

September 14, 2020

Montgomery County Council
100 Maryland Ave
Rockville, MD 20850

2020-2024 Subdivision Staging Policy

Testimony for September 15, 2020

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Good evening, Council President Katz and Councilmembers. My name is Jane Lyons and speaking on behalf of the Coalition for Smarter Growth, the leading organization in the DC region advocating for more walkable, inclusive, transit-oriented communities. We strongly support the Planning Board's recommendations for the 2020 SSP to encourage sustainable growth, support new housing, and maintain a high-quality school system.

1. We strongly support the elimination of automatic housing moratoria throughout most of the county.

The recommendation to create School Impact Areas correctly takes into consideration the distinct development contexts of different areas and how those contexts impact school enrollment. The current moratorium policy assumes that the majority of new student generation comes from new development. However, we now know from the data that stopping development does not actually solve school overcrowding – less than 30 percent of school enrollment growth can be attributed to new development. Most new students come from young families moving into existing single-family homes – not from new apartment buildings.

The moratorium worsens housing affordability, hinders economic development, and prevents sustainable land use. Rather than locating in a transit-oriented neighborhood, households and businesses alike are pushed into less desirable areas for growth. We should do all we can to encourage new housing in major transit and job hubs, not ban it – especially during a recession.

2. We support reducing the school impact tax to 100 percent of the cost of a seat, maintaining the current rate in the Ag Reserve, and lowering the rate to 60 percent in desired growth areas.

In these cases, it is worth lowering impact taxes in order to expand the overall, long-term tax base and promote growth in the places we want to see it. Montgomery County has one of the highest school impact taxes in the region. Even at this comparatively high rate, school impact fees only funded approximately 8 percent of the Montgomery County Public Schools (MCPS) capital budget in both FY19 and FY20. For FY21, impact taxes are only 6 percent of the MCPS capital budget, while recordation taxes fund nearly 24 percent of the budget. In short, reducing the school impact tax for areas where we desire growth will not make or break the MCPS capital budget, but impact taxes *do* play a significant role in whether new home projects

pencil out. Even if a project can move forward at the existing tax rate, the increased cost is ultimately passed onto buyers through higher housing prices.

3. We are concerned by the proposed Utilization Premium Payments.

We should not charge developers for impacts *not* caused by their project. If a school is already overcrowded, it is because of past student enrollment growth and points to a larger failure to adequately fund schools. This recommendation will not build schools, just as the past School Facility Fees provided marginal funding at best – Utilization Premium Payments will only deter economic development. However, we would support increasing the school impact tax from 60 percent to 100 percent for projects located in Activity Centers with overcrowded schools.

4. We support progressive increases to the recordation tax.

While we do not think the Utilization Premium Payments have a strong nexus, the recordation tax does. Since over 70 percent of new students come from neighborhood turnover and recordation taxes account for nearly a quarter of the MCPS capital budget, it makes sense to target home purchases to fund school capacity projects.

We especially support an increase that is progressive, thus increasing the recordation tax more on homes over \$1.5 million, and expanding the first-time homebuyer exemption. If increasing the recordation tax is not feasible, we recommend instead adjusting the distribution of recordation tax revenue to increase the share going to schools and affordable housing

5. We support impact tax exemptions for Opportunity Zones.

Impact taxes are a tool to either incentivize or disincentivize economic development, while helping to pay for necessary infrastructure. Short-term tradeoffs can result in long-term benefits. For example, between 2006 and 2016, the downtown Silver Spring exemption only cost the county \$5.8 million while helping incentivize hundreds of millions of dollars in investment. The success of somewhere like downtown Silver Spring is far from certain, and this exemption will bring new investment to Long Branch, Takoma Park, White Oak, Wheaton, White Flint, Gaithersburg, Germantown, and Montgomery Village.

6. We support the recommendations in the transportation component.

We especially support the Planning Board's recommendations to eliminate the LATR study requirement for motor vehicle adequacy in Red Policy Areas and increases in intersection delay standards for Orange and Yellow Policy Areas. These technical changes will support Vision Zero by reducing traffic deaths and support transit-oriented development around the county's Metro, Purple Line, and bus rapid transit stations.

Thank you.