GO Items 3&4
January 18, 2018
Worksession

MEMORANDUM

January 16, 2018

TO: Government Operations and Fiscal Policy Committee

FROM: Robert H. Drummer, Senior Legislative Attorney
Glenn Orlin, Deputy Council Administrator

SUBJECT: **Worksession:** Expedited Bill 32-17, Taxation – Development Impact Tax for Transportation and Public School Improvements – Definitions – Senior Residential and Resolution to implement Expedited Bill 32-17

Expected attendees:
Eric Graye, Planning Board
Charles Frederick, County Attorney's Office
Gail Lucas, Department of Permitting Services

Expedited Bill 32-17, Taxation – Development Impact Tax for Transportation and Public School Improvements – Definitions – Senior Residential, sponsored by Lead Sponsor Councilmember Floreen and Co-Sponsor Councilmembers Katz, Rice, and Berliner, was introduced on October 31, 2017. A public hearing on both the Bill and the Resolution to implement the Bill was held on December 5.

Bill 32-17 would replace the multifamily-senior residential category used to impose the development impact tax for transportation and public school improvements with a senior residential category.

Background

Development impact taxes are designed to require an applicant to construct a new development to pay a portion of the County's cost to build transportation improvements and public school improvements needed to support the new development. The Council approved the initial impact fee law in 1986, and at the time, applied it to developments in the fastest areas of growth in the County (Germantown, Fairland, White Oak, and Cloverly). After the Court of Appeals found in 1990 that the County did not have authority to impose the impact fee it had enacted,[1] the Council enacted Expedited Bill 33-90, which converted the impact fee to an impact tax. In 2001, Bill 47-01 (effective July 2002) established the transportation impact tax countywide.

---

[1] *Eastern Diversified Properties, Inc. v. Montgomery County*, 39 Md. 45, 570 A.2d 850 (1990).

The Council approved a countywide school impact tax in 2003 (effective 2004) which applied only to residential development. Rates were set for single-family-detached houses, townhouses, low-rise apartments (up to 4 stories) and high-rise apartments. The rates for single-family-detached houses and townhouses also included a surcharge for larger homes. Multifamily-senior residential has a $0 school impact tax rate because it is assumed that these housing units would not add many students to the public school system.

Bill 32-17 would make 2 changes to the impact tax charged to age-restricted senior housing. First, the Bill would replace the multifamily-senior residential category with a generic senior residential category. Traditional age-restricted senior housing in the County has been multifamily units. Recently, the County has received applications for age-restricted senior housing units comprised of townhouses or villas. Since these age-restricted senior townhouse developments are also expected to add few students to the public school system, Bill 32-17 would apply the senior residential rate of $0 for the impact tax for public school improvements to these developments. Bill 32-17 would apply this senior residential tax rate for school impact taxes paid on or after June 22, 2017.

Bill 32-17 would also define the senior residential category for the impact tax for transportation improvements. The new definition would include "a residential care facility as defined in Section 59.3.3.2.E used solely for housing seniors or persons with a disability." Under current law, a residential care facility that has a central kitchen for providing meals to residents and does not include a kitchen in each housing unit is charged the higher "other non-residential" transportation impact tax rate instead of the lower multifamily-senior transportation impact tax rate. The current classification of this type of residential care facility is based upon an assumption that the staff needed to serve the residents would approximate the impact on the transportation system that results from other non-residential properties, such as a nursing home. Bill 32-17 would place this type of residential care facility in the new senior residential category that carries a reduced transportation impact tax rate.

Resolution to Implement Expedited Bill 32-17 for senior residential units

The Resolution to Implement Expedited Bill 32-17 for senior residential units was introduced on October 31. The Council held a public hearing on this resolution along with Bill 32-17 on December 5.

Bill 37-16 required the Council to set the impact tax rates by resolution. Therefore, Bill 32-17 was introduced with a resolution that would implement the changes to the categories used for the development impact tax rate schedules. The attached resolution reflects the changes proposed by Expedited Bill 32-17 and updates the rates that have been in effect since July 1, 2017. See ©5-6. If the Committee approves the Bill, this resolution is necessary to implement it.

