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Public Hearing on 2016 Subdivision Staging Policy and Bill 37-16 Impact Taxes
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Testimony by Dusty Rood, Chair, MCCC Business Environment Council
Montgomery County Chamber of Commerce

SUPPORT with AMENDMENTS

Overview:

MCCC strategically advocates for a thriving regional economy by connecting members to opportunities that accelerate their growth. The MCCC members we represent, including our Board of almost 60 organizations, are varied in terms of number of employees, revenue, industry and history in the County. MCCC members, including members of the building and development community, understand the need to contribute to and invest in infrastructure as they rely on a robust transportation network and strong schools as ways to recruit talent. Employers need to attract and retain the **next generation of top talent** – the young professionals, the middle managers, the innovators, and the residents that will help sustain our County - in order to be relevant in a competitive marketplace.

We ask that as you review the 2016 Subdivision Staging Policy that you **consider the broader context and the economic development imperative of new development** in order to keep Montgomery County competitive.

The policies to manage growth were invented three decades ago when Montgomery County had explosive growth. Today, the growth rate is a meager 1%. The increasingly competitive landscape surrounding our County is entirely different than it was even just 20 years ago. Today's SSP, combined with other parts of the planning process, is so complex and costly that businesses are looking to DC, Frederick, Prince George's and other localities to locate. Today, we need to encourage sustainable growth to support the middle market.

We commend the Planning Board for placing before the County several common sense reforms, but these needed changes belie the larger problem. **Attempts to manage growth in an economy that is not growing have the adverse effect of insuring a continued slide down a negative economic pathway, resulting in less revenue to meet increasing needs.**

Context:

The process of developing robust policy tools to manage growth in Montgomery County began in 1986 out of a response to decades of double-digit growth. Today, the growth rate is 1% and expected to decline further. There have been many changes to the planning process and implementation in the last 30 years. Today, there are:

- more detailed master plans;
- more regulations for building codes, the environment, and public safety;
- more efficient design on scarce land (both of which drive up costs);
- more difficulty in securing capital and financing; and
- a changing marketplace to meet the needs of a changing population.

As a County, we have made and new initiatives we promote further constrain resources and options. Our continued commitment to preserving the Agriculture Reserve as well as the desire to maintain existing Single Family home neighborhoods results in constraints on where new development can occur. And, as a community, our wants and needs have evolved to include a desire for high quality design, efficient buildings, environmental management, sustainable communities, walkable/bikeable roadways, more transit, better roads, open space, and adequate parking. It is a challenge to accommodate it all and much of it can only happen through new development.

When the Growth Policy first began, many took for granted that Montgomery County would want or need a strategy to attract next generation top talent and the innovative businesses that employ them. But today, Montgomery County competes with a vibrant District of Columbia, a growing Northern Virginia, more affordable housing in Frederick and Howard Counties, and hot locations around the country from Silicon Valley to Research Triangle and Cambridge as well as cities on the rise like Austin, Seattle and Nashville. Attracting and retaining next generation top talent to live and work in Montgomery County is critical to be competitive in the knowledge economy. Therefore, creating the place where talent will thrive is imperative.

The SSP will determine the timing of new development and, together with Bill 37-16, the fair share new development contributes. These rates, how they are calculated, and how they are implemented influence where new development takes place and the kinds of places that are being created. These places, in turn, attract the Next Generation Top Talent that fuels the growth of innovative businesses. This is a key element of effective economic development.

Given the increased costs of new development and the competitive global marketplace in which our economy operates, we believe that the SSP must be **Tailored, Coordinated and Simple** to align with economic development goals and keep Montgomery County at the forefront of a place that includes a robust transportation network, strong schools and housing affordability.

Tailored:

The four categories – Policy Areas that are Red, Orange, Yellow and Green - outlined in the SSP represent the diversity of land use within Montgomery County. This approach allows for more

tailored solutions to address unique needs of each of these four areas while allowing new development that is most appropriate for each setting to continue.

Coordinated:

The policy tools recommended in the SSP that determine timing of new development should complement other county-wide efforts. For example, the preservation of the Agriculture Reserve necessitates more efficient use of resources (more intense redevelopment of land in areas served by transit). Incentives in areas that are well-served by transit encourage these more sustainable development patterns.

This is true for schools as well. As the pupil generation rate decreases in Single Family homes, it is necessary that these impact taxes be reduced (less impact, less tax). And yet, turnover in existing housing stock often drives much of the capacity concern. The increase in the recordation tax was designed in part to address that issue. There are multiple ways to fund needed infrastructure investment; these should be coordinated.

Likewise, as mentioned, economic development efforts must be supported. Policy tools must enhance efforts to attract talent. In the cases where impact taxes increase the cost of doing business and are consequently passed on to the end user (a leasee, a tenant business, a home buyer or renter), Montgomery County needs to consider mitigation to offset the challenges those increased costs present. One such example is the Montgomery County Government programs like MOVE and BUILD which support relocating small businesses.

The high costs also impact housing. This is most acute when addressing housing affordability for the middle market which further exacerbates the efforts to attract and retain talent. Possible mitigation should be considered, including first time home buyer credits.

Simple:

The SSP's combination of excessive complexity and high taxes have the effect of making Montgomery County less competitive as a place to grow a business when compared with our neighbors in Maryland and the region.

