrial business and development along the Route 1 corridor. The Fund will be administered by the HCEDA and used to create increased tax revenue to the County, create jobs and encourage private sector capital investment. The Fund may be utilized by the HCEDA to:

1. Leverage the private sector to purchase distressed/derelict underperforming (I.e. low tax revenue) parcels for redevelopment,
2. Form public private partnership(s) to redevelop distressed/derelict underperforming parcels and/or to form a larger developable parcel,
3. Purchase , improve and resell such properties and reinvest revenues into the fund,
4. Support the promotion of commercial and industrial businesses along the Route 1 corridor,
5. Take any action necessary to support the foregoing or any other incentive which the HCEDA determines is needed to accomplish the goals of the Fund,
6. Oversight of the Fund will be provided by the EDA Board of Directors/Incentives Committee and will establish performance goals and reporting requirements.

Route 1 Program Summary	
Description	Revenue
Funds recd related to Howard Square	\$599,342
Funds recd related to Morris Place	\$259,000
Total funds recd related to Route 1 Program	\$858,342
Expense thru Dec 30, 2020	(\$295,682)
Route 1 Program Fund balance	<u>\$562,660</u>

Auditor's Note: The following funds were received: \$1,249,342 (Howard Square) and additional funds were transferred to capital projects which net to the \$599,342 noted in "*Funds recd related to Howard Square*" above.