Public Hearing

Both witnesses at the public hearing supported the Bill. Jody Kline, an attorney with Miller, Miller, and Canby, representing Friends House and Columbia/Wegman Acquisitions, supported the creation of a senior residential category for both the school impact tax and the transportation impact tax. Mr. Kline submitted a copy of the development tax rate schedule with the current multifamily-senior tax rate highlighted. See ©7. Robert Harris, an attorney with Lerch, Early & Brewer, also supported the Bill as a correction for an inequity in the allocation of the development impact tax rates for certain senior residential projects. See ©8-9.

Issues

1. What is the fiscal and economic impact of the Bill?

OMB estimated that there would be an average of 4 new developments each year with 10 units each eligible for a lower transportation impact tax rate under the senior residential category. OMB estimated that these 4 new developments with 10 units each would reduce our transportation impact tax revenue by $233,000 per year. OMB also estimated that DPS would need 200 work-hours to reconfigure Hansen and eServices Apply Online IT systems, but that these costs can be absorbed within the current appropriation. See ©10-13.

OMB estimated that, based upon the same estimated number of 40 new senior residential units each year, the school impact tax would be reduced by $960,000 each year. Therefore, the total fiscal impact of the Bill would be $1,193,000 per year.

2. Should a senior age-restricted townhouse, villa, or single-family house development pay a school impact tax?

The development impact tax for public school construction is designed to require the applicant for a new development to pay a portion of the County's cost of public school improvements necessary to support the new development. The current rate for the school impact tax for a senior multi-family development is $0 based upon the assumption that the occupants of age-restricted senior housing do not add children to the local public school.[2] However, an age-restricted senior housing development consisting of townhouses, villas, or single-family houses is charged a school impact tax rate equal to a similar development that is not age-restricted.

Until recently, almost all senior age-restricted developments in the County were multi-family developments.[3] There are now at least 2 senior age-restricted developments in the County's development pipeline that include townhouses or villas. These new developments are also expected to have little to no impact on the public schools. Bill 32-17 would remedy this inequity by replacing the current multi-family senior residential category with a senior residential category that includes senior age-restricted townhouse, villa, or single-family developments. **Council staff recommendation:** approve the new senior residential category.

3. Should the new senior residential category include a residential care facility with a central kitchen for the residents?

---

[2] Although a senior age-restricted development could add some students to the public school system because a senior resident could have a child or grandchild living in the unit, the actual number of students added in these developments is insignificant.

[3] Leisure World development includes townhouses and villas, but the development predates the implementation of the development impact tax for public school improvements.

The development impact tax for transportation improvements is designed to require the applicant for a new development to pay a portion of the County's cost of providing transportation improvements necessary to serve the new development. The transportation impact tax is based upon an estimate of the trips generated by that type of development. Under current law, the transportation impact tax for an independent living residential care facility with a kitchen in each unit is less than the transportation impact tax for a residential care facility with a central kitchen. The difference is based upon an expectation that the extra staff necessary for a central kitchen would add to the trips generated by the facility similar to a nursing home.

After receiving complaints from 2 applicants for these developments, Council staff asked the Planning Board staff to determine if the current trip generation estimate for a residential care facility with a central kitchen remains accurate. Eric Graye of the Montgomery County Planning Department Transportation staff provided the following response in an email:

We agree that a residential care facility that has a central kitchen for providing meals to residents and does not include a kitchen in each housing unit has a travel impact that is similar to independent senior-restricted dwelling units. Many residents at facilities with a central kitchen tend to eat their meals at the centralized kitchen (assuming this amenity is provided). Therefore, typically the staff (not the residents) generate AM and PM peak trips. That said, as shown below there is a slight difference between "typical" senior residential facilities (with centralized dining) and other types of senior residences where some of the residents are still working full or part-time.

