

MAYOR & COUNCIL AGENDA COVER SHEET

MEETING DATE:

July 9, 2007

CALL TO PODIUM:

**Fred Felton
Assistant City Manager**

RESPONSIBLE STAFF:

**Fred Felton
Assistant City Manager**

AGENDA ITEM:

(please check one)

<input type="checkbox"/>	Presentation
<input type="checkbox"/>	Proclamation/Certificate
<input type="checkbox"/>	Appointment
<input type="checkbox"/>	Public Hearing
<input type="checkbox"/>	Historic District
<input type="checkbox"/>	Consent Item
<input type="checkbox"/>	Ordinance
<input type="checkbox"/>	Resolution
<input type="checkbox"/>	Policy Discussion
<input type="checkbox"/>	Work Session Discussion Item
<input checked="" type="checkbox"/>	Other: From Staff

PUBLIC HEARING HISTORY:

(Please complete this section if agenda item is a public hearing)


Introduced	
Advertised	
Hearing Date	
Record Held Open	
Policy Discussion	


TITLE:
Guidance on a Memorandum dated July 5, 2007 concerning the Montgomery County Annual Growth Policy and Impact Taxes

SUPPORTING BACKGROUND:
Staff will be seeking guidance on the attached memorandum.

DESIRED OUTCOME:
Provide guidance to staff.

MEMORANDUM TO: Mayor and City Council

VIA: David B. Humpton, City Manager 

FROM: Frederick J. Felton, Assistant City Manager 

DATE: July 5, 2007

SUBJECT: Montgomery County Annual Growth Policy and Impact Tax Legislation

On May 18, 2007, staff sent a memorandum to the Mayor and City Council that included the Montgomery County Planning Board's recommendations for the 2007 Annual Growth Policy (AGP) and modifications to the impact tax legislation. While the County's AGP does not apply within the City of Gaithersburg, the County's impact taxes for both schools and transportation are applicable to development in the City.

Over the last month, staff has attended a series of County Council hearings and Committee work sessions on the AGP and the impact tax. During the June 19, 2007 Public Hearing, former Assistant Chief Administrative Officer Scott Reilly provided testimony on behalf of County Executive Leggett. Given that the Executive is proposing significant modifications from the Planning Board recommendation, I have attached a copy of Mr. Reilly's remarks for your review.

Schools Test

Over the last three AGP cycles (2005, 2003, and 2001), the City has commented extensively on the schools test formula. In particular, the City has expressed serious concerns about sharing of capacity between schools and allowing residential development to continue with affected schools going as high as 110% of *AGP* capacity.

In January of 2007, the City of Gaithersburg adopted an Adequate Public Facilities Ordinance that included a schools test that was significantly more restrictive than the current County schools test. The City's schools test was modeled closely after the City of Rockville's schools test, and closes an area to residential development if any of the receiving schools will exceed 110% of *program* capacity. Additionally, the City's schools test does not permit sharing of capacity within or between clusters and only gives credit for Capital Improvements that are scheduled to be completed within a two-year timeframe.

The Planning Board's current proposal for the schools test reflects a new approach that both the County Executive and some County Councilmembers have expressed concerns about. Rather than attempting to ensure that the current and forecasted schools can support students generated as a result of development approvals, the Planning Board approach attempts to generate significant revenues for future school construction. The

Planning Board's proposal evaluates elementary schools and middle schools on a cluster wide basis, but does not permit sharing of capacity between high schools. The Planning Board's proposal would allow residential development to continue until a school's capacity reached 135% of *program* capacity, but a substantial "special facilities payment" would be required for each anticipated student when capacity was between 110% and 135% of program capacity. These payments would range from \$32,524 at the elementary level to \$47,501 at the high school level. For your review, I have attached an excerpt from the background material for the July 2, 2007 PHED Committee work session that discusses this issue in some detail.

Impact Taxes

As previously noted, Montgomery County impact taxes are assessed on new construction in the City of Gaithersburg. The Planning Board is recommending significant increases to both the school impact taxes and the transportation impact taxes. For example, the school impact tax for a single family detached dwelling would increase from \$8,464 to \$22,729 per unit. The transportation impact tax for a single family detached dwelling would increase from \$5,819 to \$8,380. For your review, I have attached a memorandum dated May 14, 2007 from Research and Technology Chief Karl Moritz that outlines the Planning Board's rationale.

While most County Councilmembers appear to be supportive of some level of impact tax increase, a number of members have expressed concern that the recommendation may be excessive. An equally important issue is the timing of any impact tax increases. There has been some discussion of phasing in an increase over time to lessen the impact on projects in the pipeline.

At one point, the County allowed an exemption that would limit or waive impact taxes for Strategic Economic Development Projects. The County Executive's staff has recommended that this exemption be reinstated in the current legislation.

