Montgomery County Council Infrastructure Funding Workgroup

APPROVED MINUTES

Friday, September 19, 2025
10:30 AM to 12:00 PM
Council Office Building, Capital Crescent Trail Room, 4th Floor

Present Members

- Gene Smith, County Council Staff
- Livhu Ndou, County Council Staff
- Bilal Ali, County Council Staff
- Lisa Govoni, Montgomery County Planning Department
- Gary Nalven, Montgomery County Office of Management and Budget
- Mike Henehan, Bozzuto Development Company
- Robert Goldman, Montgomery Housing Partnerships

Absent Members

- Katie Mencarini, Montgomery County Planning Department
- Darcy Buckley, Montgomery County Parks Department
- Adnan Mamoon, Montgomery County Public Schools (MCPS)
- Haley Peckett, Montgomery County Department of Transportation
- Todd Fawley-King, Montgomery County Department of Finance

Other County and Agency Staff Participating

- Stephen Kenny, County Council Staff
- Andrea Swiatocha, Deputy Chief, Division of Facilities Management (MCPS)

Call to Order
The meeting was called to order at 10:30 AM.

Action – Approval of August 15, 2025 Minutes
The minutes from the August 15, 2025 meeting were reviewed and approved without amendment.

Stakeholder and Workgroup Introductions
Workgroup members and participating stakeholders introduced themselves and the businesses or organizations they represented. The Workgroup introduced the authorizing Council Resolution and the purpose and timeline of the group's efforts in the coming year.

Discussion with Stakeholders
See attached summary of discussion with stakeholders, including those stakeholders present at the meeting.

Review and Approve Additional Stakeholder Engagement Date
The Workgroup reviewed the possibility of adding an additional date to engage stakeholders due to the cancellation of the September 12, 2025 meeting. The Workgroup added a date on

September 26, 2025 to engage the Maryland State Highway Administration, Maryland Transit Administration, and the Washington Metropolitan Area Transportation Authority. The Workgroup will continue to determine if additional engagement dates are needed when meeting again in October 2025.

Adjournment

The meeting was adjourned at 12:00 PM

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Meeting with Industry Stakeholders

Stakeholders Participating:
Jad Donohoe from Donahoe and with Commercial Real Estate Development Association (NAIOP)
Brain Anleu with Apartment and Office Building Association
Casey Anderson from Rodgers Consulting and with NAIOP
Neil Blanc with Rodgers Consulting and Maryland Building Industry Association (MBIA)
Doug Firstenberg with Stonebridge
Jeffrey Blackwell from Victory Housing and with Montgomery Housing Alliance

(Participating, Not Present)
Kate Kubit with Elm Street Development and MBIA
Robert Graham with Rodgers Consulting and MBIA
Chris Nourse with Pulte Group and MBIA
Bobby Varner with Pulte Group and MBIA

Stakeholder Summary

- Consider ways to reduce costs for new development with impact fees — development is stagnant.
- Clearly quantify/forecast the county's expected tax base, expected county services expenditures, and county revenue streams to create an objective basis for any infrastructure funding solutions and discussions; distill information in format viable for public absorption and policy maker use as a central component to the work product of this group
- Prioritize schools and job growth as the biggest levers to make the county attractive for development opportunities again.
- Provide clear scenarios between status quo and investments.
- Consider alternative funding tools (land value tax, ballot measures, broad-based revenue).

Stakeholder Comments

Schools & Enrollment

- Stakeholders asked about the assumptions for school infrastructure needs, given that enrollment has leveled off or declined post-pandemic.
    - School staff clarified that enrollment is below projections, but overcrowding in certain areas still requires capital investment.
    - Boundaries and redistricting are being considered separately.

Growth & Tax Base

- Some stakeholders stressed the need to frame growth scenarios:
  - Status quo: reduced revenue, inability to fund infrastructure.
  - Growth scenario: requires new funding mechanisms but expands the tax base.
- Some stakeholders urged the group to be "bold" and present two trajectories (decline vs. growth) in the report.
- Stakeholders noted that the report should highlight the different sources of County revenues (i.e., tax base) and where it goes (i.e., spending).
  - Some stakeholders noted that development cannot fund all the County's needs.
- Developers suggested focusing on investments that attract jobs and residents:
  - Schools as a long-term driver of county attractiveness.
  - Place-making, walkable neighborhoods, and basic infrastructure (sidewalks, frontage improvements, utility burial) rather than BRT/large transit projects.
  - Transit investments (BRT) questioned due to post-pandemic ridership declines.