According to the 9th Edition of the ITE Trip Generation Manual, the six land use categories for "senior residence" have varying trip generation rates, from AM=0.06 to 0.22 & PM=0.17 to 0.27:

Senior Residential developments **lacking** centralized dining facilities

- ITE Land Code 251 Senior Adult Housing Detached AM=0.22 trips/DU & PM=0.27 trips/DU
- ITE Land Code 252 Senior Adult Housing Attached AM=0.20 trips/DU & PM=0.25 trips/DU

Average = AM=0.21 trips/DU & PM=0.26 trips/DU

Senior Residential developments **providing** centralized dining facilities

- ITE Land Code 253 Congregate Care Facility AM=0.06 trips/DU & PM=0.17 trips/DU
- ITE Land Code 254 Assisted Living AM=0.14 trips/DU & PM=0.22 trips/DU
- ITE Land Code 255 Continuing Care Retirement Facility AM=0.15 trips/DU & PM=0.20 trips/DU
- ITE Land Code 620 Nursing Home AM=0.17 trips/DU & PM=0.22 trips/DU

Average = AM=0.13 trips/DU & PM=0.20 trips/DU

The difference in travel impact is that senior residential developments **providing** centralized dining facilities have a lower trip generation rate per unit than senior residential developments **lacking** centralized dining facilities. Therefore, Bill 32-17 should reflect this difference in site-generated traffic and not require senior residential care facilities with a centralized dining facility to be charged the higher "non-residential" transportation impact tax rate if they are not generating as much traffic as the multifamily senior residential buildings (with kitchens in each housing unit) that pay lower transportation impact tax rates.

-

Mont. County Planning Dep't transportation staff
Ed Axler, Eric Graye & Laura Hodgson

We expect Mr. Graye to attend the worksession to explain this analysis and answer questions. These trip generation estimates support taxing a residential care facility with a central kitchen the same transportation impact tax rate as senior residential development with a kitchen in each unit. **Council staff recommendation:** approve the new senior residential rate as defined in the Bill.

4. Should the Bill be retroactive to June 22, 2017?

The Bill, as introduced, would take effect on June 22, 2017. This retroactive effective date was added to the Bill at the request of the County Attorney's office to resolve an ongoing Tax Court appeal from an applicant who paid a school impact tax for a senior residential development that included townhouses or villas on June 22, 2017 and on July 13, 2017. The total amount of the refund would be $137,556. Although the County has a reasonable defense based upon the current tax rates, the same argument that supports the change in the law described in Issue 2 would also support making the change retroactive to make refunds in this case.

DPS would need to make some changes to their workflow and information technology system to accommodate the revised development impact tax category and implement this Bill. Although DPS cannot change the system immediately after the Bill is enacted, Ms. Jones told Council staff that, due to the limited number of applications for senior residential developments expected, DPS can manually implement the changes until the system can be updated. Gail Lucas from DPS is expected to attend the worksession to answer questions.

Council staff recommendation: enact the Bill with the retroactive effective date, and continue to have it apply to payments made on or after June 22, 2017.

F:\LAW\BILLS\1732 Development Impact Tax For Trans. And School Improvement\GO Memo.Docx

Expedited Bill No. 32-17
Concerning: Taxation – Development Impact Tax for Transportation and Public School Improvements – Definitions – Senior Residential
Revised: December 7, 2017 Draft No. 10
Introduced: October 31, 2017
Expires: May 1, 2019
Enacted: ____
Executive: ____
Effective: ____
Sunset Date: None
Ch. ____, Laws of Mont. Co. ____

County Council For Montgomery County, Maryland

Lead Sponsor: Councilmember Floreen
Co-Sponsors: Councilmembers Katz, Rice, and Berliner

AN EXPEDITED ACT to:
(1) replace the multifamily-senior residential category used to impose the development impact tax for transportation and public school improvements with a senior residential category;
(2) define senior residential; and
(3) generally amend the law governing the categories of residential dwelling units used to impose the development impact tax for transportation and public school improvements.

By amending
Montgomery County Code
Chapter 52, Taxation
Section 52-39

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 52-39 is amended as follows:

52-39. Definitions.

In this Article the following terms have the following meanings:

*　　　　*　　　　*

Property owner means any person, group of persons, firm, corporation, or other entity with a proprietary interest in the land on which a building permit has been requested.

Residential means the use of a building as a dwelling unit.