It is important to explain the formulas and tests in ways that make the process understandable to the users (the builder/development community) and the broader community. For developers, securing financing is often required. Being able to clearly and accurately delineate costs associated with projects – and how those costs were derived - is essential.

We ask that user-friendly descriptions of taxes and required tests and possible mitigation are provided. This will explain costs and demonstrate to the broader community that the developer is, in fact, contributing their fair share.

Ultimately, the responsibility to improve the infrastructure in terms of transportation and transit improvements and school capacity comes down to resource allocation decisions that the government – Montgomery County Council and Board of Education - makes. We encourage streamlining processes to ensure that resources collected from impact taxes are spent appropriately on the very improvements they were designed to address.

In summary:

The most important issues for the viability and vitality of our local economy are making Montgomery County attractive to incoming young professionals and understanding the cumulative cost of doing business so as to strategically make Montgomery County competitive as a place to locate, for talent and employers alike. Therefore, the final SSP needs to account for the economic development imperative of new development.

Whereas

- Thirty years ago (1986), the growth policy was designed to address double-digit growth rates
- Today's concern is remaining competitive as a place that can attract next generation top talent to support middle market growth
- Finding the right employees to grow a business is an acute concern from many MCCC members
- Top talent chooses locations that provide a good quality of life at a manageable price point
- We are competing with hot spots around the country for next gen top talent
- Attracting next generation top talent is fundamental to a successful economic development strategy

Whereas

- Builders do and are willing to pay their fair share
- Montgomery County impact taxes are highest in Maryland and Maryland has some of the highest impact taxes in the Country
- It is important to recognize the significant increases over the last 30 years in regulations (many of them for good reasons) and subsequent costs associated with those and other requirements imposed on development and passed on to the 'end-user' – home buyers, renters, tenants, property owners
- Costs of analysis and further mitigation for both transportation and schools paid as fees where applicable are in addition to transportation and school impact taxes paid by all new development.
- The complexity and uncertainty of analysis and mitigation impact a project from securing investment to the quality of the end products

Be it resolved that:

MCCC supports:

- Further refinement of the varied nature of Montgomery County by dividing it into four discrete Policy Areas (Red, Orange, Yellow, Green).
This acknowledges that different parts of the county serve different purposes, all of which are important for a competitive and dynamic economic ecosystem.
- Treatment of Red Areas where new development is desirable: lower impact taxes, removal of transportation tests, dedicating development impact tax funds collected in Red Policy Areas to be used for transportation improvements located in or that directly benefit these areas.

It makes sense to cluster higher density in areas that are job centers, served by transit, offer a mix of housing options. Impact taxes collected in these Red areas should be spent on projects in the Red Areas.

- Incentives for reduced parking and dedication of additional open space
This is coordinated policy that encourages use of transit and plans ahead for present and future needs for open space.
- Annual school test as proposed, specifically maintaining the level of 105% and 120%.
Moratoriums do not necessarily correlate with school utilization. MCPS has options to address site specific overcrowding and should exercise those before imposing moratoria on the development and investment communities.

MCCC recommends:

- Better discipline around the proper use of terminology is critical to ensure broad understanding by all stakeholders. The SSP and Impact Taxes determine payments for Capital Investment. The Impact Tax for Transportation and Schools is an excise tax. All new development pays this excise tax that can be used anywhere in the County. Under certain situations, new development may also be required to pay a transportation test fee or school facility payment. These are fees and the revenue generated must be spent in the policy area or cluster where it was collected.
- Consider economic development strategy and metrics such as middle market housing creation and job growth potential when weighing the impact of policy tools in the SSP.
- Further reduce the impact tax given the numerous other costs associated with analysis/mitigation, utilities, storm water, regulatory requirements
Ensure Montgomery County impact taxes remain competitive in our regional market to encourage new development. The high cumulative costs of impact taxes combined with analysis and mitigation and/or facility payments, not to mention the many other fees and costs, drive up the cost of doing business and are ultimately passed through to the end user – the home buyer, renter, or commercial tenant/property owner.
- Continue to allow exemptions from school impact taxes in former Enterprise Zones.
If the Planning Board recommendations for treatment of former Enterprise Zones are adopted, clarification is warranted to confirm that if a developer has a preliminary plan approval, or receives one within the first year after the new SSP is adopted, then the developer retains the exemption for the life of the preliminary plan validity, including any extensions.
- MCCC does not support the recommendation by MCPS that school facility payments be applied to any MCPS capital project. This seems to directly contradict the new individual level school test and the need to remedy over capacity where they exist. School facility payments should be spent in the cluster and at the school which prompted their payment.

MCPS should consider other creative approaches to addressing capacity issues including more efficient use of footprint by going vertical, redistributing programs, using MCPS owned property, district wide boundary adjustments.

- The policy tools need to be transparent and understandable. Provide more certainty to the development community (which includes investors).
- There needs to be better coordination for implementing improvements – how will the policy tools in the SSP improve the infrastructure? How do the projects get selected? Where does the additional money come from?
- In general, MCCC agrees with many of the recommendations, especially with regard to clarifying language, provided by MCDOT.

Thank you for considering these recommendations and for continuing to work with MCCC members and the business community to keep Montgomery County a thriving place to live, work, and run a business.