AGENDA ITEM #6B
November 19, 2013

Action

MEMORANDUM

November 15, 2013

TO: County Council

FROM: Amanda Mihill, Legislative Attorney

SUBJECT: **Action:** Bill 5-13, Property Tax Credit - Accessibility Features

Government Operations and Fiscal Policy Committee recommendation (2-0): enact Bill 5-13 with amendments.

Bill 5-13, Property Tax Credit - Accessibility Features, sponsored by Councilmember Leventhal, was introduced on February 5, 2013. A public hearing was held on February 26 at which all speakers, including a representative of the Executive, supported Bill 5-13. A Government Operations and Fiscal Policy Committee worksession was held on October 14.

Bill 5-13 would provide for a property tax credit for an accessibility feature installed on an existing residence. The state law that authorizes this credit is shown on ©13. Howard County enacted a similar credit on October 1, 2012. See ©15 for a memorandum from the Executive supporting Bill 5-13, which he notes complements an initiative Executive staff have been working on to increase the supply of housing with "Design for Life" features.

Issues/Committee recommendation

Legislative mandate Disability advocate Jackie Simon urged the Council to legislatively mandate accessibility standards (©48-49). Although that discussion may be a worthwhile one for the relevant committee of jurisdiction, such a legislative mandate is outside the scope of Bill 5-13.

Executive amendments On June 21, the Executive transmitted amendments to Bill 5-13. These amendments would:

- provide a tax credit for a new single-family residence that meets a Level I or Level II accessibility standard;
- cap the credit for a Level 1 accessibility standard at $3,000 less credit received against the Development Impact Tax for School Improvements;
- cap the credit for a Level 2 accessibility standard at $10,000 less credit received against the Development Impact Tax for School Improvements;

- cap the total amount of credits granted at $500,000 per year;
- provide for a graduated credit against school impact taxes depending on the percentage of residences built that meet Level 1 accessibility standards;

Percentage of residences that meet Level 1 accessibility standards	Credit per residence
5%	$500
10%	$1,000
25%	$1,500
30%	$2,000

- require a seller to disclose to a home buyer the availability of property tax credits for accessibility improvements; and
- make technical and clarifying changes to Bill 5-13.

The **Committee recommended (2-0, Councilmember Ervin temporarily absent):** support the Executive amendments.

School impact tax credit amount As discussed above, the Executive amendments would provide a school impact tax credit on a graduated basis, depending on the percentage of homes that are built with Level 1 accessibility features. The Commission on People with Disabilities, while supportive of Bill 5-13 in general, argues that a $500 credit would not entice a builder to include these features. Rather than use a sliding scale, the Commission urged a set credit amount.

Disclosure to new homebuyers As noted above, the Executive amendments would require a seller to disclose to a home buyer the availability of property tax credits for accessibility improvements. In its testimony, the Greater Capital Area Association of Realtors (GCAAR) supported Bill 5-13 but raised concerns about the potential disclosure requirement. In subsequent correspondence, GCAAR noted that this will require changes to new home contracts and questioned if the information that is required in the disclosure (a description of the types of improvements for which the credits are available and an estimate of the amount of credit) will be provided by the County. At the worksession, Executive staff stated that they would be working with affected stakeholders to implement this provision.

New issue for Council Discussion: After the worksession, Robert Kaufman, on behalf of the Maryland National Capital Building Industry Association, raised concerns with the disclosure language in the Executive amendments. Mr. Kaufman noted the BIA's support of the concept of disclosure, but sought language to ensure that the disclosure focused on general costs and features since the accessibility options are nearly limitless. **Council staff recommends** the Council adopt the following amendment on ©2, lines 11-13:

(b) The disclosure must include [[a description of]] general information about the types of improvements for which the credits are available and an estimate of the [[amount of credit]] general cost to make the improvements.

This language would address Mr. Kaufman's concerns and still provide meaningful information to potential buyers. For examples, under this language, sellers could provide information similar to these examples:

1. The typical visitability requirements range from $xx - $xx with a credit of $xx and $xx.
2. The typical fully accessible home can range from $xx - $xx with a credit of between $xx and $xx.
3. Check with your builder to find out if an elevator option is available.

Compatibility with the Zoning Ordinance Council Senior Legislative Analyst Linda McMillan noted that in some zones, including the CR zones, public benefit points that allow increased density are awarded for units with interiors that satisfy American National Standards Institute A117.1 Residential Type A standards (or an equivalent County standard). Council staff questions whether a builder should be allowed to obtain both public benefit points for additional density and take advantage of the available tax credits. The tax credits are available only for single-family homes and the vast majority of dwelling units in the CR zones would be multi-family homes. Therefore, the overlap is limited. **Committee recommendation** (2-0, Councilmember Ervin temporarily absent): amend Bill 5-13 to ensure that an applicant does not receive both public benefit points and the tax credit simultaneously. This language is on ©10, lines 245-247.

This packet contains:

F:\LAW\BILLS\1305 Property Tax Credit Accessibility Features\Action Memo.Doc

Bill No. 5-13
Concerning: Property Tax Credit – Accessibility Features
Revised: 10/22/2013 Draft No. 2
Introduced: February 5, 2013
Expires: August 5, 2014
Enacted: ____
Executive: ____
Effective: ____
Sunset Date: ____
Ch. ____, Laws of Mont. Co. ____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Councilmember Leventhal

AN ACT to:

(1) provide for a property tax credit for an accessibility feature installed on an existing residence; **[[and]]**
(2) provide for a property tax credit for meeting a Level I or Level II accessibility standard on a new single family residence;
(3) provide for an impact tax credit against the Development Impact Tax For Public School Improvements for meeting a Level I accessibility standard; and
(4) generally amend County law regarding property tax credits.

By adding
Montgomery County Code
Chapter 40, Real Property
Section 40-12D

Chapter 52, Taxation
[[Section**]]** Sections 52-18T, 52-18U

By amending
Montgomery County Code
Chapter 52, Taxation
Section 52-93

Boldface	*Heading or defined term.*
Underlining	*Added to existing law by original bill.*
[Single boldface brackets**]**	*Deleted from existing law by original bill.*
Double underlining	*Added by amendment.*
[[Double boldface brackets**]]**	*Deleted from existing law or the bill by amendment.*
* * *	*Existing law unaffected by bill.*

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. [Section] Sections 40-12D, 52-18T and 52-18U [is] are added and Section 52-93 is amended as follows:

40-12D. Disclosure of availability of property tax credits for accessibility improvements.

(a) Before the buyer signs a contract for the purchase of a new single-family residential real property in the County, the seller must disclose to each prospective buyer that a real property tax credit may be available to the buyer for the cost of installing accessibility features or the cost of Level I or Level II accessibility standards to the property as defined in 52-18U(a).

(b) The disclosure must include a description of the types of improvements for which the credits are available and an estimate of the amount of credit.

(c) A seller or the seller's agent is not liable for any incorrect information disclosed under this Section if the seller or the seller's agent relied in good faith on information provided by the County to describe the credit or to estimate the amount of the credit.

52-18T. Property Tax Credit – Accessibility Features

(a) *Definitions.* In this Section, the following terms have the meaning indicated.

Department means the Department of **[[**Finance**]]** Permitting Services.

Director means the Director of the Department or the Director's designee.

Eligible costs means costs that are:

(1) incurred within 12 months before the property owner submits an application to the Department for the credit;

(2) for a feature authorized under this Section, including reasonable costs to install the feature;

(3) paid by the applicant and not, or will not be, reimbursed by any entity; and

(4) in excess of $500.

Feature means a permanent modification to a residence that results in:

(1) a no-step front door entrance with a threshold that does not exceed ½ inch in depth with tapered advance and return surfaces or, if a no-step front entrance is not feasible, a no-step entrance to another part of the residence that provides access to the main living space of the residence;

(2) an installed ramp creating a no-step entrance;

(3) an interior doorway that provides a 32-inch wide or wider clearing opening;

(4) an exterior doorway that provides a 36-inch wide or wider clear opening, but only if accompanied by exterior lighting that is either controlled from inside the residence, automatically controlled, or continuously on;

(5) walls around a toilet, tub, or shower reinforced to allow for the proper installation of grab bars with grab bars installed in accordance with the Americans with Disabilities Act Standards for Accessible Design;

(6) maneuvering space of at least 30 inches by 48 inches in a bathroom or kitchen so that a person using a mobility aid may enter the room, open and close the door, and operate each fixture or appliance;

(7) an exterior or interior elevator or lift [[of]] or stair glide unit;

(8) an accessibility-enhanced bathroom, including a walk-in or roll-in shower or tub; or

(9) an alarm, appliance, and control structurally integrated into the unit designed to assist an individual with a sensory disability.

