

March 18, 2025

Hon. Kate Stewart  
President, Montgomery County Council  
100 Maryland Avenue  
Rockville, MD 20850

Subject: Letter of Opposition - Bill 5-25 – Demolition Tax for Affordable Housing Production

Dear President Stewart,

The Maryland Building Industry Association representing 1,000 plus member companies statewide with a significant portion operating in Montgomery County is heavily opposed to Bill 5-25. The proposal would establish an excise tax that would apply to certain total demolitions and partial demolitions of attached or detached single-family homes. A “partial demolition” would be defined as a construction or renovation that will result in the destruction or removal of at least 50% of an existing single-family home. The tax rate would be \$20,000 per demolition or partial demolition.

This is a massive tax on housing of all types, not just expensive replacement homes but all housing. This comes at a time when the county and the state are in midst of a housing crisis and a looming recession. We are experiencing a dramatic shortage of housing, all types and price points. The governor has come out clearly and stated that there should be no actions or legislation taken that exacerbate the housing shortage and the proposed demolition tax runs completely contrary to our community's need for new housing that meets the needs of residents. Montgomery County has gotten more expensive to live and do business on an annual basis. Not even two years ago the county increased its property tax rates transfer and recordation tax rate, as well as impact fees. The County Executives proposed FY26 budget proposes another property tax increase.

For context, a demolition permit right now per the FY25 fee schedule is \$156.82, under Bill 5-25 it would cost the applicant \$20,000. Montgomery County currently issues on average 207 demolition permits per year, this number is down from around 420 annually in 2019. Montgomery County is not a Greenfield county, a majority of the projects that occur in the county are re development and revitalization projects. Older homes or buildings that are renovated or torn down for new housing types the benefit the county immensely financially, these projects provide jobs and replace mature greenhouse emitting buildings with new energy efficient ones. On average a home valued at \$800,000 contributes \$9,216 to the county through tax revenue, that home replaced with a \$1.8 million home contributes \$76,674 to the county through property and transfer and recordation tax revenue after 1 year, a 732 percent increase.

Maybe the most important point through all of this, is that bill claims to add an additional \$4 million for affordable housing should that 207 average not change at all. Increasing the price of demo permit from \$156.82 to \$20,000 and expecting activity to stay the same a complete fallacy. Infill and replacement home activity will plummet, which would have a devastating impact on the county's economy. This is not a sustainable solution to increase funding or affordable housing or any county initiatives. Homebuilding continues to increase in cost, it is now about 40 percent more costly to build a home since the onset of the pandemic due to supply chain disruption and rampant inflation, this dramatic increase in construction costs has impacted not only material, but labor as well. This proposed fee increase places an undue financial strain on homeowners who are seeking to improve their properties. It discourages development and modernization, which are essential for maintaining the vibrancy and economic health of Montgomery County.

This legislation will deter new residents from moving into the county, further impacting our local economy, as well as impact the county retaining residents should they want to improve their homes. A demolition and rebuild is, by definition, an investment in the housing stock of our community. It is a very tangible sign of that property owner's confidence in our community. The very notion that the council would consider yet another tax that could diminish the viability of a demolition and rebuild project which represents an investment in our community is beyond understanding.

MBIA urges the county to reconsider this legislation. It is crucial that we find a balance between generating necessary revenue for the county and ensuring that homeowners are not unfairly penalized for seeking to enhance their properties.

For these reasons please vote NO on this enormous tax on housing! If you have any questions or concerns, please do not hesitate to contact at [gbenton@marylandbuilders.org](mailto:gbenton@marylandbuilders.org) or (202)-815-4239.

Respectfully,

Griffin Benton  
Vice President, MBIA