Amendment 96 to Council Bill No. 28 -2023

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Amendment No. 96

(This Amendment makes the following changes to HoCo by Design Chapter 2:

Chapter 2: Growth and Conservation Framework	-	*Add a statement about revenues generated by new growth not being sufficient to meet the needs of the new growth and aging infrastructure.)*

In the *HoCo By Design* General Plan, attached to this Act as Exhibit A, amend the following pages as indicated in this Amendment:

- Chapter 2: Growth and Conservation Framework: page 23.

Correct all page numbers, numbering, and formatting within this Act to accommodate this amendment.

Fiscal Impact Assessment

An analysis was conducted to measure the fiscal impacts of the potential growth scenarios and the FLUM. General Fund operating and capital costs and revenues were projected based on the residential and nonresidential growth for each land use scenario. Based on the current cost and revenue structure and service levels in the County, the fiscal study determined that new growth would generate more revenues than costs for services and infrastructure, partly due to the fact that in Maryland counties multiple key revenues are directly tied to new development. As the amount of residential and nonresidential growth increases, the net revenues to the County also increase. Thus, growth has a positive net fiscal impact to the County.

The largest revenue sources to the County are property and income taxes. Combined, they generate about 90% of total operating revenues. The Maryland tax structure allows counties to assess both property tax and local income tax by place of residence. This tax structure is unique, as most counties in the United States do not have a direct local income tax and instead rely on other sources such as a local retail sales tax to raise revenues. Howard County's authority to assess both property and income tax locally is a leading reason new residential development is fiscally positive.

Different land uses require different levels of service and infrastructure needs. For example, single family homes, with greater numbers of students, require more in school service and facility needs compared to multifamily homes, while non-residential land uses require no school services at all. These differences have been accounted for in the fiscal analysis.

A significant reason why new growth is a net positive to the County budget is because of the multiple one-time revenues collected from new construction. These revenues include transfer, recordation, and road excise taxes, as well as the school surcharge, and are used to help pay for new capital facilities and operating costs. For example, the school surcharge is collected at the time of building permit issuance for each new home built in the County. The school surcharge rate was recently increased from $1.32 per square foot to $7.50 per square foot beginning in 2022. Road excise taxes are collected on both residential and nonresidential development. But revenue generated by new growth helps cover only current levels of service for population increases and does not produce enough revenue to maintain and replace existing and aging infrastructure or accommodate increased levels of service based on the needs of future population demographics.

SAAC FY2023 RECOMMENDATIONS

In its Fiscal Year 2023 report, the Spending Affordability Advisory Committee (SAAC) urged the County to focus on promoting and developing the diversity of its long-term tax base. The report emphasized the importance of commercial-base development to rebalance expenditure needs and fiscal resources—and recommended that the General Plan encourage redevelopment and commercial growth in defined employment centers. The SAAC also described how redevelopment, and more dense and multi-family-driven housing development, would become more important over the long-term, as the supply of greenfield parcels dwindles. The Committee suggested the County allow for more commercial development, reexamine height restrictions, and reassess parking ratios.

Besides the need to build new infrastructure capacity to accommodate more people and jobs moving to the County, including new schools, roads, parks, and public safety facilities, there is also an increasing need to maintain and rebuild existing infrastructure. Much of the County's public infrastructure was built in the 1950s and the decades following as suburban growth patterns emerged. A significant portion of this early infrastructure was funded with the assistance of state and federal funds, which are no longer available to the same extent. The County uses a variety of sources (general obligation bonds, pay-as-you-go funding, school surcharge, transfer taxes, and road excise tax revenue) to support infrastructure on an annual basis. However, infrastructure needs are increasing as many roads, schools, and other capital facilities reach the end of their useful lives.

The fiscal analysis shows that new growth generates positive net revenues for the County. So as growth continues, these additional net revenues can help pay for the rebuilding and maintenance of existing infrastructure. As new growth slows, however, these surplus revenues will diminish, creating challenges in the years ahead. Furthermore, and independent of new growth, the cost to maintain and rebuild roads, sewers, schools, and the like will only increase into the future as this existing infrastructure continues to age.

Regardless of Howard County's growth trajectory, government will face challenges in the years ahead in maintaining its existing infrastructure. It is clear from the fiscal analysis that new growth generates net positive revenues for the County, with more growth generating more in net revenues. However, more growth will also require more infrastructure that will eventually need to be replaced. The County will be best served in the future if it prioritizes maintenance of existing infrastructure in future budget decisions.