(b) *Credit established.* In accordance with Section 9-250 of the Tax-Property article of the Maryland Code, the owner of real property may receive a property tax credit against the County property tax for a feature that is installed on an existing residence that is the owner's principal residence when the feature is installed.

(c) Credits.

(1) *Amount of Credit.* The tax credit allowed under this Section is the lesser of:

[[(1)]](A) 50% of the eligible costs; or

[[(2)]](B) $2,500 less any subsidy received from a governmental, quasi-governmental, or non-profit entity for the feature.

(2) Any credit that is received that exceeds the annual tax liability of the property may be carried over to the next tax year.

(3) The credit runs with the property upon the transfer of title and the balance of any credit will be applied to the tax bill of the subsequent owner of the property.

(d) *Annual Limit on Amount of Credits Granted.*

(1) During any fiscal year, the total of all tax credits granted under this Section must not exceed $100,000.

(2) Credits must be granted in the order in which the Department [[receives]] certifies the [[complete applications]] amount of the credit under subsection (e)(3) of this Section.

(3) [[A complete application that, if granted, would cause the limit set forth in paragraph (1) of this subsection to be exceeded, must be granted in the next fiscal year or years and in the order received.]] A certification of a credit that would cause the limit

in subsection (d)(1) of this Section to be exceeded must be granted in the next tax year or years subject to subsections (c) and (d)(1) of this Section.

(e) *Application for the Credit.*

(1) To receive the credit, a property owner must submit an application to the Department:

(A) in the format the Department requires;

(B) that includes a copy of the building permit to install the feature;

(C) that includes any document that the Department requires; and

(D) on or before the date the Department sets.

(2) The Department must only accept one application for a credit under this Section for each property during a single tax year.

(3) The Department must certify to the Department of Finance that the property is eligible for the credit and the amount of the credit.

(4) A property owner may submit an application on or after March 1, 2014 for a credit.

(f) *Administration.*

(1) The County Executive may adopt regulations under Method (2) to administer this Section.

(2) The Department must submit a written report to the Council by October 1 of each year for the preceding fiscal year. The report must include the following:

(A) number of applicants;

(B) number of applications approved;

(C) [[income range of applicants;]]

[[(D)]] modification made by the applicant;

[[(E) reason for the modification]]

[[(F)]] (D) other sources from which the applicant received funds or applied for assistance for the modification;

[[(G)]] (E) efforts to advertise the credit; and

[[(H)]] (F) any program recommendations.

(g) *Publicity*. The Department must publicize the credit in a way designed to inform those most likely to benefit from the credit.

(h) *Effective Date*. The credit authorized by this Section applies to tax years beginning [[June 30, 2013]] July 1, 2014.

52-18U. Property Tax Credit – Level I and Level II Accessibility Standards

(a) *Definitions*. In this Section, the following terms have the meaning indicated:

Department means the Department of Permitting Services.

Director means the Director of the Department or the Director's designee.

Eligible costs means costs that are:

(1) incurred within 12 months before the property owner submits an application to the Department for the credit;

(2) for an accessibility feature authorized under this Section, including reasonable costs to install the feature;

(3) paid by the applicant and not, or will not be, reimbursed by any entity; and

(4) in excess of $500.

Accessibility Feature means a permanent addition to a single family residence that is a requirement under a Level I or Level II Accessibility Standard.

Level I Accessibility Standard means a permanent addition to a single family residence that include at least one no-step entrance located at any entry door to the house that is connected to an accessible route to a place to visit on the entry level, a useable powder room or bathroom, and a 32 inch nominal clear width interior doors as further defined and described in Executive Regulations adopted under Method 2.

Level II Accessibility Standard means permanent additions to a single family residence that provide all of the Level I Accessibility Standards plus an accessible circulation path that connects the accessible entrance to an accessible kitchen, a full bath, and at least one accessible bedroom and as is further defined and described in Executive Regulations adopted under Method 2.

Single family residence means an attached or detached single family home.

(b) *Credit established.* As authorized by Section 9-250 of the Tax-Property Article of the Maryland Code, the owner of a single family residence located in Montgomery County may receive a property tax credit against the County real property tax for the cost of features that achieve Level I or Level II Accessibility Standards.

(c) *Amount of Credit.* The tax credit permitted by this Section will be as follows:

(1) For features meeting Level I Accessibility Standards, certified costs of up to $3,000 less any credit received against the Development Impact Tax for School Improvements under Section 52-93 for those features and less any funds or assistance received for the accessibility feature.

(2) For features meeting Level II Accessibility Standards, certified costs of up to $10,000 less any credit received against the

Development Impact Tax for School Improvements under Section 52-93 for those features and less any funds or assistance received for the accessibility feature.

(3) The maximum amount of credit that may be applied in any one tax year is $2,000.

(4) The amount of credit that may be applied in any one tax year must not exceed the amount of County property tax imposed on the property in that year.

(5) Any credit that is granted that exceeds the limit set in subsection (c)(3) of this Section or exceeds the annual tax liability of the property may be carried over to the next tax year, subject to subsection (c)(3) of this Section, until the entire amount of the credit is applied.

(6) The credit runs with the property upon transfer of title and the balance of any credit will be applied to the tax bill of the subsequent owner of the property.

(d) *Annual Limit on Amount of Credits Granted.*

(1) During any tax year, the total of all tax credits granted under this Section must not exceed $500,000.

(2) Credits must be granted in the order in which the Department certifies the amount of the credit under subsection (e)(3) of this Section.

(3) A certification of a credit that would cause the limit set forth in subsection (d)(1) of this Section to be exceeded must be granted in the next tax year or years subject to subsections (c)(3) and (d)(1) of this Section.

(e) *Application for the Credit.*

(1) To receive the credit, a property owner must submit an application to the Department:

(A) in the format the Department requires;

(B) that includes a copy of the building permit to install the feature;

(C) that includes any document that the Department requires; and

(D) on or before the date set in the regulations.

(2) The Department must only accept one application for a credit under this Section for each property during a single tax year.

(3) The Department must certify to the Department of Finance that the property is eligible for the credit and the amount of the credit.

(4) A property owner may apply for a credit on or after March 1, 2014.

(f) *Administration.*

(1) The County Executive may adopt regulations under Method (2) to administer this Section.

(2) The Department must submit a written report to the Council by October 1 of each year for the preceding tax year. The report must include the following:

(A) number of applicants;

(B) number of applications approved;

(C) modification made by the applicant; and

(D) efforts to promote the credit.

(g) *Publicity.* The Department must publicize the credit in a way designed to inform those most likely to benefit from the credit.

(h) *Effective Date.* The credit authorized by this Section applies to tax years beginning July 1, 2014.

Sec. 52-93. Credits.

* * *

(e) (1) A property owner must receive a credit for constructing or contributing to the cost of building a new single family residence that meets Level I Accessibility Standards, as defined in Section 52-18U(a).

(2) The credit allowed under this Section must be as follows:

(A) If at least 5% of the single family residences built in the project meet Level I Accessibility Standards, then the owner must receive a credit of $500 per residence.

(B) If at least 10% of the single family residences built in the project meet Level I Accessibility Standards, then the owner must receive a credit of $1,000 per residence.

(C) If at least 25% of the single family residences built in the project meet Level I Accessibility Standards, then the owner must receive a credit of $1,500 per residence.

(D) If at least 30% of the single family residences built in the project meet Level I Accessibility Standards, then the owner must receive a credit of $2,000 per residence.

(3) Application for the credit and administration of the credit will be in accordance with the provisions of Subsections 52-18U(e) and (f).

(4) A person must not receive a property tax credit under this Section if the person receives any public benefit points for constructing units with accessibility features under Chapter 59.

(f) The Director of Finance must not provide a refund for a credit which is greater than the applicable tax.