For many years, the County has only charged 50% of the transportation impact tax for projects located in Metro Station Policy areas. In previous years, the City has requested that this reduced rate also be applied to projects near MARC stations but the County Council has not acted favorably upon this request to date.

Staff Recommendations

Staff is recommending that the City of Gaithersburg make the following recommendations to the County Council with regard to the AGP and the impact tax legislation:

Memorandum to the Mayor and City Council
July 5, 2007
Page 3

1. That the County's schools test be modified to be more in line with the schools test adopted by the City of Gaithersburg and the City of Rockville.
2. That any impact tax increases be phased in over time to minimize hardship on development projects already in the pipeline.
3. That the exemption for Strategic Economic Development Project be reinstated, and that Olde Towne Gaithersburg be specifically designated as a Strategic Economic Development Project.
4. That development projects located in the vicinity of MARC stations (including Olde Towne and Metropolitan Grove Road) be given a 50% credit for the transportation impact tax.

I will be seeking guidance on the development of the City's position on the AGP and impact tax legislation during the July 9, 2007 Mayor and City Council meeting. If you have any questions or wish to discuss this matter, please feel free to contact me.

FJF/ms
Attachments

**TESTIMONY on the
Comprehensive Amendments to the Growth Policy
for the Montgomery County Council Public Hearing**

June 19, 2007

Good evening. I am Scott Reilly, representing County Executive Ike Leggett. Mr. Leggett believes that the Planning Board's work on proposed changes to the Growth Policy is a welcome contribution to a critical debate. We look forward to the upcoming discussion of the changes here and in the worksessions to follow.

The County Executive supports the changes designed to tighten the School Adequacy Test so that development does not occur in areas where our schools are already overcrowded. In the past, development could get around this test by 'borrowing' capacity from a neighboring cluster. We support the changes that would end that practice. And the standards should kick in when a school is at 100 percent capacity, not 105 or 110 percent.

The Planning Board's draft would require a Policy Area Mobility Review. This is an appropriate first step to addressing transportation needs, but we are concerned that it is insufficient.

Tests are not tests if everyone gets a passing grade. We want to make sure that what gets put on paper reflects the congestion that our residents are seeing. We should not adopt a policy that claims there is adequate infrastructure for future growth in any area where traffic is stacked up and portable classrooms proliferate.

There should be more discussion about the transportation test, including:

- evaluation of the levels of congestion that are considered adequate,
- the relationship between roadway congestion and transit service,
- and the potential changes to the Road Code related to speed limits and mobility.

We believe that developers must pay a greater share of the schools, roads, and other public infrastructure costs that serve their projects. That's only fair and just. However, doubling the school and transportation impact taxes, as the Planning Board suggests, may be too great an increase.

We are concerned that too huge an increase in impact taxes could compromise our commitment to encouraging more affordable housing in the County. We are especially concerned about the combined amount of the proposed school and transportation taxes. When taken together, the impact taxes for a single family detached home could reach \$35,000, almost double the combined rates in Prince George's County, the next highest rates in the state.

We support an appropriate increase in the taxes to insure that growth is paying its fair share, but we should not assume that the Planning Board number is the right figure without a full review of unintended consequences. We recommend that a more detailed study of the appropriate impact tax amounts be conducted, and that the analysis account for changes due to growth, as well as other demographic changes that are taking place.

There is a concern that too large an increase in the recordation tax could hurt those on the margin in their ability to purchase a home, and impede our goal of increasing homeownership and making housing more affordable.

We look forward to participating in the process of creating a new Growth Policy that works for County residents. We must do what we can to ensure that our County's growth, when it occurs, is accompanied by the infrastructure necessary to support it. Montgomery County residents expect – and deserve – no less.

Attachment 1
Specific Areas of Executive Branch Interest in Growth Policy Issues

Impact Taxes

- Retain the bioscience impact tax exemption. While the biomedical impact tax exemption gives substance to recruiting efforts, it costs the County very little.
- Reinststitute the ability to limit or waive impact taxes for Strategic Economic Development projects so that the County has ample ability to compete regionally in our efforts to recruit and maintain important development projects.
- Allow an impact tax exemption for all units in development projects where the amount of affordable housing units in a project exceeds 30 percent and the project is being undertaken by a nonprofit organization.
- Include an impact tax exemption for workforce housing units that are affordable to people earning less than the area median (below 100%) and that are part of a workforce program or have deed restrictions on them.
- Examine variables besides housing type that may have an effect on costs of housing but are not accounted for in the proposed impact fee formula. The application of unit size, density, and other factors to the fee calculation can result in a more equitable fee structure because these factors may be better predictors of impact on the need for infrastructure than simply using the type of housing unit for the calculation.
- Reexamine the ability to obtain a credit for the operating costs associated with a trip reduction program.
- Phase in the impact tax increases over a period of three years, rather than the one year period recommended in the Planning Board's draft.
-

