

TESTIMONY OF THE GREATER CAPITAL AREA ASSOCIATION OF REALTORS® BEFORE THE MONTGOMERY COUNTY COUNCIL

Regarding Proposed 10% Property Tax Increase

May 2, 2023

My name is Avi Adler, and I come before you today on behalf of the Greater Capital Area Association of REALTORS® (GCAAR), and 12,000 REALTORS®, property managers, title attorneys, and other real estate professionals, to express our serious concerns about the proposed property tax increase.

Last month I testified to you all about the deep financial burden the County Executive's proposed FY24 Operating Budget would place on Montgomery County's fiscal health and its residents. That the possibility of a looming recession and our continuously slowed economic growth should lead you to belt-tightening and minimizing financial liabilities.

In the face of these economic headwinds, most of the budget decisions made by the Council so far have incrementally pushed us further and further toward a massive tax increase.

The almost 9% expansion of our county budget proposed by the Executive comes at the expense of our county residents. Instead of prioritizing our County's fiscal needs and making tough budget decisions, this proposed tax increase will force residents to dig deeper into their wallets and make day to day affordability that much more difficult.

The body unanimously raised compensation for government workers, creating a deficit of at least \$145 million in next year's operating budget. This comes as the Executive proposes over 170 new positions in government while almost 1500 funded positions sit vacant, with no current effort to fill over 900 of them. And all signs point to the Council making a historic investment in the schools. One that MCPS says is needed but will also set an all-time-high floor for future funding requests. The problem is, when you make all of these things a major spending priority, nothing is a priority.

This spending is unsustainable. The decision to raise taxes will negatively affect the local economy. Your central staff and Office of Legislative Oversight have pointed out the dangers of these efforts since the budget was transmitted, pointing to the budget deficits you will face and the consequences of going over Maintenance of Effort.

And though we are here to discuss the property tax increase, a massive recordation tax spike that at least 7 of you currently support will also hurt the housing market. Specifically, it will negatively affect almost half of all housing transactions, and a vast majority of detached single-family home purchases.

Inflation has kept interest rates near a 30-year high, significantly impacting financing for home loans. Inventory is still at startlingly low levels, keeping prospective residents from achieving homeownership in the county and holding back current homeowners looking to downsize from re-entering the marketplace. Combined, we see a continued affordability crisis. A crisis that you will undoubtedly make worse with these two tax proposals.

We understand the predicament you face with this fiscal year. But when looking at our regional neighbors, massive tax increases are a singularly unique, Montgomery County-specific solution to a problem facing everyone. Just today, Fairfax County announced a tax reduction for residents while fully funding employee compensation plans. We must avoid further harming our regional competitiveness.

We ask that you protect residents who already face major affordability issues and reject a tax increase.