Housing & Development Costs

- Stakeholders emphasized the housing crisis:
  - Current impact taxes and fees discourage development.
  - Increased costs result in fewer permits pulled and fewer projects delivered.
- Stakeholders warned that maintaining or raising fees will disincentivize housing, worsening affordability.
- Some stakeholders noted that taxes or fees that were spread over time were better than upfront costs for development. Others noted that the project and opportunity can matter more than the type of costs, but that the present-day infrastructures costs are a notable downward pressure on creating project opportunities.

Fairness of Funding

- Stakeholders raised concern about special taxing districts:
  - Carving out single-family homes while taxing multifamily unfairly narrows the base.
  - Most districts would have a limited tax base to be effective.
  - Office buildings with high vacancy rates shouldn't be singled out for school funding.

Transportation vs. Schools

- Stakeholders noted that transportation impact fees don't align with actual usage and disproportionately burden developers.
- Some stakeholders noted that transportation projects will not "move the needle" anymore for economic competitiveness, but improvements to MCPS would help growth and competitiveness.

Comparisons with Other Jurisdictions

- Stakeholders noted how Northern Virginia, Alexandria, Howard, Fairfax, and Baltimore counties fund infrastructure and encouraged the workgroup to benchmark them – Alexandria was noted as doing it well
- Stakeholders noted that infrastructure funding mechanisms must be tailored to the specific context of the jurisdiction. Benchmarking is a valuable exercise to find the best solution for Montgomery County, but stakeholders noted that what might work in Northern Virginia may not necessarily apply in Montgomery County's economic context.
- Stakeholders noted that Montgomery County's impact taxes are twice the next highest in Maryland.
- Stakeholders shared that developers go where projects "work" economically, not just where impact taxes are lower.
- Some stakeholders noted that the County should focus on doing the basics for infrastructure (e.g., frontage development).

Ideas for Alternative Funding

- **Land Value Tax / Vacancy Tax**:
  - Use a land value tax to target underdeveloped and underutilized land near transit instead of new development.
  - Acknowledge this would be unpopular with speculators.
- **Recordation Taxes**: Raised concerns about transaction friction for financing.
- **Ballot Measures**: Put capital projects with specific funding mechanisms (e.g., sales tax, property tax) directly to voters, as done elsewhere in the U.S.
- **Broad-based Revenues**: More effective than relying on development impact fees.

Follow-Up Stakeholder Thoughts

- On a fundamental level, we are not seeing enough development for development to make up for underinvestment in infrastructure. Decisions makers in the County should be clear eyed about these trends when making decisions on future infrastructure funding.
- Impact Taxes are a lot of money for a real estate project yet very little return for infrastructure funding; impact taxes only make sense in a boon economy with high levels of development. Furthermore, school impact and utilization payments are the least plausibly connected to impact of new development, compounded by downward trends in enrollment forecasts for foreseeable future.
- Tax districts are either going to be unpopular, politically untenable, or insufficiently broad to collect enough revenue. There are complications when trying to divide existing vs new construction. Tax districts may be viable solutions in specific contexts, but not a good systemic approach.
- Staff should research and quantify
  - Trends in CIP budget for transportation vs total CIP and look at both in context of operating budget. Extend this analysis to other jurisdictions in DMV
  - Benchmark infrastructure funding mechanisms in other jurisdictions, while being clear to capture economic and regulatory contexts that might differ from ours.
  - Quantify contribution of property taxes vs impact taxes.

Stakeholder Questions

- What assumptions are being used to forecast school infrastructure needs given that enrollment has leveled off or declined after the pandemic?
- How are boundaries and potential redistricting being factored into school capital needs?
- In the 1970s, during the period of major county growth, what percentage of the budget was spent on schools and transportation compared to today?
- How much are we currently spending, and how does that compare to historic levels of infrastructure investment?
- How should the work group think about future growth in its policy conversation, especially if enrollment and population remain flat?
- If new funding tools (like fees or property tax increases) are considered, should they apply only to commercial or to both commercial and residential development?
- Should rates be geographically different (e.g., higher in Bethesda than in other areas)?
- What assumptions are driving the push to fund BRT (Bus Rapid Transit) and is that still valid given post-pandemic ridership declines?
- Should we rethink transportation funding given that impact fees don't reasonably connect to project usage?
- Is there any appetite to explore land value taxes or taxing underdeveloped/undeveloped land near transit?
- Could recordation tax increases (on property transactions) be reconsidered, and what are their downstream impacts?
- Why not place capital projects with funding mechanisms directly on the ballot (as done in other jurisdictions) to let voters decide?
- In the eyes of developers, what types of investments (schools, transit, placemaking, safety, basic infrastructure) would most effectively drive growth in Montgomery County?