Transportation (PAMR/LATR) Review Measures, Data Analysis, and Mitigation Options

- Improve upon the Transit measures in the Policy Area Mobility Review to have the Transit LOS more closely reflect the number of trips and frequency of transit options from each geographical policy area, and modify the Relative Transit Mobility calculations to take into consideration other important factors beyond those currently being recommended, including such items as frequency of service, service span, and proximity to transit stops and stations.
- Continue to develop ways to make the computer models, including the data input, used in the analysis more understandable to the public.
- Transfer the responsibility to negotiate required mitigation measures from the Planning Board to the Executive Branch. Because the Executive Branch operates the transportation systems, it is in the best position to select and carry forward the requirements with a clear understanding of impacts to signals, bus and transit operations, and the road system.
- Explore further the mechanism for providing mitigation options for non-auto amenities. By measuring the value of these amenities in terms of a common denominator such as dollars, the Growth Policy can provide a better nexus between the number of trips being reduced and the expenditures of the developer.

- Change the current practice of data collection and reporting in the County's Highway Mobility Report so that there is consistency on the number and location of intersections reported. This would include introduction of a selected number of "control" intersections throughout the County to govern growth factors for intersections within their area of influence.

Policy Issues

- Continue to examine ways to better coordinate the County's growth management and affordable housing goals. The Planning Board's work program item for revising the housing policy element of the master plans can provide a vehicle for this examination, and should be coordinated with the Department of Housing and Community Affairs.
- Reinforce and expand the Transferable Development Rights program. At present, TDRs are only able to be used in residential zones. By expanding their use to Research and Development and commercial zones, and exploring the option for allowing increased densities in these zones when TDRs are applied, the County's commitment to the our Agricultural Reserve will be expanded.
- Accept the recommendations of the Planning Board related to the test for adequacy of fire and rescue services but, in the coming year, conduct a more detailed analysis, in conjunction with the County Fire and Rescue Service, to focus attention on the impact of future growth on the demand for fire, rescue, and emergency medical services and the MCFRS ability to meet response time goals. A possible outcome for this analysis would be a more detailed test for adequacy of fire and rescue facilities to include specific criteria of a scope similar to that applied to schools and roads.
- Include a section of the Growth Policy on Economic Development. Not basing growth management on a thorough understanding of economic development greatly increases the chances of unintended consequences. Explicitly including economic development with measurable criteria in the Growth Policy Report will more likely lead to growth policy initiatives and programs that are in harmony with the long term needs of the County.

PHED COMMITTEE #1-2
July 2, 2007

MEMORANDUM

June 29, 2007

Committee members should bring the worksession the Planning Board's Growth Policy report and the June 27 PHED/MFP packet

TO: Planning, Housing, and Economic Development Committee
FROM: ^{GO} Glenn Orlin, Deputy Council Staff Director
SUBJECT: County Growth Policy; Bill 9-07, Growth Policy – Amendments

This is the first of three scheduled worksessions of the PHED Committee on the Planning Board's proposed changes to the Growth Policy. This worksession will discuss Bill 9-07, which recommends changing the deadline when the Planning Board is to prepare its regular biennial update to the Growth Policy, and the public schools adequacy test.

1. **Bill 9-07, Growth Policy – Amendments.** Chapter 33A, Section 15 of the County Code describes the process and schedule for creating the biennial Growth Policy in odd-numbered years, as well as amendments to it. The deadlines for preparation of the biennial Growth Policy is:

June 15	Planning Board's Staff Draft Growth Policy
August 1	Planning Board's Recommended Growth Policy
September 15	County Executive's comments and specific revisions
October 1	Board of Education's and Washington Suburban Sanitary Commission's comments and specific revisions
November 15	Council action

In Bill 9-07 the Planning Board is recommending moving the first two dates forward by two months, to April 15 and June 1, respectively. This will allow the Board to finish its work with the same set of five Commissioners. In any given year the term of one or two Commissioners is complete; it is possible for one or two new Commissioners to be installed just as the Board is finishing its work on a Recommended Growth Policy. Moving the schedule forward obviates that possibility. It also has the further benefit of giving the agencies and the general public two more months to read and understand the changes proposed by the Board. *Council staff recommends approval of Bill 9-07.*

2. **Public school adequacy test.** The Planning Board is recommending tightening the public school adequacy test that was previously tightened in 2003. A summary of the three versions of the test is displayed below:

