"Federation Corner" column
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Paying a fair share of the costs of growth
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What the Civic Federation would like for Christmas is for new building projects containing retail and office space, or housing units, to pay the cost of infrastructure needed to support them. It's been on our wish list for many years now.

In simpler terms, this means that if a developer constructs new retail or office space, or new housing units, then they should pay for the increase in road and transit capacity needed to accommodate the employees and commuters who will work or live in that development. It is called the transportation impact tax. And developers who construct housing units should also pay the cost for increased school capacity (i.e.; additional desks, classrooms and teachers) needed to accommodate the new public school students who will be moving into and living in those developments. This is called the school impact tax.

In theory, the county charges developers who construct new projects these impact taxes to help meet the cost of increased infrastructure to support those projects. In practice, broad waivers of development impact taxes render them virtually useless in providing the needed funding for increased infrastructure to support growth. And the burden for making up the shortfall in revenue falls squarely on the shoulders of existing county businesses and residents in the form of higher taxes.

It seems unfair that current residents should shoulder the costs for infrastructure needed to support growth that they didn't ask for, don't personally benefit from, and many don't want. It seems especially inequitable in the present economic downturn, when the Federal government admits that household income for half of all Americans has fallen below the poverty level.

We were encouraged when, as he took office for his first term as County Executive, Ike Leggett stated in his December 2006 Inaugural Address that "Properly planned growth is essential for our future. But we need sufficient infrastructure to handle what we already have in place and what has been approved. I believe we should wisely direct our growth and 'catch up' in order to move forward."

The need for sufficient new infrastructure to handle development that is already in place is referred to as an "infrastructure deficit", and we don't often hear officials discuss it these days. That deficit exists because for decades the county government has not charged developers their fair share of the costs to build infrastructure to support the growth from which the developers profited richly. A significant part of the undercharging comes in the form of exemptions from impact taxes.

All new housing units for which the sale or rental prices are controlled by the county's Moderately Priced Dwelling Unit (MPDU) Program are exempt from transportation and school impact taxes, as are units controlled by similar housing programs in Rockville and Gaithersburg. For those who may not know, the MPDU Program requires that at least 12.5% (and, under certain circumstances, up to 15%) of new housing units, in projects that contain at least 20 units, must be priced to rent or sell to households earning 65% or Area Median Income or less.

Personal Living Quarters units that meet the price or rent eligibility standards for an MPDU are also exempt from transportation and school impact taxes, as are units in an Opportunity Housing Project that meet MPDU price or rent eligibility standards. And any development located in an enterprise zone is exempt from paying impact taxes.

The non-exempt, or 'market rate units', in new projects that contain MPDUs are currently charged impact taxes at 50% of the applicable rate. And all new commercial and residential development in Metro Stations areas pays only 50% of the impact tax rate charged in the rest of the county.

On December 6, Council member Nancy Floreen gave the development industry an early Christmas present by introducing a bill to waive the imposition of transportation and school impact taxes for ALL of the non-exempt ('market rate") rental dwelling units in any development in which at least 25% of the dwelling units are MPDUs, or are under other government regulation or binding agreement that limits the rental price to MPDU eligibility standards.

Council member Floreen's Bill 39-11, co-sponsored by Council members Craig Rice and Nancy Navarro, continues the process of 'death by a thousand cuts' which has whittled away the impact tax program to the point of near ineffectiveness in providing any reasonable amount of funding from new development to pay for the infrastructure needed to accommodate it. And, as I said, the burden to make up the shortfall in revenue then falls on all of the rest of us.

Our Federation delegates certainly understand the desire on the part of elected officials to address the need for affordable housing, and we appreciate the value of the MPDU Program in meeting that need. Parenthetically, we wish the Council had stuck to its guns and insisted that a percentage of new housing units be affordable to Workforce Income level households (those earning up to 120% of Area Median Income), who can rarely afford the prices charged for 'market rate' housing in the county. But, sadly, they decided last year to make that program voluntary, which means that few if any units will ever be created for the county's Workforce Housing Program.

We also understand the desire on the part of officials to increase revenue to the county by increasing the number of new businesses to pay corporate income tax, of new commercial buildings paying property tax, of new residents paying individual income tax, and of new housing units on which property taxes can be collected. But at a time when all of us are hurting financially, growth must pay for itself.

The non-millionaires among us, which the Occupy movement refers to as "the 99%", should not be forced to pay increased taxes while development companies that make millions of dollars in profit each year are given additional gifts by our elected officials.

The Council public hearing on Bill 39-11 will take place on Tuesday, January 24 at 1:30 p.m. Those unable to testify in person can email written comments to county.council@montgomerycountymd.gov

The views expressed in this column do not necessarily reflect formal positions adopted by the Federation. To submit an 800-1000 word column for consideration, send as an email attachment to theelms518@earthlink.net