[(f)] (g) * * *

Approved:

Nancy Navarro, President, County Council Date

Approved:

Isiah Leggett, County Executive Date

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council Date

LEGISLATIVE REQUEST REPORT

Bill 5-13
Property Tax Credit - Accessibility Features

DESCRIPTION:	Bill 5-13 would provide for a property tax credit for an accessibility feature installed on an existing residence
PROBLEM:	County residents may need incentives to be able to make accessibility improvements on their homes.
GOALS AND OBJECTIVES:	To provide for the tax credit.
COORDINATION:	Department of Finance
FISCAL IMPACT:	To be requested.
ECONOMIC IMPACT:	To be requested.
EVALUATION:	To be requested.
EXPERIENCE ELSEWHERE:	To be researched.
SOURCE OF INFORMATION:	Amanda Mihill, 240-777-7815
APPLICATION WITHIN MUNICIPALITIES:	To be researched.
PENALTIES:	n/a

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1 of 1 DOCUMENT

*** Current through all Chapters Effective January 1, 2013, of the 2012 General Assembly Regular Session, First Special Session, and Second Special Session. ***
*** Annotations through November 26, 2012 ***

TAX - PROPERTY
TITLE 9. PROPERTY TAX CREDITS AND PROPERTY TAX RELIEF
SUBTITLE 2. STATEWIDE OPTIONAL

GO TO MARYLAND STATUTES ARCHIVE DIRECTORY

Md. TAX-PROPERTY Code Ann. § 9-250 (2012)

§ 9-250. Credit for property equipped with accessibility features

(a) "Accessibility feature" defined. -- In this section, "accessibility feature" means:

(1) a no-step entrance allowing access into a residence;

(2) interior passage doors providing at least a 32-inch-wide clear opening;

(3) grab bars around a toilet, tub, or shower installed to support at least 250 pounds;

(4) light switches, outlets, and thermostats placed in wheelchair-accessible locations;

(5) lever handles on doors; and

(6) universal design features or any accessibility enhancing design feature prescribed by the Department of Housing and Community Development under *§ 12-202 of the Public Safety Article.*

(b) In general. -- The Mayor and City Council of Baltimore City or the governing body of a county or of a municipal corporation may grant, by law, a tax credit against the county or municipal corporation property tax imposed on residential real property equipped with an accessibility feature.

(c) Amount, duration, criteria, regulations. -- The Mayor and City Council of Baltimore City or the governing body of a county or of a municipal corporation may provide, by law, for:

(1) the amount and duration of the tax credit under this section;

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(2) additional eligibility criteria for the tax credit under this section;

(3) regulations and procedures for the application and uniform processing of requests for the tax credit; and

(4) any other provision necessary to carry out the credit under this section.

HISTORY: 2008, ch. 645.

NOTES: EDITOR'S NOTE. --Section 2, ch. 645, Acts 2008, provides that the act shall take effect June 1, 2008.

Section 2, ch. 645, Acts 2008, provides in part that the act "shall be applicable to all taxable years beginning after June 30, 2008."

Chapters 210, 281, and 645, Acts 2008, all enacted § 9-248 of this article. The sections enacted by chs. 281 and 645 have been redesignated as §§ 9-249 and 9-250, respectively.

OFFICES OF THE COUNTY EXECUTIVE

Isiah Leggett

County Executive

February 21, 2013

TO: Nancy Navarro, Council President

FROM: Isiah Leggett, County Executive

SUBJECT: Bill5-13, Property Tax Credit -Accessibility Features

I am writing to express my strong support for Councilmember Leventhal's initiative to increase the supply of housing that includes features that make homes visitable and livable ("Design for Life" features). Housing with these features is critically important for many of our residents – including those living with mobility impairments and our seniors, both of whom experience difficulties in housing with standard designs. We need to take meaningful steps to remove accessibility barriers that interfere with full use of one's home.

Introduction of Bill 5-13 coincides with work that I have had Executive staff doing to create a proposal for incentives and strategies to increase the supply of housing with Design for Life features. We can no longer rely on volunteer programs to create this stock. I congratulate Councilmember Leventhal on providing a proposal to make progress on this important issue.

The proposals that I would like to see go beyond renovations to existing dwellings. We need a program that incentivizes both builders and property owners to include Design for Life features in both existing housing and new construction. To do this requires that we look at additional incentives, such as impact tax credits. Property tax credits will encourage the property owner. Impact tax credits will incentivize the development community. We also need to set the maximum level of available credits high enough to encourage participation. Therefore the maximum level of available credits should be revisited as needed as we gauge participation in future years.

We also need a program that will encourage participation by recognizing builders and designers who participate in creation of homes with Design For Life features. Finally, we need to make certain that end users have timely notice about the availability of these credits.

I will be sending proposed amendments to Bill 5-13 and additional legislation as necessary that will have the following elements:

1. A property tax credit with an initial cap of $500,000 that during the first year alone can accommodate an estimated 250 applicants and that would apply to both renovation and new construction. This tax credit would have certain adjustments as reflected on the table below.

2. An impact tax credit against school impact taxes for improvements that make a home visitable and which will be certified pursuant to a program to be developed by the Department of Permitting Services. The program will provide varying levels of credit based upon different levels of participation to incentivize greater levels of developer participation.

3. The program will i) provide levels of certification that will trigger the different levels of impact tax credits, ii) fast-track permits for Design for Life units, iii) include partnerships to promote the projects and designers who participate in Design for Life projects, and iv) help raise awareness about the need for and production of housing with Design for Life features.

4. A requirement that developers and realtors disclose to prospective purchasers of new homes the availability of property tax credits for Design for Life features if included in the home.

The credits that are proposed are summarized in the following table:

Type and amount	**Visitable**	**Livable**	**Cap/applicant/annum**
Property tax (end user) – Total $500,000/year	Up to $3000 of certified costs where there has not been an Impact Tax credit (will capture tear down/rebuilds)	Up to $10,000 (less amount of any impact tax credit provided for address due to visitable features)	$2000
School Impact Tax (Builder) – with certification that costs of visitable improvements are not passed on to the purchaser	5% of units - $500/unit 10% of units - $1000/unit 25% of units - $1500/unit 30+% of units - $2000/unit	$0	NA

I am proposing that the school impact tax credit be utilized for this initiative. While there are many groups with needs that will be served by housing with DFL features, our growing senior population, a group that does not typically generate students, will likely be the largest consumer of housing with DFL features.

My proposal is structured so that developers can take advantage of the credit in a way that will not compensate them in both the price of the home and the credit. Likewise, because the definition of visitable includes livable features, I am proposing an adjustment ranging between $500 to $2000 to the total property tax credit to the extent that a school impact tax credit has been provided for the unit.

I am optimistic that this multi-pronged approach will enable the County to increase the stock of housing with DFL features that remove barriers and allow people to remain in their homes rather than face expensive costs of institutional assisted living or expensive renovation costs at a later date.

I look forward to working with the Council in a collaborative effort to develop an effective approach to increase the supply of homes in our County that provide DFL features.

c: George Leventhal, Councilmember
Joseph Beach, Director, Finance Department
Jennifer Hughes, Director, Office of Management and Budget
Diane Jones, Director, Department of Permitting Services
Betsy Luecking, Staff Liaison, Commission on People with Disabilities and Commission on Veterans Affairs

ROCKVILLE, MARYLAND

MEMORANDUM

February 20, 2013

TO: Nancy Navarro, President, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget
Joseph F. Beach, Director, Department of Finance

SUBJECT: Council Bill 5-13, Property Tax Credit – Accessibility Features

Please find attached the fiscal and economic impact statements for the above-referenced legislation.

JAH:a2a

c: Kathleen Boucher, Assistant Chief Administrative Officer
Lisa Austin, Offices of the County Executive
Joy Nurmi, Special Assistant to the County Executive
Patrick Lacefield, Director, Public Information Office
Joseph F. Beach, Director, Department of Finance
Michael Coveyou, Department of Finance
James Babb, Department of Finance
Erika Lopez-Finn, Office of Management and Budget
Anita Aryeetey, Office of Management and Budget
Ayo Apollon, Office of Management and Budget

Fiscal Impact Statement
Council Bill 5-13 Property Tax Credit – Accessibility Features

1. Legislative Summary.

   This legislation offers a tax credit of $2,500 or 50% of eligible costs, whichever is lower, against the County property tax credit for a feature that is installed on an existing residence that is the owner's principal residence when the feature is installed. The total amount of tax credits granted will not exceed $100,000 in any fiscal year.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

   There is no revenue associated with this legislation. Expenditures would be capped at $100,000 per the legislation.