Pre-2003 Test	Current Test	Proposed Test
Levels tested: ES, MS & HS	Levels tested: ES, MS & HS	Levels tested: ES, MS & HS
Growth Policy Capacity (GPC): 25 students/ES classroom 22.5 students/MS&HS room	Growth Policy Capacity (GPC): 25 students/ES classroom 22.5 students/MS&HS room	MCPS Program Capacity (PC): 23 students/reg ES classroom 21.25 students/reg MS classroom 22.5 students/reg HS classroom less for special program rooms
Adequacy: 110% of GPC @ all levels	Adequacy: 100% of GPC @ HS; 105% of GPC @ MS&ES	Adequacy: 110% of PC @ all levels
Borrow capacity from abutting clusters? Yes, @ all levels.	Borrow capacity from abutting clusters? Only @ HS level.	Borrow capacity from abutting clusters? No.
Years out enrollment projected: 5	Years out enrollment projected: 5	Years out enrollment projected: 5
Years out capacity counted: 5	Years out capacity counted: 5	Years out capacity counted: 5
Relocatables counted? No.	Relocatables counted? No.	Relocatables counted? No.
Special facilities payment? None.	Special facilities payment? 100-110% GPC @ HS level. 105-110% GPC @ MS/ES level.	Special facilities payment? 110-135% PC @ all levels.
Special facilities payment rate: N/A	Special facilities payment rate: \$12,500 @ all each level	Special facilities payment rates: \$32,524 @ ES level; \$42,351 @ MS level; \$47,501 @ HS level

Excerpts from the Growth Policy report regarding the proposed schools test are on ©1-21. Planning staff's responses to questions raised by the Building Industry Association and to other questions raised by Ms. Praisner are on ©22-27. These responses have been checked with MCPS staff.

Under the pre-2003 test, no cluster went into moratorium. (During the mid-1990s the Paint Branch Cluster was technically over capacity by 5 students, and the capacity solution—an addition in the adjacent Sherwood Cluster—was one year away from being 'countable'; the Council voted 5-4 not to put the Paint Branch Cluster into moratorium for that year.) The test was tightened in 2003 to the point where, if the MCPS CIP had not changed, 4 clusters would have gone into moratorium. However, during the same year the Council approved a historically large increase for the MCPS CIP—from \$637 million to \$913 million—funding enough capacity that no cluster failed the tighter test.

In 2003, the Council also initiated the option of a Special Facilities Payment for housing projects in clusters where projected enrollment would exceed 100% Growth Policy capacity at the HS level (allowing borrowing from adjacent clusters) or 105% at the MS and ES levels (no borrowing allowed), but that did not exceed 110% of Growth Policy capacity. The funds from the payment are for improvements to address the capacity shortfall in the specific cluster and school level. There have been no Special Facilities Payments during the past 4 years.

The proposed test would use Program Capacity as the measure, eliminate borrowing at the HS level, change the threshold where the Special Facilities Payment can be used and raise the size of the payment. Under the proposed test, such a payment would be required in 7 of the 25 clusters (see Option 2B, ©17). In other ways the test is not changed: capacity must be available at all three school levels; enrollment is compared to capacity 5 years out; and only permanent classrooms are counted as capacity, not portables.

Testimony and correspondence. The County Executive supports the proposed test but would set the threshold at 100% of Program Capacity, not 110%. Under his recommendation, 17 of the 25 clusters would require a Special Facilities Payment (see Option 2A, ©16).

The Board of Education concurs with the Planning Board's recommendation, with two exceptions. First, for purposes of the schools test Program Capacity would be held constant for two years, regardless of what program changes occurred between Growth Policy cycles. This is to address the possibility that a programmatic change could result in an area requiring or not requiring a Special Facilities Payment, or, potentially, an area being in or out of moratorium. Secondly, it would allow the funds raised from Special Facilities Payments to be used wherever capacity needs arise within the system.

MCCPTA is concerned that 135% of Program Capacity is too high a threshold for an area to go into moratorium. It also believes the Special Facilities Payment may be too conservative, in that payments would only be made if a specific school level were between 110-135%. It points out that if an elementary school is within that range, eventually it is possible that eventually a middle school and the high school in the cluster will also fall into that range, so the payment should be made in all three areas.

A host of individuals have written to the Council expressing their dissatisfaction with the concept of a Special Facilities Payment. They recognize it as a form of 'Pay and Go,' whereby a housing development may buy its way out of providing adequate school capacity without the guarantee that school capacity will be provided before the housing development is occupied.

Measuring capacity. Over the past few years MCPS has tightened its definition of school capacity. There are more teaching stations assigned to special programs which call for smaller class sizes. The class-size reduction program in elementary schools was accommodated by adding portables, but now these portables are considered part of the overcrowding problem. The program capacity for a regular middle school classroom has been tightened from 22.5 to 21.25 students per teaching station. The tightened standards, therefore, have as much to do with school 'overcrowding' as growth in enrollment. If the standards for transportation had been similarly ratcheted up, one can imagine how desperate the lack of transportation capacity would seem.