(1) *Single-family detached residential* includes detached single-family dwelling units.

(2) *Single-family attached residential* includes townhouses, duplexes and other attached single-family dwelling units.

(3) *Multifamily residential* includes:

(A) garden apartments;

(B) mid-rise and high-rise dwelling unit structures; and

(C) mobile homes.

(4) [*Multifamily-senior*] Senior *residential* means:

(A) [multifamily housing and related facilities for elderly or handicapped persons, as defined in Section 59-1.4.2, with occupancy restricted as provided in Section 59-3.3.2.C] a residential care facility as defined in Section 59.3.3.2.E used solely for housing seniors or persons with a disability;

(B) [multifamily housing] dwelling units located in the age-restricted section of a planned retirement community, as defined in Section [59-8.3.5] 59.8.3.5; [and]

(C) [a domiciliary care home, as defined in Section 59-1.4.2 and subject to Section 59-3.3.2.E, which consists of separate assisted living units] an independent living facility for seniors or persons with a disability as defined in Section 59.3.3.2.C; and

(D) any household living unit constructed under Section 59.3.3.1 that is restricted by a covenant running with the land for housing persons who are 55 years of age or older.

(5) *High-rise residential* includes any dwelling unit located in a multifamily residential or mixed use building that is taller than 4 stories, and any 1-bedroom garden apartment.

Use and occupancy permit means a use and occupancy permit issued by the Department of Permitting Services under Chapter 8.

* * *

Sec. 2. Effective Date.

The Council declares that this legislation is necessary for the immediate protection of the public interest. This Act takes effect on June 22, 2017. The amendments in Section 1 must apply to development impact tax for public school improvements paid on or after June 22, 2017. The development impact tax rate for public school improvements imposed for a senior residential development, as defined in Section 1, payable between June 22, 2017 and July 1, 2017, must be $0.

Approved:

____

Roger Berliner, President, County Council Date

Approved:

____

Isiah Leggett, County Executive Date

LEGISLATIVE REQUEST REPORT

Expedited Bill 32-17

Taxation – Development Impact Tax for Transportation and Public School Improvements – Definitions – Senior Residential

DESCRIPTION: Bill 32-17 would replace the multifamily-senior residential category used to impose the development impact tax for transportation and public school improvements with a senior residential category.

PROBLEM: Traditional age-restricted senior housing in the County has been multifamily units. Recently, the County has received applications for age-restricted senior housing units that is a townhouse development. Since these age-restricted senior townhouse developments are also expected to add few students to the public school system.

The current classification of a residential care facility is based upon an assumption that the staff needed to serve the residents would approximate the impact on the transportation system that results from other non-residential properties, such as a nursing home. Bill 32-17 would place this type of residential care facility in the new senior residential category that carries a reduced transportation impact tax rate based upon analysis of the impact on the transportation system.

GOALS AND OBJECTIVES: The goal is to properly classify age-restricted senior housing units for the development impact tax for both public school and transportation improvements.

COORDINATION: Planning Board, County Attorney, Permitting Services

FISCAL IMPACT: To be requested.

ECONOMIC IMPACT: To be requested.

EVALUATION: To be requested.

EXPERIENCE ELSEWHERE: To be researched.

SOURCE OF INFORMATION: Robert H. Drummer, Senior Legislative Attorney

APPLICATION WITHIN MUNICIPALITIES: To be researched.

PENALTIES: None.

Resolution No.: __________
Introduced: October 31, 2017
Adopted: __________

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Councilmember Floreen
Co-Sponsors: Councilmembers Katz, Rice and Berliner

SUBJECT: Development Impact Tax Rates for Transportation and Public School Improvements.

Background

1. Under County Code §52-49(a), the County Council may, by resolution, after a public hearing advertised at least 15 days in advance, increase or decrease the development impact tax rates for transportation.

2. Under County Code §52-55(a), the County Council may, by resolution, after a public hearing advertised at least 15 days in advance, increase or decrease the development impact tax rates for public school improvements.

3. A public hearing was held on this resolution on December 5, 2017.

4. This amendment is necessary to update the impact tax rates necessary for transportation and public school improvements.