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

   There is no revenue associated with this legislation. Expenditure estimates could range from $0 to $100,000 within each fiscal year.

4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

   This legislation does not affect retiree pension or group insurance costs.

5. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

   This legislation does not authorize future spending.

6. An estimate of the staff time needed to implement the bill.

   It takes roughly 45 minutes to 1 hour per account of administration time for similar tax credits. Once implemented, it would take approximately 400 hours annually of staff time for this program, assuming 400 credits per year. This does not include the implementation time of setting up the system. It is possible the Department of Technology Services will be involved in programming the system/tax credit and importing the file into the Municipal Uniform Information System for collection/billing.

7. An explanation of how the addition of new staff responsibilities would affect other duties.

   New increased staff duties would include application processing for the tax credit. Staff would have to reprioritize other duties as assigned.

8. An estimate of costs when an additional appropriation is needed.

   No additional appropriation would be needed.

9. A description of any variable that could affect revenue and cost estimates.

   A key variable would include the number of tax credit applications for processing. This figure could range from 40 to 400 applications, but costs would vary depending on the amount of the tax credit claimed.

10. Ranges of revenue or expenditures that are uncertain or difficult to project.

    This legislation places a $100,000 cap on credits issued each year. In the event that credits applied for exceed this amount, they are to be credited for the next fiscal year. It would be possible for a backlog of credits to occur in future fiscal years; however under the proposed legislation, these credits would not cost the County more than $100,000 each fiscal year. It is possible backlogs of payments could accrue over multiple fiscal years.

11. If a bill is likely to have no fiscal impact, why that is the case.

    This legislation will have a fiscal impact of $100,000 annually.

12. Other fiscal impacts or comments.

    None.

13. The following contributed to and concurred with this analysis:

    Erika Lopez-Finn, Office of Management and Budget

    Mike Coveyou, Department of Finance

    James Babb, Department of Finance

Jennifer A. Hughes

Jennifer A. Hughes, Director
Office of Management and Budget

2/20/13
Date

Economic Impact Statement
Bill 5-13, Property Tax Credit – Accessibility Features

Background:

This legislation would provide for a property tax credit for an accessibility feature installed in an existing residence.

1. **The sources of information, assumptions, and methodologies used.**

   - Assume that the majority of the "features" will be eligible for the $2,500 maximum tax credit, as the cost of the majority of the features will likely exceed the maximum credit.
   - Assume that the full extent of the credit program will be used ($100,000 per year).

2. **A description of any variable that could affect the economic impact estimates.**

   - If the average credit is very low (the minimum is $250) the impact could be less than the maximum total allowed, annually.
   - If the number of requests for the credit is low then the maximum total credits allowed may not be met. At $2,500/credit, there would be 40 credits per year available under the $100,000 program limit. At $250/credit there would be 400 credits available each year.

3. **The Bill's positive or negative effect, if any on employment, spending, saving, investment, incomes, and property values in the County.**

   - The bill may result in de minimis work for home contractors in the future, as it may act as an incentive for homeowners to make some of the accessibility modifications that are eligible for credits.
   - It may also result in slightly higher resale values for homes that are modified to make them more accessible.
   - Both impacts are expected to be very minor as the annual credit allowed a homeowner is capped and it is expected that the homeowner will choose to have modifications made that will result in a high payback from the credit.

4. **If a Bill is likely to have no economic impact, why is that the case?**

   - Not applicable

5. **The following contributed to and concurred with this analysis**: David Platt and Mike Coveyou, Finance.

Joseph F. Beach, Director
Department of Finance

2/19/13
Date

OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

June 21, 2013

RECEIVED
MONTGOMERY COUNTY
2013 JUN 24 PM 12:50

To: Nancy Navarro, Council President

From: Isiah Leggett, County Executive

Subject: Recommended Amendments to Bill 5-13, Property Tax Credits – Accessibility

In follow-up to my memorandum dated February 21, 2013, I am pleased to attach proposed amendments to Bill 5-13, Property Tax Credits - Accessibility. These amendments build upon the tax credit for accessibility features that is contained in Bill 5-13 and establish a Design for Life (DFL) program that incentivizes renovation of existing homes and the creation and purchase of homes that are equipped with features that make them both visitable and livable. Revised Fiscal Impact and Economic Impact Statements that reflects these recommended changes are also attached.

Per my February 21 memorandum, these amendments include:

- A property tax credit with an initial cap of $500,000 that during the first year alone can accommodate an estimated 250 applicants and that would apply to both renovation and new construction;
- An impact tax credit against school impact taxes for improvements that make a home visitable and which will be certified pursuant to a program to be developed by the Department of Permitting Services;
- Varying levels of credit based upon different levels of participation to incentivize greater levels of developer participation; and
- Disclosure requirements to inform end users of the availability of the credits and incentivize purchase of accessibility features when a home is under construction.

In addition to establishing tax credits for Level I and Level II Accessibility (respectively, visitable and livable improvements), the amendments include technical and clarifying changes that the County Attorney discussed with the bill's sponsor, Councilmember George Leventhal.

In my recommended FY14 Operating Budget I included funds for the Department of Permitting Services (DPS) to hire a consultant to help establish, implement, brand and market the program.

I look forward to working with the County Council on the adoption and implementation of this program that will increase our stock of accessible housing. It is my hope that this program will be a national model in which we can all take great pride in a noteworthy achievement.

If you have any questions, please feel free to contact DPS Director Diane Jones at (240)777-6363.

Attachments (3)

c: Joseph Beach, Director, Finance Department
Kathleen Boucher, Assistant Chief Administrative Officer
Jennifer Hughes, Director, Office of Management and Budget
Diane Jones, Director, Department of Permitting Services
Betsy Luecking, Staff Liaison, Commission on People with Disabilities and Commission on Veterans Affairs

Bill No. 5-13
Concerning: Property Tax Credit – Accessibility Features
Revised: 1/25/2013 Draft No. 6
Introduced: February 5, 2013
Expires: August 5, 2014
Enacted: ____
Executive: ____
Effective: ____
Sunset Date: ____
Ch. ____, Laws of Mont. Co. ____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

By: Councilmember Leventhal

AN ACT to:

(1) provide for a property tax credit for an accessibility feature installed on an existing residence; [[and]]

(2) provide for a property tax credit for meeting a Level I or Level II accessibility standard on a new single family residence; ~~and~~

(3) provide for an impact tax credit against the Development Impact Tax For Public School Improvements for meeting a Level I accessibility standard; and

(4) generally amend County law regarding property tax credits.

By adding

Montgomery County Code
Chapter 40, Real Property
Section 40-12D

Chapter 52, Taxation
[[Section]] Sections 52-18T, 52-18U

By amending

Montgomery County Code
Chapter 52, Taxation
Section 52-93

Boldface	*Heading or defined term.*
Underlining	*Added to existing law by original bill.*
[Single boldface brackets]	*Deleted from existing law by original bill.*
Double underlining	*Added by amendment.*
[[Double boldface brackets]]	*Deleted from existing law or the bill by amendment.*
* * *	*Existing law unaffected by bill.*

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. [Section] Sections 40-12D, 52-18T and 52-18U [is] are added and Section 52-93 is amended as follows:

40-12D. Disclosure of availability of property tax credits for accessibility improvements.

(a) Before the buyer signs a contract for the purchase of a new single-family residential real property in the County, the seller must disclose to each prospective buyer that a real property tax credit may be available to the buyer for the cost of installing accessibility features or the cost of Level I or Level II accessibility standards to the property as defined in 52-18U(a).

(b) The disclosure must include a description of the types of improvements for which the credits are available and an estimate of the amount of credit.

(c) A seller or the seller's agent is not liable for any incorrect information disclosed under this Section if the seller or the seller's agent relied in good faith on information provided by the County to describe the credit or to estimate the amount of the credit.

52-18T. Property Tax Credit – Accessibility Features

(a) *Definitions.* In this Section, the following terms have the meaning indicated.

Department means the Department of [[Finance]] Permitting Services.

Director means the Director of the Department or the Director's designee.

