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Testimony on Council Resolutions 72 and 75, 2016

The amount of the Building Excise fees and fees-in-lieu of providing Moderate Income Housing Units, where allowed, both of which are paid by builders/developers are set each year via Council Resolutions. Any increase is capped by the amount of the percentage set by the Engineering News Record's Construction Cost Index for the Baltimore Region. This cost index went down this year, thus no increases will be seen in these two fees for the next fiscal year.

I personally think the usage of this particular indicator as a cap is inappropriate. There must be data available that is more localized. I realize this is the most local data from that group provided, and is set by law as the index used for the cap.

I realize that this economic indicator can show the affect of supply and demand on prices in the industry, which then extrapolate to the notion that profits are down, even with decreased expenses, as decreased costs occur with decreased demand, and thus, certain cost increases are then capped at the government level. I get that; however, this is not Baltimore, this is Howard County. Our housing market is not the same, especially recently, and our demand for housing is high. Otherwise there wouldn't be a clamor from developers to increase their ability to provide so much of it, in ever-increasing amounts, even instead of commercial development, etc. They are viewing the market here as such.

In summary, the market demand for housing here is solid, holding up property values, and yes construction costs are down for the Baltimore Region, so you are forced to take an expense that is used in a comparative way, analyzed as paid versus bearing the much larger cost of providing a MIHU, and you have to keep it flat, when providing that MIHU is certainly an expense that is increasing in Howard County. It is certainly a no-brainer to pay the fee instead.

I know there are State law issues here. I just wanted to request that you keep in mind that this is an area where County development is reaping an economic benefit that is out of your control, and maybe when you are faced with decisions regarding analyzing the economic ability of developments to be able to proceed without additional incentives, you can remember these issues, on the other side of the coin, and take them into consideration as well.