The largest discrepancy between program and actual capacity is the fact that portable classrooms are not counted. Certainly a large amount of portables at a school can cause overcrowding in core areas such as the cafeteria, the media center, and hallways, and they often consume valuable open space that could otherwise be programmed for outdoor activities. But the place where a child spends most of his or her time, the classroom itself, is *not* overcrowded.

Teaching and learning are happening in both portables and permanent classrooms, and we have seen no study demonstrating that a child is getting any less of an education in one versus the other. Portables are not optimal, for a host of reasons. But by most accounts, they provide adequate space.

This is not to suggest that the schools test should count portables. Not counting portables has been an accepted principle since the test was first conceived 20 years ago. The purpose of this argument is to better understand the school test in the context of the need for other types of public facilities, where are no ready corollaries to portable classrooms. For example, wouldst there be such a thing as a portable transportation facility!

The School Facilities Payment. As noted above, this was invented 4 years ago as a relief valve. If a cluster threatened to go over capacity a moratorium would not go into effect; instead a sizable payment would be exacted to be used eventually to solve the overcrowding problem. No payment has been made to date, but with the Planning Board's proposal—and especially with the Executive's proposal—it would take on a prominent role in the Growth Policy right away.

Council staff opposed the School Facilities Payment 4 years ago, and we do so again now. First of all, if the School Impact Tax rates are set as recommended by the Planning Board—so that new development will pay 100% of the marginal infrastructure cost it incurs—then what is the justification of charging more than 100% with this payment?

More fundamentally, however, the School Facilities Payment—just like its 'Pay-and-Go' precursor—is antithetical to the Adequate Public Facilities Ordinance, which the Growth Policy is supposed to implement. The idea of the APFO is to provide adequate roads, schools, and other public facilities *concurrently* with new housing, offices, retail, etc. As the Board of Education notes, the School Facilities Payments likely will not accrue in any one cluster to the degree needed to provide new school capacity on a timely basis. But the BOE's solution also goes against the idea of the APFO: pooling these funds practically guarantees that a capacity solution will not be provided where the new developments are that will be making the payments.

A different threshold, and allowing developer participation. The more straightforward approach is to let areas that are too overcrowded go into moratorium. If the Committee believes that shutting down housing approvals in 7 (or 17) areas is too drastic, then it could examine a less strict standard. For example, Option 2C, which uses 115% of Program Capacity as the threshold, would shut down approvals in 4 areas (see ©18).

Furthermore, the school test could incorporate two concepts that stem from the transportation test. One would be a variation of the 'ceiling flexibility' provision, which would allow a development to proceed in a 'moratorium' cluster if it built—or provided all the funds to build—a permanent addition that provided as much or more capacity than the number of school children generated at that level by the development. Realistically, this approach would only work for large housing developments that would generate enough students to fill a reasonably-sized addition: at least 6 rooms. The other concept would have the development supplement the funding for a County-funded addition to produce a larger addition that would accommodate the

increment of students generated by the development. In each case, of course, the participation would not occur by right—MCPS would have to approve the addition.

Years out that enrollment and capacity are compared. For the last decade the school test has measured enrollment to capacity 5 years out to determine adequacy. Before that the comparison was made 4 years out. The change was made because, at the time, the average residential subdivision took about 5 years to build out, and the same rule was used for the transportation test.

For the Policy Area Mobility Review test, the Planning Board is recommending comparing traffic demand from existing development plus the approved pipeline of development to capacity on the ground 6 years in the future. For Local Area Transportation Review it is recommending retaining the current practice, which compares traffic demand from existing development plus the approved pipeline of development to capacity on the ground 4 years in the future. So the three major Growth Policy analyses would look 4, 5, or 6 years into the future.

For better public understanding and acceptance, a single standard time frame would be useful. We will examine this issue more closely when we take up the transportation test at a future meeting, but at this point Council staff is leaning towards recommending 5 years as the time-frame for all three tests.

Decisions. In summary, the Committee will need to make recommendations on the following:

- What is the measure of capacity: Growth Policy Capacity, Program Capacity, or something else?
- What should be the threshold for a moratorium?
- Should there be a Schools Facility Payment? If so, what should be its threshold?
- Should the Growth Policy allow a development to build—or pay directly for—school capacity at least equal to the students generated by the development?
- How many years in the future should the enrollment-to-capacity comparison be made?

3. Future work. During the worksessions on July 9 the Committee will address the two transportation tests (PAMR and LATR), including treatment of traffic originating outside the County and/or to destinations outside the County and traffic generated by federal installations in the County. It will also evaluate whether to change the time limit for an APFO approval.

At the next meeting Planning staff should also bring forward the items to be reviewed when the Council re-convenes in September, and a tentative timetable for that review.