Eligible costs means costs that are:

(1) incurred within 12 months before the property owner submits an application to the Department for the credit;

(2) for a feature authorized under this Section, including reasonable costs to install the feature;

(3) paid by the applicant and not, or will not be, reimbursed by any entity; and

(4) in excess of $500.

Feature means a permanent modification to a residence that results in:

(1) a no-step front door entrance with a threshold that does not exceed ½ inch in depth with tapered advance and return surfaces or, if a no-step front entrance is not feasible, a no-step entrance to another part of the residence that provides access to the main living space of the residence;

(2) an installed ramp creating a no-step entrance;

(3) an interior doorway that provides a 32-inch wide or wider clearing opening;

(4) an exterior doorway that provides a 36-inch wide or wider clear opening, but only if accompanied by exterior lighting that is either controlled from inside the residence, automatically controlled, or continuously on;

(5) walls around a toilet, tub, or shower reinforced to allow for the proper installation of grab bars with grab bars installed in accordance with the Americans with Disabilities Act Standards for Accessible Design;

(6) maneuvering space of at least 30 inches by 48 inches in a bathroom or kitchen so that a person using a mobility aid may enter the room, open and close the door, and operate each fixture or appliance;

(7) an exterior or interior elevator or lift [[of]] or stair glide unit;

(8) an accessibility-enhanced bathroom, including a walk-in or roll-in shower or tub; or

(9) an alarm, appliance, and control structurally integrated into the unit designed to assist an individual with a sensory disability.

(b) *Credit established.* In accordance with Section 9-250 of the Tax-Property article of the Maryland Code, the owner of real property may receive a property tax credit against the County property tax for a feature that is installed on an existing residence that is the owner's principal residence when the feature is installed.

(c) Credits.

(1) *Amount of Credit.* The tax credit allowed under this Section is the lesser of:

[[(1)]](A) 50% of the eligible costs; or

[[(2)]](B) $2,500 less any subsidy received from a governmental, quasi-governmental, or non-profit entity for the feature.

(2) Any credit that is received that exceeds the annual tax liability of the property may be carried over to the next tax year.

(3) The credit runs with the property upon the transfer of title and the balance of any credit will be applied to the tax bill of the subsequent owner of the property.

(d) *Annual Limit on Amount of Credits Granted.*

(1) During any fiscal year, the total of all tax credits granted under this Section must not exceed $100,000.

(2) Credits must be granted in the order in which the Department [[receives]]certifies the [[complete applications]] amount of the credit under subsection (e)(3) of this Section.

(3) [[A complete application that, if granted, would cause the limit set forth in paragraph (1) of this subsection to be exceeded, must be granted in the next fiscal year or years and in the order received.]]-A- certification of a credit that would cause the limit

set forth in subsection (d)(1) of this Section to be exceeded, must be granted in the next tax year or years subject to the limitations in subsections (c) and (d)(1) of this Section.

(e) *Application for the Credit.*

(1) To receive the credit, a property owner must submit an application to the Department:

(A) in the format the Department requires;

(B) that includes a copy of the building permit to install the feature;

(C) that includes any document that the Department requires; and

(D) on or before the date the Department sets.

(2) The Department must only accept one application for a credit under this Section for each property during a single tax year.

(3) The Department must certify to the Department of Finance that the property is eligible for the credit and the amount of the credit.

(4) A property owner may submit an application on or after March 1, 2014 for a credit.

(f) *Administration.*

(1) The County Executive may adopt regulations under Method (2) to administer this Section.

(2) The Department must submit a written report to the Council by October 1 of each year for the preceding fiscal year. The report must include the following:

(A) number of applicants;

(B) number of applications approved;

(C) [[income range of applicants;]]

[[(D)]] modification made by the applicant;

[[(E) reason for the modification]]

[[(F)]](D) other sources from which the applicant received funds or applied for assistance for the modification;

[[(G)]](E) efforts to advertise the credit; and

[[(H)]](F) any program recommendations.

(g) *Publicity.* The Department must publicize the credit in a way designed to inform those most likely to benefit from the credit.

(h) *Effective Date.* The credit authorized by this Section applies to tax years beginning [[June 30, 2013]] July 1, 2014.

52-18U. Property Tax Credit – Level I and Level II Accessibility Standards

(a) *Definitions.* In this Section, the following terms have the meaning indicated.

Department means the Department of Permitting Services.

Director means the Director of the Department or the Director's designee.

Eligible costs means costs that are:

(1) incurred within 12 months before the property owner submits an application to the Department for the credit;

(2) for an accessibility feature authorized under this Section, including reasonable costs to install the feature;

(3) paid by the applicant and not, or will not be, reimbursed by any entity; and

(4) in excess of $500.

Accessibility Feature means a permanent addition to a single family residence that is a requirement under a Level I or Level II Accessibility Standard:

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Level I Accessibility Standard means permanent additions to a single family residence that include at least one no-step entrance located at any entry door to the house that is connected to an accessible route to a place to visit on the entry level, a useable powder room or bathroom, and a 32 inch nominal clear width interior doors as further defined and described in Executive Regulations adopted under Method 2.

Level II Accessibility Standard means permanent additions to a single family residence that provide all of the Level I Accessibility Standards plus an accessible circulation path that connects the accessible entrance to an accessible kitchen, a full bath, and at least one accessible bedroom and as is further defined and described in Executive Regulations adopted under Method 2.

Single family residence means an attached or detached single family home.

(b) *Credit established.* As authorized by Section 9-250 of the Tax-Property Article of the Maryland Code, the owner of a single family residence located in Montgomery County may receive a property tax credit against the County real property tax for the cost of features that achieve Level I or Level II Accessibility Standards.

(c) *Amount of Credit.* The tax credit permitted by this Section will be as follows:

(1) For features meeting Level I Accessibility Standards, certified costs of up to $3,000 less any credit received against the Development Impact Tax for School Improvements under Section 52-93 for those features and less any funds or assistance received for the accessibility feature.

(2) For features meeting Level II Accessibility Standards, certified costs of up to $10,000 less any credit received against the

Development Impact Tax for School Improvements under Section 52-93 for those features and less any funds or assistance received for the accessibility feature.

(3) The maximum amount of credit that may be applied in any one tax year is $2,000.

(4) The amount of credit that may be applied in any one tax year may not exceed the amount of County property tax imposed on the property in that year.

(5) Any credit that is granted that exceeds the limit set in subsection (c)(3) of this Section or exceeds the annual tax liability of the property may be carried over to the next tax year, subject to the limit set forth in subsection (c)(3) of this Section, until the entire amount of the credit is applied.

(6) The credit runs with the property upon transfer of title and the balance of any credit will be applied to the tax bill of the subsequent owner of the property.

(d) *Annual Limit on Amount of Credits Granted.*

(1) During any tax year, the total of all tax credits granted under this Section must not exceed $500,000.

(2) Credits must be granted in the order in which the Department certifies the amount of the credit under subsection (e)(3) of this Section.

(3) A certification of a credit that would cause the limit set forth in subsection (d)(1) of this Section to be exceeded, must be granted in the next tax year or years subject to the limitations i~~o~~n subsections (c)(3) and (d)(1) of this Section.

(e) *Application for the Credit.*

(1) To receive the credit, a property owner must submit an application to the Department:

(A) in the format the Department requires;

(B) that includes a copy of the building permit to install the feature;

(C) that includes any document that the Department requires; and

(D) on or before the date set in the regulations.

(2) The Department must only accept one application for a credit under this Section for each property during a single tax year.

(3) The Department must certify to the Department of Finance that the property is eligible for the credit and the amount of the credit.

(4) A property owner may apply for a credit on or after March 1, 2014.

(f) *Administration.*

(1) The County Executive may adopt regulations under Method (2) to administer this Section.

(2) The Department must submit a written report to the Council by October 1 of each year for the preceding tax year. The report must include the following:

(A) number of applicants;

(B) number of applications approved;

(C) modification made by the applicant; and

(D) efforts to promote the credit.

(g) *Publicity.* The Department must publicize the credit in a way designed to inform those most likely to benefit from the credit.

(h) *Effective Date.* The credit authorized by this Section applies to tax years beginning July 1, 2014.

Sec. 52-93. Credits.

(a) * * *

(b) * * *

(c) * * *

(d) * * *

(e) Level I Accessibility Standards Credit.

(1) Credit established. A property owner must receive a credit for constructing or contributing to the cost of building a new single family residence that meets Level I Accessibility Standards, as defined in Section 52-18U(a).