Action

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

1. The development impact tax rates for transportation, effective July 1, 2017 are:

Land Use	Red Policy Areas (Metro Stations)	Orange Policy Areas	Yellow Policy Areas	Green Policy Areas
Residential Uses (per unit)				
Single-family detached	$7,072	$17,677	$22,097	$22,097
Single-family attached	$5,786	$14,464	$18,080	$18,080
Multi-family, except high-rise	$4,499	$11,247	$14,059	$14,059
Multi-family high-rise	$3,213	$8,034	$10,042	$10,042

Senior residential	$1,285	$3,214	$4,017	$4,017
Commercial Uses (per sf GFA)				
Office	$6.45	$16.45	$20.20	$20.20
Industrial	$3.25	$8.05	$10.10	$10.10
Bioscience facility	$0.00	$0.00	$0.00	$0.00
Retail	$5.75	$14.45	$18.00	$18.00
Place of worship	$0.00	$0.00	$0.00	$0.00
Private elementary and secondary school	$0.50	$1.30	$1.65	$1.65
Hospital	$0.00	$0.00	$0.00	$0.00
Social service agencies	$0.00	$0.00	$0.00	$0.00
Charitable, philanthropic institution	$0.00	$0.00	$0.00	$0.00
Other non-residential	$3.25	$8.05	$10.10	$10.10

2. The development impact tax rates for public school improvements, effective July 1, 2017 are:

Dwelling type	**Tax per dwelling unit**
Single-family detached	$23,062
Single-family attached	$24,227
Single-family surcharge	$2.00 per square foot of gross floor area that exceeds 3,500 square feet, to a maximum of 8,500 square feet
Farm tenant house	$23,062
Multi-family, except high-rise	$19,937
Multi-family high-rise	$6,791
Senior residential	$0

This is a correct copy of Council action.

Megan Davey Limarzi, Esq., Clerk of the Council

F:\LAW\BILLS\1732 Development Impact Tax For Trans. And School Improvement\Resolution To Implement Bill 32-17.Docx

NEW AND REVISED TRANSPORTATION IMPACT AND SCHOOL IMPACT TAXES
EFFECTIVE JULY 1, 2017

\

Questions concerning impact-tax collections may be directed to MC311 at 240-777-0311.

Please note that these rates are subject to change by the Montgomery County Council. The rate of the tax or payment due is the rate in effect on the date the tax or payment is paid.
(Montgomery County Code - Section 52-42(l))

Applicants for building permits for residential development fees paid on and after July 1, 2017, will be assessed the tax rates below:

Dwelling Type	School Impact Tax Per Dwelling Unit
Single-family detached	$23,062
Single-family attached	$24,227
Single Family house surcharge	$2 per square foot of gross floor area that exceeds 3,500 square feet, to a maximum of 8,500 square feet)
Farm-Tenant House	$23,062
Multifamily Low Rise	$19,937
Multifamily High Rise	$6,791
Multifamily senior	$0.00

In addition to the School Impact Tax, applicants for building permits in a residential development must also pay the applicable Transportation Impact Tax.

Building Type	Red Policy Areas (Metro Stations)	Orange Policy Areas	Yellow Policy Areas	Green Policy Areas
Residential Uses				
Single-Family detached (per dwelling unit)	$7,072	$17,677	$22,097	$22,097
Single-Family attached (per dwelling unit)	$5,786	$14,464	$18,080	$18,080
Multifamily Low Rise (per dwelling unit)	$4,499	$11,247	$14,059	$14,059
Multifamily High Rise (per dwelling unit)	$3,213	$8,034	$10,042	$10,042
Multifamily-senior (per dwelling unit)	$1,285	$3,214	$4,017	$4,017
Student-Built Houses (per dwelling unit)	$0.00	$0.00	$0.00	$0.00
Commercial Uses				
Office (per sq. ft. GFA)	$6.45	$16.15	$20.20	$20.20
Industrial (per sq. ft. GFA)	$3.25	$8.05	$10.10	$10.10
Bioscience facility (per sq. ft. GFA)	$0.00	$0.00	$0.00	$0.00
Retail (per sq. ft. GFA)	$5.75	$14.45	$18.00	$18.00
Place of worship (per sq. ft. GFA)	$0.00	$0.00	$0.00	$0.00
Clergy House (per dwelling unit)	$0.00	$0.00	$0.00	$0.00
Private elementary and secondary school (per sq. ft. GFA)	$0.50	$1.30	$1.65	$1.65
Hospital (per sq. ft. GFA)	$0.00	$0.00	$0.00	$0.00
Charitable, Philanthropic Institution (per sq. ft. GFA)	$0.00	$0.00	$0.00	$0.00
Other nonresidential (per sq. ft. GFA)	$3.25	$8.05	$10.10	$10.10