Montgomery County Public Schools

Since 1986, when the Annual Growth Policy (Growth Policy) was first applied, Montgomery County Public Schools (MCPS) enrollment has grown from 94,460 to 137,798 students. This is an increase of almost 50 percent. Although, there was a decline in enrollments in the 1970s and early 1980s, the public school student population grew steadily through the 1990s. By 2006 school enrollment reached a plateau and declined slightly, according to data contained in the FY 2008 *Recommended Capital Budget and Amendments to the FY 2007-2012 Capital Improvements Program*. This is the first school year with an enrollment decline since 1983. Enrollment is projected to rise again in a few years because the increase in the number of births was higher since 2000. Annual births have exceeded 13,000 since 2000.

In 2003, when staff last analyzed the school test, enrollment was 138,891 students and MCPS was in the process of modernizing and building additions to many of the existing schools, as well as opening new schools. MCPS has made a concerted effort over the last few years to reduce the number of relocatable classrooms. The approved *FY 2007-2012 MCPS Capital Improvements Program (CIP)* is still addressing the number of relocatable classrooms through additions and modernizations. This CIP report notes that by the end of the current CIP the number of relocatable classrooms projected to be in use will be 337. This is a reduction from the 719 previously in use in 2005-06. MCPS proposes to further reduce the relocatable classrooms to 229 by the 2012-13 school year if additional funding is provided. MCPS facility planning is increasingly directed at school additions and modernizations rather than new schools. There are 179 elementary schools, 38 middle schools, 25 high school, 6 special schools, and one career and technology center in the system.

School Test Methodology

The County Council approves the school test methodology in the Growth Policy resolution. Once the Council approves the CIP, MCPS recalculates the projected school capacity (based on final determination of funded capacity) and provides all data for the school test as required by the Adequate Public Facilities Ordinance (APFO).

The current Growth Policy school test uses a definition of capacity based on a standard multiplier. For example, kindergarten capacity is set at 22 students per classroom; grades 1-5 at 25 students per classroom and grades 6-12 are set at a capacity of 22.5 students per classroom. The test compares capacity available in the 6th year of the funded CIP to enrollment projections for the same year. (This is equivalent to the 5th year of the Growth Policy test.) Forecasts of enrollment and capacity are prepared by MCPS staff and reviewed by the Montgomery County Planning Board staff before the Council reviews the school test.

The School Test language in the Growth Policy is:

Public School Facilities

S1 Geographic Areas

For the purposes of public school analysis and local area review of school facilities at time of subdivision, the County has been divided into 24 areas called high school clusters, as shown in Map 32. These areas coincide with the cluster boundaries used by the Montgomery County Public School system.

The groupings used are only to administer the Adequate Public Facilities Ordinance and do not in any way require action by the Board of Education in exercising its power to designate school service boundaries.

S2 School Capacity Measures

The Planning Board must evaluate available capacity in each high school cluster and compare enrollment projected by Montgomery County Public Schools for each fiscal year with projected school capacity in 5 years. If sufficient high school capacity will not be available in any cluster, the Planning Board must determine whether an adjacent cluster will have sufficient high school capacity to cover the projected deficit.

The Planning Board must use 100% of Council-funded capacity at the high school level and 105% of Council-funded capacity at the middle and elementary school level as its measures of adequate school capacity. This capacity measure does not count relocatable classrooms in computing a school's permanent capacity.

Council-funded regular program classroom capacity is based on calculations that assign 25 students for grades 1-6, 44 students for half day kindergarten where it is currently provided, 22 students for all day kindergarten where it is currently provided, and an effective class size of 22.5 students for secondary grades.

S3 Grade Levels

Each cluster must be assessed separately at each of the three grade levels – elementary, intermediate/middle, and high school.

S4 Determination of Adequacy

After the Council has approved the FY 2005-2010 CIP, the Planning Board must recalculate the projected school capacity at all grade levels in each high school cluster. If the Board finds that public school capacity will be inadequate at any grade level in any cluster, but the projected enrollment at that level will not exceed 110% of capacity, the Board may approve a residential subdivision in that cluster during FY 2005 if the applicant commits to pay a School Facilities Payment as provided in County law before receiving a building permit for any building in that subdivision. If projected enrollment at any grade level in that cluster will exceed 110% of capacity, the Board must not approve any residential subdivision in that cluster during FY 2005.

After the Council in 2005 has approved the amended FY 2005-2010 CIP, the Planning Board again must recalculate school capacity. If capacity at any level is projected to be inadequate, the Board must take the actions specified in the preceding paragraph in FY 2006.

S5 Senior Housing

If public school capacity is inadequate in any cluster, the Planning Board may nevertheless approve a subdivision in that cluster if the subdivision consists solely of multifamily housing and related facilities for elderly or handicapped persons or multifamily housing units located in the age-restricted section of a planned retirement community.