(2) The amount of the credit. The credit allowed under this section will be as follows:

(A) If at least 5% of the single family residences built in the project meet Level I Accessibility Standards, then the owner must receive a credit of $500 per residence.

(B) If at least 10% of the single family residences built in the project meet Level I Accessibility Standards, then the owner must receive a credit of $1,000 per residence.

(C) If at least 25% of the single family residences built in the project meet Level I Accessibility Standards, then the owner must receive a credit of $1,500 per residence.

(D) If at least 30% of the single family residences built in the project meet Level I Accessibility Standards, then the owner must receive a credit of $2,000 per residence.

(3) Application for the credit and administration of the credit will be in accordance with the provisions of Subsections 52-18U(e) and (f).

(f) The Director of Finance must not provide a refund for a credit which is greater than the applicable tax.

[(f)] (g) * * *

Approved:

Nancy Navarro, President, County Council Date

Approved:

Isiah Leggett, County Executive Date

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council Date

APPROVED AS TO FORM AND LEGALITY
OFFICE OF THE COUNTY ATTORNEY
BY:
DATE: 6-7-13

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Fiscal Impact Statement
Council Bill 5-13 Property Tax Credit – Accessibility Features

1. Legislative Summary.

   The proposed amendments to Council Bill 5-13 detail the Design for Life program that encourages builders and property owners to include accessibility features in both existing housing and new construction. The amendments use property tax credits to encourage property owners to include accessibility features and schools impact tax credits to incentivize the development community.

   Multiple tax credits are offered. The first property tax credit included in the original bill is $2,500 or 50% of eligible costs, whichever is lower, against the County property tax credit for an accessibility feature that is installed on an existing residence that is the owner's principal residence when the feature is installed. During any fiscal year, the total of all tax credits granted in the County under this provision must not exceed $100,000. The Bill stipulates that DPS accept only one application for a credit for each property during a single tax year.

   The County Executive proposes a second tax credit, which is a credit against schools impact taxes for improvements that make a home "Visit-Able" (Level I Accessibility) and which will be certified pursuant to a program to be developed by the Department of Permitting Services. The program will provide varying levels of credit based upon different levels of participation to encourage greater levels of developer participation. If at least 5% of the houses built in a given project meet Level I Standards, then the owner must receive a credit of $500 per house meeting the standards. The credits escalate based on the percentage of homes built meeting Level I Accessibility Standards according to the following schedule: 5% of units, $500 per unit; 10% of units, $1,000 per unit; 25% of units, $1,500 per unit; 30+% of units, $2,000 per unit.

   The amendments include another property tax credit for achieving two accessibility tiers for single family homes with up to $3,000 in property tax credits for improvements to create Level I Accessibility Standards, or a "Visit-Able Home", and up to $10,000 for improvements to create Level II Accessibility Standards, or a "Live-Able Home." Multiple credits for the same improvements are prohibited. Both credits for each Level of Accessibility Standard are less any school impact tax credit granted for the improvements. Although a tax credit of up to $10,000 may be achieved, the maximum amount of credit that may be applied in any one tax year to the owners of the property is $2,000 with an annual overall program cap of $500,000. In the first fiscal year, an estimated 250 applicants can be accommodated. All authorized credits apply to tax years beginning July 1, 2014.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the approved budget. Includes source of information, assumptions, and methodologies used.

   Property tax credits would be capped at $100,000 per the legislation for Section 52-18T Property Tax Credit – Accessibility Features and $500,000 for Section 52-18U Property Tax Credit Level I and Level II Accessibility Standards. Assuming the County's property tax revenues remain at the Charter Limit, there would be no loss of property tax revenues to the County. There is no cap for school impact tax credits. It is difficult to estimate foregone schools impact taxes until participation rates materialize. See further elaboration in number 3.

With respect to expenditures, the primary impact will be to the Department of Permitting Services for a contractor to set up the program, website, certifications, marketing and administration. In DPS's FY14 approved budget $80,000 has been included for a contractor and $18,694 has been included for 20% of a grade 26 position to be absorbed in a current full-time position in additional estimated staffing costs.

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

   Estimating foregone school impact taxes is difficult until participation rates materialize. Assuming credits of $500 per certified residence with 5% participation, $1,000 per certified residence with 10% participation, and $1,500 per certified residence with 25% participation estimated lost revenues could be as high as the following for each respective tier:

Fiscal Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
Lost Revenues: Visit-ability							
5%	$0	($15,794)	($16,347)	($16,834)	($17,347)	($17,888)	($84,211)
10%	$0	($63,178)	($65,386)	($67,336)	($69,390)	($71,553)	($336,843)
25%	$0	($236,917)	($245,198)	($252,510)	($260,212)	($268,324)	($1,263,161)

   Assuming the County's property tax revenues remain at the Charter Limit, there would be no loss of property tax revenues to the County.

   Given annual implementation costs of $98,694, the six year total is $592,164.

4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

   This legislation does not affect retiree pension or group insurance costs.

5. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

   See number 3 above.

6. An estimate of the staff time needed to implement the bill.

   For DPS, a full-time contractor will be dedicated to the implementation of the bill in addition to 20% of a grade 26 workyear for a total estimated annual cost of $98,694. The funds are included in the department's approved FY14 budget.

With respect to staff time for the Department of Finance, it takes roughly 45 minutes to 1 hour per account of administration time for similar tax credits. Once implemented, it would take approximately 400 hours annually of staff time for this program, assuming 400 credits per year. This does not include the implementation time of setting up the system. It is possible the Department of Technology Services will be involved in programming the system/tax credit and importing the file into the Municipal Uniform Information System for collection/billing.

7. An explanation of how the addition of new staff responsibilities would affect other duties.

   New increased Finance staff duties would include application processing for the tax credit. Finance staff would have to reprioritize other duties as assigned.

8. An estimate of costs when an additional appropriation is needed.

   No additional appropriation would be needed as the costs of implementing this bill are included in the FY14 approved budget.

9. A description of any variable that could affect revenue and cost estimates.

   Key variables include the number of tax credit applications for processing, the total amount of capped property tax credits, the total amount of uncapped schools impact tax credits, and whether property tax revenue would remain at the Charter Limit.

10. Ranges of revenue or expenditures that are uncertain or difficult to project.

    This legislation places a $600,000 cap on property tax credits issued each year. In the event that credits applied for exceed this amount, they are to be credited for the next fiscal year. It would be possible for a backlog of credits to occur in future fiscal years; however, under the proposed legislation, total credits would not exceed $600,000 each fiscal year. It is possible for property tax credit payments to property owners to occur over multiple fiscal years. Schools impact tax credits are not capped. See number 3 above for a range of potential revenue impacts due to the school impact tax credit provisions in the bill.

11. If a bill is likely to have no fiscal impact, why that is the case.

    Not applicable.

12. Other fiscal impacts or comments.

    None.

13. The following contributed to and concurred with this analysis:

    Dennis Hetman, Office of Management and Budget

Diane Schwartz Jones, Department of Permitting Services

Joseph Beach, Finance Department

David Platt, Finance Department

Jennifer A. Hughes

Jennifer A. Hughes, Director
Office of Management and Budget

6/10/13
Date

Economic Impact Statement
Bill 5-13, Property Tax Credit – Accessibility Features

Background:

This legislation would grant a property tax credit to the owner for accessibility features installed in a dwelling unit. As amended, it would also grant a non-duplicative property tax credit to the owner of a single-family detached unit or a single-family attached unit. As amended, the bill would grant a credit against the Development Impact Tax for School Improvements for certain accessibility features in connection with a newly constructed residential unit.

1. The sources of information, assumptions, and methodologies used.

- For the "Accessibility Features" property tax credit (Section 15-18(T)), assume that all $100,000 in available tax credits are taken each year.
- For the "Level I and Level II Accessibility Standards property tax credit, assume that the majority of the Design for Life features would be eligible for either the $3,000 credit for features meeting Level I Accessibility Standards as provided in Section 15-18U(a)(4) of Bill 5-13 (Bill) or the $10,000 credit for features meeting Level II Accessibility Standards as provided in Section 15-18U(a)(4) of the Bill. Further,
- Assume that all $500,000 in property tax credits available under Section 15-18(U) are taken each year.
- The maximum amount of all property tax credits granted under the provisions of the Bill is $600,000.
- Assume that the developers would be eligible for a credit of $500 against the Development Impact Tax for School Improvements and that credit only applies to Level I Accessibility Standards as provided in Section 15-18U(c)(1).
- Assume that 10% of the new units built will be eligible for the Level I Accessibility Standards Schools Impact Tax Credit.
- Data on construction starts for residential properties from McGraw-Hill Construction. Data include the number of residential units – both single-family and townhouse units – and construction costs.