Use this link to determine your policy area
http://montgomeryplanning.org/resources/subdivision-staging-policy-area-map/

Last Update 06/19/17

2

Testimony of Robert R Harris
Before the
Montgomery County Council
Bill No. 32–17 – Taxation – Development Impact Tax for Senior Residential

December 5, 2017

Good afternoon. For the record I am Bob Harris of Lerch, Early & Brewer speaking in support of this Bill. I want to thank Councilmember Floreen for sponsoring it and Councilmember Katz for his co-sponsorship, as well as Council Staff for their efforts to help draft it. This legislation is designed to correct an inequity in the current impact tax provisions related to senior housing.

By way of background, County impact taxes are designed to have new development pay part of the cost of public infrastructure for transportation and schools related to that development. The tax classifications and rates are intended to reflect the relative burden that new development places on those systems, with higher impact uses paying higher rates, and lower impact uses like senior housing paying lower rates. Some uses, such as hospitals, bio-science enterprises and social service facilities do not pay any impact taxes because of the public benefits they provide. Although senior housing of various sorts certainly provides public benefits to the County, we accept the legislative conclusion that these facilities should pay some impact tax relative to the impact they create. Unfortunately, within the last year, an unintended distinction has arisen within the various types of senior housing, such that some senior housing has been required to pay the same impact taxes as non-senior housing, despite the recognition that senior housing has a limited impact on public infrastructure. More specifically, senior housing residential units with kitchens are deemed "dwelling units" and pay a lower transportation impact tax and no school impact tax. On the other hand, if the senior housing facility operates from a central dining area, and the residential units do not have kitchens in them, they are not deemed to be dwelling units under the Zoning Ordinance and recently have been required to pay a commercial impact tax rate significantly higher than the senior rate. Similarly, senior villa units, as opposed to multifamily units, have been required to pay school impact tax even when they are age restricted without children.

Our discussions with the Department of Permitting Services led to this legislation and our meetings with various County officials, including Mr. Katz and Ms. Floreen, resulted in a general understanding that this is an unfair distinction that should be corrected. With their assistance, Council Staff helped to develop the legislation now before you. On behalf of senior housing providers in the county, we ask that you approve this legislation.

Fiscal Impact Statement- Amended
BILL 32-17, Taxation – Development Impact Tax for Transportation and Public School Improvements – Definitions – Senior Residential

1. Bill Summary

   Bill 32-17 replaces the multifamily-senior residential category used to impose the development impact tax for transportation and public school improvements with a senior residential category. This change addresses the transition from traditional multi-family age-restricted senior housing to townhouses and villas.

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.

   The Department of Finance estimates a reduction in transportation impact taxes of $233,00 per year and in school impact taxes of $960,000 per year for a total combined reduction annually of $1,193,000. (See Economic Impact Statement: Bill 32-17). Estimates are based on current permitting data. If the prevalence or size of age restricted senior townhouses and villas increases, estimated transportation and school impact taxes could be further reduced.

   The Department of Permitting Services (DPS) expects 200 work-hours will be needed to reconfigure Hansen and eService Apply Online IT systems. These costs will be absorbed within current appropriations.

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

impact taxes	FY18	FY19	FY20	FY21	FY22	FY23
transportation	$ (233,000)	$ (233,000)	$ (233,000)	$ (233,000)	$ (233,000)	$ (233,000)
school	$ (960,000)	$ (960,000)	$ (960,000)	$ (960,000)	$ (960,000)	$ (960,000)
total	$ (1,193,000)	$ (1,193,000)	$ (1,193,000)	$ (1,193,000)	$ (1,193,000)	$ (1,193,000)

negative six year total: $ (7,158,000)

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

   Not applicable.