S6 Clusters in municipalities

If public school capacity will be inadequate in any cluster that is wholly or partly located in Rockville, Gaithersburg, or Poolesville, the Planning Board may nevertheless approve residential subdivisions in that cluster unless the respective municipality restricts the approval of similar subdivisions in its part of the cluster because of inadequate school capacity.

The final clause, S6, was written before Gaithersburg and Rockville adopted school tests that are more stringent than Montgomery County's. As a result, the provision can be read two completely different ways. It was intended to allow the Planning Board to continue to approve subdivisions in policy areas that the Growth Policy test showed as inadequate if the municipality did not honor the County-imposed moratorium. It can now be read to suggest that the Montgomery County Planning Board may not approve subdivisions in a cluster that overlaps a municipality if that municipality declares that schools are inadequate.

Gaithersburg and Rockville

The MCPS serves the entire county including the municipalities. School demographers incorporate new residential development from the municipalities with development approval authority into enrollment forecasts. Rockville and Gaithersburg have recently adopted adequate public facilities ordinances that include a schools adequacy test.

The City of Gaithersburg Ordinance No.01-107, approved in 2007, amends Chapter 24 of the City Code, and states "... residential development shall not be approved if the subject property is within the attendance area ... forecasted to have a student population that exceeds 110 percent of the Montgomery Public Schools Program Capacity two years in the future." Sharing of capacity between schools is not permitted.

The City of Rockville adopted an APFO with standards on November 1, 2005 that limits residential development where enrollment surpasses school program capacity. The determination of adequacy is based on program capacity as reported to the Board of Education with an increase of 105 percent for elementary and middle schools and 100 percent for high schools within a 2 year time frame, no borrowing permitted. Adequacy is determined by school, not cluster.

Both Rockville and Gaithersburg define adequacy as a percentage over school program capacity with no borrowing – in contrast to the County’s school test, which uses “Growth Policy Capacity” and allows borrowing at the high school level. While Rockville and Gaithersburg’s schools tests are stricter than the County’s test, Rockville’s is the stricter of the two and under current forecasts; a number of elementary schools serving the city are over capacity.¹

Factors Considered by MCPS

Adequate school capacity is a calculation that compares projected enrollment numbers and existing and planned facility capacity based on program needs.

Enrollment

MCPS staff develops the enrollment numbers by using actual birth rates to establish a base kindergarten cohort for the year and then projects enrollment through 12th grade using a “cohort survivorship model.” The forecast is adjusted for in/out migration; factors that apply to specific schools and growth from newly approved but not yet built development. Students from new development are added to the forecast when it appears that the development will be online during the six-year forecast period. The number of students generated from new development is calculated by housing unit type. Enrollment forecasts are developed every year in September and revised in March.

MCPS Program Capacity

The Superintendent’s Recommended FY 2008 CIP contains modifications to the previous CIP school capacity calculations. The completion of phasing in full-day kindergarten eliminated the need to calculate half-day kindergarten. Middle school capacity had been calculated at a factor of 0.9, which apparently overstated capacity, and was adjusted to a capacity factor of 0.85.

Growth Policy Capacity

The Growth Policy school test uses its own capacity calculation based on a standard multiplier, which is then compared to the forecasts for enrollment for the 6th year of the CIP (5th year of the Growth Policy test). This Growth Policy capacity is multiplied by 105 percent to set elementary and middle school test capacities. High school capacity is 100 percent with borrowing allowed between clusters in the test. The Growth Policy capacity is greater than MCPS program capacity. The greatest amount of difference occurs when Growth Policy capacity is used for elementary schools with class-size reduction.

¹ September 12, 2005 Table, Enrollment Trends...Within the City of Rockville, page 17, APFO Ordinance.

Evidence of Change

The success of the school system is dependent on the quality of the facilities and services provided to students and the continuous improvements and adaptations to the learning environment. The School Board acknowledges this in their policy statement regarding facilities planning:

“Enrollment in MCPS is constantly changing. The fundamental goal of facilities planning is to provide a sound educational environment for changing enrollment. The number of students, their geographic distribution, and the demographic characteristics of this population all impact facilities planning. Net enrollment changes are driven by factors including birthrates, movement within the school system and into the school system from other parts of the United States and the world.”

Enrollment forecasts change for a number of reasons, both demographic and economic, and actual enrollment may differ from projected enrollment. One example of the possible influence of the local economic effects is the cost of housing. Median sales of single-family units (attached and detached) as well as rental housing rose dramatically between 2000 and 2005. School demographers think that this is contributing to a decline in enrollment in previously affordable areas of the county.

Changes to school capacity also reflect policy changes. For example, all day kindergarten requires more classroom space. The on-going initiative to reduce the inventory of relocatable classrooms translates into more school additions. Other policies have translated into smaller classroom size for elementary grades and gymnasiums in all elementary schools. Middle school policies are under current scrutiny.