2. A description of any variable that could affect the economic impact estimates.

- Two variables that could affect the economic impact estimates are the construction costs for new residential units and the costs of the accessibility features installed in the residential unit.

- Based on data provided by McGraw-Hill Construction, the average construction cost (labor and materials) for a single-family unit ranged from nearly $423,000 in calendar year 2006, the peak of the housing boom, to the current average cost of nearly $240,000. Such variation in the costs of construction for single-family units will have an effect on the demand for new single-family units with or without the accessibility features.

- Given the assumptions in the first bullet in item #1, the estimated number of units eligible for the Accessibility Features property tax credits is approximately 40, based on each unit being eligible for the maximum $2,500 credit.

- Given the assumptions under the second and fourth bullets in item #1 and the number of 1,207 new residential units constructed in calendar year 2012, the estimated number of units eligible for the Level I and Level II property tax credits is approximately 80 units or less than 7 percent of newly constructed units. That estimate is based on 50 percent opting for Level I features ($3,000) and 50 percent opting for Level II features (maximum credit of $10,000).

- Given the assumptions in the sixth bullet in item #1, and the fact that there were 1,207 new residential units constructed in 2012, then at the 5% Level I standard, about 120 units would be eligible for $500 impact tax credits, which would amount to $60,000 in Schools Impact Tax Credits. The same number of eligible units at the 30% Level I standard would received $2,000 per unit in credits, for a total of $240,000 in Schools Impact Tax Credits. These results are scalable.

3. The Bill's positive or negative effect, if any on employment, spending, saving, investment, incomes, and property values in the County.

- Based on the percent of newly constructed residential units opting for the accessibility features as estimated in the third bullet under item #3, the economic impact would be minimal.

- The bill may provide a modest incentive for developers, but that incentive would be dependent on the demand for special features and would likely result in no growth in employment in the construction industry. Rather the economic benefit would be to those developers who currently specialize in installing the accessibility features and to those companies that provide "accessibility" products.

- The legislation may also result in avoided costs for certain homeowners who are in need of accessibility improvements so that they may remain in their homes rather than relocate to another home or an institutional setting.

- Finally, the value of the accessibility features for the residential unit to the owners is based on the services that they provide and not as an investment in an asset which is limited to a segment of the real estate market. The marketability of such a unit would be limited to the demand for a unit with those features.

4. **If a Bill is likely to have no economic impact, why is that the case?**
   - The Bill would likely have very limited economic impact as discussed in item #3.

5. **The following contributed to and concurred with this analysis**: David Platt and Mike Coveyou, Finance.

Joseph F. Beach

Joseph F. Beach, Director
Department of Finance

6/10/13
Date

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TESTIMONY ON BEHALF OF COUNTY EXECUTIVE ISIAH LEGGETT IN SUPPORT OF BILL 5-13 TO PROVIDE A PROPERTY TAX CREDIT FOR CERTAIN ACCESSIBILITY FEATURES

Good afternoon Council President Navarro and members of the County Council. My name is Diane Schwartz Jones, Director of the Department of Permitting Services. I am pleased to provide testimony on behalf of County Executive Isiah Leggett in support of the objective of Bill 5-13 to facilitate renovations to housing to include features that will make it more accessible for someone with physical impairments or frailties. County Executive Leggett urges the County Council to go even farther to remove mobility and access barriers from homes in Montgomery County and will provide suggested amendments and additional legislation to do just that.

The County Executive expresses deep appreciation for the work of Councilmember George Leventhal for bringing this issue forward. This bill coincides with a year of work by several Executive Branch agencies. The work was done at the direction of Mr. Leggett to review recommendations of a stakeholder Design for Life Workgroup which included members from the Commission on People with Disabilities, the development community, architects and others. County Executive Leggett directed staff to develop an incentive based Design for Life program that will lead to a more robust supply of housing with Design for Life features. Our common goal is to provide greater housing stock that can be visited and lived in by populations with mobility and other challenges.

While Mr. Leggett fully supports the County Council addressing this issue, he would like to see it go further than retrofits to existing housing. The County Executive understands that Mr. Leventhal, Bill 5-13's sponsor, welcomes the engagement and work of the Executive Branch to provide a more robust program.

As Mr. Leggett indicated in the memorandum he sent to Council President Navarro on February 21, 2013, we need to increase our housing stock with features that make the home more easily accessed and fully usable by all, including those living with mobility impairments and seniors, both of whom experience difficulties in housing with standard designs. We need to take meaningful steps to remove accessibility barriers that interfere with full use of one's home.

We need a program that incentivizes both builders and property owners to include Design for Life features in existing housing and new construction. To do this requires that we look at additional incentives, such as impact tax credits. Property tax credits will encourage the property owner. Impact tax credits will incentivize the development community. We also need to set the maximum level of available credits high enough to encourage participation. Therefore the maximum level of available credits should be revisited as needed as we gauge participation in future years.

The County Executive's proposal includes a program that will encourage participation by recognizing builders and designers who participate in creation of homes with Design for Life features. Finally, we need to make certain that end users have timely notice about the availability of these credits.

County Executive Leggett's proposal has the following four-prongs:

First, a property tax credit for property owners either renovating homes to include Design for Life features or buying new homes that include Design for Life features. The credit could be as much as $10,000 which could be claimed in annual amounts of $2000. The total amount of tax credits available in a given fiscal year would be $500,000, but that amount should be examined each fiscal year.

Second, a graduated credit against school impact taxes for homes that are built with Design for Life features. The greater the percentage of units in a project built with these features the higher the credit would be for such units up to a maximum credit of $2000/unit. While there are many groups with needs that will be served by housing with DFL features, our growing senior population, a group that does not typically generate students, will likely be a large consumer of housing with DFL features. The County Executive's proposal is structured so that developers can take advantage of the credit in a way that will not compensate them in both the price of the home and the credit. Likewise, because the definition of visitable includes livable features, an adjustment ranging from $500 to $2000 would be made to the available property tax credit to the extent that a school impact tax credit has been provided for the unit.

Third, a certification program will be developed by the Department of Permitting Services that will i) provide levels of certification for impact tax credits (bronze, silver, gold and platinum), ii) fast-track permits for Design for Life units, iii) include partnerships to promote the projects, developers, builders and designers who participate in Design for Life projects, and iv) help raise awareness about the need for and production of housing with Design for Life features.

Fourth, timely and effective information about Design for Life and notice of the availability of the tax credit at the time of contracting for a home is critical. It is this timely notice that will encourage purchasers to request Design for Life features in new homes knowing that while the cost may be financed with the mortgage, the homeowner can receive up to $10,000 in tax credits for the features making it cost effective to include the items in the home purchase. While Design for Life features are not mandated, if a builder or developer does not include such features, an informed purchaser can select a different builder or developer. Mr. Leggett will be transmitting additional legislation to impose a requirement that developers and realtors disclose to prospective purchasers of new homes the availability of property tax credits for Design for Life features if included in the home.

This multi-pronged approach will enable the County to increase the stock of housing with DFL features that remove barriers and allow people to remain in their homes rather than face expensive costs of institutional assisted living or expensive renovation costs at a later date.

The County Executive will be transmitting suggested amendments and further legislation consistent with the items just described. Mr. Leggett looks forward to working with the Council in a collaborative effort to develop an effective approach to increase the supply of homes in our County that are accessible and fully usable for all. Thank you for receiving this testimony and Executive Staff is available to answer Council questions.

COMMISSION ON AGING

February 26, 2013

Remarks by Charles Kauffman, Commissioner
Montgomery County Commission on Aging
County Council Public Hearing on Bill 5-13
Property Tax Credit-Accessibility Features

Good afternoon, my name is Charles Kauffman; I am a member of the Montgomery County Commission on Aging and I am speaking on behalf of the Commission in support of a property tax credit for accessibility renovations.