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

   Not applicable.

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

   DPS expects 200 work-hours will be needed to reconfigure Hansen and eServices Apply Online IT systems.

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

   The reconfiguration of Hansen and eServices Apply Online will require DPS to reprioritize existing work.

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

   No additional appropriation needed.

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

   Not applicable.

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

    Not applicable.

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

    See #2.

12. Other fiscal impacts or comments.

    Not applicable.

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

    Tom Laycock, Gail Lucas, and Barb Suter; Department of Permitting Services
    Alison Dollar, OMB

JAHughes

Jennifer A. Hughes, Director
Office of Management and Budget

1/5/18
Date

Economic Impact Statement
Bill 32-17, Taxation – Development Impact Tax for Transportation and Public School Improvements – Definitions – Senior Residential

Background:

Bill 32-17 would replace the multifamily-senior residential category used to impose the development impact tax for transportation and public school improvements with a senior residential category. Traditional age-restricted senior housing in the County has been multifamily units. Recently, the County has received applications for age-restricted senior housing units comprised of townhouses or villas. Since these age-restricted senior townhouse developments are also expected to add few students to the public school system, Bill 32-17 would apply the senior residential rate of $0 for the impact tax for public school improvements to these developments.

The current classification of a residential care facility is based upon an assumption that the staff needed to serve the residents would approximate the impact on the transportation system that results from other non-residential properties, such as a nursing home. Bill 32-17 would place this type of residential care facility in the new senior residential category that carries a reduced transportation impact tax rate based upon analysis of the impact on the transportation system. The goal is to properly classify age-restricted senior housing units for the development impact tax for both public school and transportation improvements.

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

- Department of Finance, School and Transportation Impact Tax forecasting model
- Department of Permitting Services, historical permit data

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

Variables that could affect the economic impact estimates for this bill include the number and size of current and proposed age-restricted senior housing units comprised of townhouses and villas. Currently, there are two known properties under development that land use attorneys have submitted requests for the consideration of a proposed classification change. The Department of Permitting Services' historical impact tax data estimates that a reasonable assumption for current and additional properties over the four policy zones eligible for this bill would be four annually with an average of ten townhouses or villas per property or 40 units in total. Assuming 40 units, equally distributed across the four policy zones, are now eligible for lower transportation taxes applied at the senior residential rate yields an approximate reduction in estimated transportation impact taxes of $233,000 per year. The FY18 budget assumes $19.1 million in transportation impact taxes. The transportation impact tax rate for multifamily senior dwellings is approximately 70% less than the estimated rate for multifamily garden dwellings and 60% less than the estimated rate for multifamily high-rise units in FY18.

As noted in the bill, the residential rate is $0 for senior developments for school impact taxes. Assuming the same four properties (or 40 units) are now eligible annually for the lower senior residential rate in the school impact tax policy zones yields an approximate reduction in estimated school impact taxes of $960,000 per year. The school impact tax rate for a single family attached unit in FY18 is $24,227 versus $0 for multi-family senior dwellings. The FY18 budget assumes $46.7 million in school impact taxes. If the prevalence or size of age restricted senior townhouses and villas increases, estimated transportation and school impact taxes could be further reduced.

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

The bill is expected to have an annual impact on the combined estimate for transportation and school impact taxes of $1,193,000 or 2% of an estimated $65.8 million total in FY18. This estimate is anticipated to fluctuate marginally on an annual basis and depend on the number and size of newly classified age-restricted senior housing townhouses and villas. Reduced impact taxes directly affect the available spending for transportation capital improvement projects and school infrastructure. The bill will not influence employment, savings, investment, incomes, and property values in the County.

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

See number 2.

5. **The following contributed to or concurred with this analysis:**

David Platt, Dennis Hetman, and Robert Hagedoorn, Finance.

Alexandre A. Espinosa, Director
Department of Finance

1/3/2018
Date