Bill 5-13 would provide for a property tax credit for an accessibility feature installed on an existing residence. Today, more and older adults want to age in place, in their homes and community, and make Montgomery County their community for a lifetime. But for residents to age in place, their homes need to be safe and livable for them and accessibility is a key factor. County residents need financial incentives to be able to make accessibility improvements on their homes. These improvements are vital to their safety and wellbeing. They reduce medical emergencies and prolonged medical care and public expenses attendant thereto.

The modifications contemplated included without being limited to:

Accessibility features such as:

(1) A no-step entrance allowing access into a residence;

(2) Interior passage doors providing at least a 32-inch-wide clear opening;

(3) Grab bars around a toilet, tub, or shower installed to support at least 250 pounds;

(4) Light switches, outlets, and thermostats placed in wheelchair-accessible locations;

(5) Lever handles on doors

The tax credit allowed is lesser of 50% of the eligible costs or $2500, with an annual limit of $100,000 as a total cost to the County.

The Commission on Aging support Bill 5-13 because the improvements contemplated will enhance the health, safety and welfare of seniors, will reduce incidences of falls and accidents, and will reduce emergency medical visits. The tax credit contemplated would provide both an individual incentive and a financial benefit for the County by reduced accidents as well as a physical benefit for its residents.

Without home modifications, the only alternative is often a nursing home or assisted living facility with its increased costs. The Commission on Aging in its summer studies program has highlighted the need for policies that encourage seniors to undertake such renovations. This legislation would do that.

Thank you

Charles Kauffman

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Commission on People with Disabilities

Testimony on County Council Public Hearing on Bill 5-13
Property Tax Credit – Accessibility Features
Remarks by Tim Markwood, Commissioner
February 26, 2013

Good Afternoon, my name is Tim Markwood, and I am a member of the Commission on People with Disabilities and I am speaking on behalf of the Commission in support of Councilmember Leventhal's initiative to increase the supply of housing that meets the Design for Life Montgomery design features of being visit-able or live-able to help make our County a more inclusive community.

A Visit-able home has three basic design elements:

1. At least one no step entry at any entry door such as front door, back door, side door (any door) deck or through the garage connected to an accessible route to a place to visit on that level.
2. 32" or 2' x 10"nominal clear width interior doors.
3. A useable powder room or Bathroom

A Live-able home has:

1. The three basic design features of a Visitable home, plus
2. At least one bedroom, full bath, and kitchen with a circulation path that connects the rooms to an accessible entrance.

As a Commissioner, I have served on the Design for Life Montgomery Workgroup for the past 3 years and have been involved in trying to create incentives for both property owners and builders to develop this type of housing. We recommend to you to provide incentives to both builders in the form of an impact tax credit and property owners in the form of a property tax credit to include Design for life features in both existing housing **AND** new construction.

In addition to being a Commissioner I am a Realtor. As a Realtor, I have observed the current numbers of homes in the County with accessible features are at a minimum. With these incentives I feel that it is a good first step to increase the inventory of homes with Design for Life features.

We have had the opportunity to review the Executive's proposal sent to the Council to provide to property owners up to $3000 of certified costs in Property Tax Credits where there has not been an Impact Tax credit for visit-able homes and up to $10,000 for homes made to be live-able. Total tax credits issued by the County to eligible persons would be capped at $500,000 per year. We support this.

For builders, the Executive is proposing a school impact tax credit for visit-ability which is currently on a sliding scale from $500 per unit for 5% of a development up to $2000 per unit for developments with 30% or more being made visitable. We believe the $500 per unit is not significant enough to get the interest of a builder. We believe that $2000 per unit is more appropriate and provides an increased incentive. We believe a set credit amount should be provided for each home built which meets the Design for Life standards…not a sliding scale based on the percentage of homes built. This is a better and more equitable way of encouraging builders to incorporate Design for Life standards.

Thank you for the opportunity to share the Commission's thoughts with you on this very important issue.

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GREATER CAPITAL AREA ASSOCIATION OF REALTORS®

TESTIMONY OF *THE GREATER CAPITAL AREA ASSOCIATION OF REALTORS®* BEFORE THE MONTGOMERY COUNTY COUNCIL REGARDING
"Bill 5-13, Property Tax Credit – Accessibility Features"

February 26, 2013

Council President Navarro and members of the County Council, my name is Bonnie Casper and I am the 2013 Immediate Past President for the Greater Capital Area Association of REALTORS® ("GCAAR") – the voice of Montgomery County and the District of Columbia's more than 8500 REALTORS®, property managers, title attorneys and other real estate professionals. On behalf of GCAAR, I would like to voice our support for Bill 5-13.

GCAAR supports measures that allow property owners to make necessary improvements to their existing homes. Bill 5-13 is important legislation because it will allow for accessibility features to be added to a home while providing a property tax credit to ease the burden of the cost of these important and necessary improvements.

REALTORS® strongly support this type of legislation because the inventory of homes with accessibility options is currently very limited and dwindling every day. If this bill is approved it will expand housing options and choices that homebuyers with mobility impairments have. It will also allow homeowners who might develop mobility impairments the ability to stay in their current home and make improvements necessary to remain. This in turn will increase the housing stock with accessibility features and provide more housing choices for the disabled community.

GCAAR also understands that the County Executive has recommended some changes to the legislation to amend it to require developers and realtors disclose to prospective purchasers of <u>new</u> homes the availability of property tax credits for Design for Life features if included in the home. We would like further clarification of this provision because it relates to <u>new</u> home contracts not <u>existing</u> home contracts. Since this legislation directly relates to improvements of <u>existing</u> residences the inclusion of new homes needs to be thought through.

GCAAR strongly supports Bill 5-13 and sees it as legislation that allows homebuyers and homeowners to remove architectural barriers and remain in their home.

As always, I thank the members of the County Council for your consideration of GCAAR's perspective on this issue.

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JACKIE SIMON HOMES LLC

Testimony in favor of Bill 5-13

President Navarro, Members of the Council,

I am Jackie Simon, an advocate for people with Disabilities. First I want to thank Councilman Leventhal for his initiation of this legislation. Frequently, the emergency need for accessibility features presents itself when family resources are at their lowest, a time of medical emergency and when family stress levels are at their highest. This initiative will relieve some of this economic burden. Sadly, heretofore, our county's housing stock has lacked accessibility features that would permit persons to age in place or recuperate at home after an accident or illness.

Our large institutions have been closed, yet our communities have not been made ready to permit persons with disabilities to move about our neighborhoods freely. We've done well in many of our public spaces, but our homes do not permit persons with disabilities to be a part of the community in which they live. **This bill addresses the issue of our existing housing stock, and is an excellent start to opening up our community.**

An equally challenging concern is the 15,000 homes yet to be built in the County.

For 8 years there has been a voluntary program, Design for Life, that was intended to stimulate the construction of new homes that eliminated architectural barriers. That program produced 25 homes over 8 years. Sadly, this mirrors the experiences of other communities with voluntary programs. **To be truly effective legislated mandates are required.** Pima County Arizona has a mandatory program covering all new construction which has withstood the legal legal challenges. Bolinbrook, Il. has a mandatory program, under which 3700 homes with basements have been built. The experience there is that in those

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limited circumstances where there is an added cost to meet these standards, the cost has been $637 per unit.

As the County Executive has stated, "We can no longer rely on volunteer programs to create this stock."

Bill 5-13 addresses financial relief and an economic incentive to home owners to remove architectural barriers as they remodel their homes. AARP estimates that up to 60% of all homes will at one time, during their its life span, provide shelter to a person with a severe mobility impairment.

The builder representatives with whom I've worked over the years, have expressed a fear that the market will reject visitable homes. Experience in other communities report no such rejection. In fact, they note that "the no step entry, 32"wide doors and minimum 36" wide halls are not even noticed unless they are pointed out".

It is those three items that can cost tens of thousands of dollars to add after the fact. If even **those three items were mandated** most persons would be able to make other adjustments to meet their particular needs.

I urge the passage of Bill 5-13, and the Executive's plans which are to follow, with **the change that the three visitability features be required in all new single family homes**. The Executive's recommended incentives will clearly offset any added costs the builders might experience, based on the experiences of other communities where there is a visitability mandate.

I hope the County's goal will assure that **we become a community that includes people because " a community that excludes even one of its members is no community at all".**