MCPS staff briefed the Council regarding demographic trends earlier this year.

²Findings in the report include:

- Total enrollment declined this year; net migration is variable; net immigration (foreign born students) is significant but declining.
- Percentage enrollment in public schools (rather than private schools) has been stable at 81 to 82 percent of county school population for the last 15 years.
- Enrollment in non-focus schools is up but down at focus schools (class-size reduction schools) since 2003, however focus school enrollment for ethnic groups other than white is increasing.
- FARMS (Free and Reduced Price Meals) enrollment is rising.
- The demographic composition of the student body is very different from that in 1970. This shift began in 1980s; since then, white enrollment has been steadily decreasing, while enrollment in all other race/ethnic categories has increased.

² January 29, 2007 Education Committee Briefing on MCPS Demographic Trends.

During the 2003 review of the schools test, MCPS staff prepared a report, *Factors Affecting Montgomery County Public Schools, Enrollment Change* (February 11, 2003). MCPS staff updated that report for this study and it was included in the second growth policy study interim report. A comparison between the 2003 and 2007 reports underscores the conclusion that the composition of enrollment is experiencing change: FARMS participation in 2003 was 22 percent compared to 23.5 percent in 2007 and ESOL enrollment in 2003 was 8.5 percent as compared to 10.7 percent in 2007. The projected births as compared to actual births for the same years were accurate, within 1 or 2 percent.

TABLE 1: Comparison of Projected and Actual Births

Years	2003 Births Projected	2007 Births Actual
2002	13,200	13,154
2003	13,250	13,529
2004	13,300	13,546
2005	13,350	13,507

Source: MCPS Staff Report, March 23, 2007

MCPS continually reviews the enrollment factors and finds that changes in enrollment stem from both new construction and turnover of existing housing. Examples of this observation are noted in the March 23, 2007 update. College Gardens and Rosemont Elementary Schools serve the King Farm in Rockville. Although more than 3,000 units were built in the King Farm development, enrollment remained at the same level as before development began, because enrollment was declining in other parts of the school's service area. When the existing housing in these neighborhoods turns over, however, there may be impacts on enrollment. In the case of Spark Matsunaga Elementary School, there was no older community and housing completions came on line faster than anticipated. Enrollment there is higher than anticipated even with the opening of a second elementary school.

Analysis

Is the current school test effective?

MNCPPC staff in 2003 conducted an extensive review of the school test and made five recommendations to the school test, which the County Council enacted.

- Continue to use the current definition of school capacity;
- Consider schools to be adequate at 105% of Growth Policy capacity for elementary and middle schools and 100 % of Growth Policy capacity for high schools;
- Discontinue the practice of borrowing for elementary and middle schools;

- Require developers to make a payment when projected enrollment exceed the standard (proposed 105% and 100%) but does not exceed 110%;
- Impose an absolute moratorium when enrollment exceeds 110%.

The analysis explained and reviewed the definition and calculation of capacity, including program capacity, adjusted Growth Policy capacity, state rated capacity and core capacity and concluded that standard multipliers were the best approach. The review included the standard of adequacy, the geography (cluster) the adjacent capacity (borrowing), point of application and exemptions/de minimis.

The FY 2007 Growth Policy schools test shows that all the clusters are adequate (Appendix 1); the same finding made in FY 2006. In fact, the test has resulted in only one finding of inadequacy since 1986. Perhaps the test is extremely effective – stimulating the construction of school facilities to a degree that keeps pace with growing demand – or perhaps the test is a paper exercise, designed to report a finding of adequacy no matter what the “real life” conditions.

There is some truth to both sides. The County has come close to failing the school test on several occasions and the public response was to program more school facilities, not relax the adequacy standard. On the other hand, there is a gap between the growth policy adequacy standard and the capacity standard used by the school system. That difference is the reason that the school test has (almost) always found every cluster to be adequate. If the MCPS program capacity were used, several clusters would be over capacity and would fail the Growth Policy test.

The school test calculation has been modified over the years and has gotten progressively tighter. In previous years, the Growth Policy test used a standard of 110 percent of capacity to accommodate over enrollment and allowed borrowing between school clusters at the elementary and middle school levels. In 2003, the school test was adjusted so that the capacity is set at 105 percent (except for high schools) and no borrowing is permitted at the elementary and middle school levels. That step would have brought several clusters into moratorium, if not for a huge increase in school capacity added to the County's CIP.

If there is a desire to have a school test that is more sensitive to the effects of new development and other changes in school enrollment, a logical option would be to tighten the schools test in some way, such as setting the adequacy standard at 100 percent of Growth Policy capacity (or switching to MCPS program capacity) and eliminating the provision for borrowing.

The enrollment figures indicate that the school test is not sensitive only to the effects of new development. Test results reflect change all over the County, including older, already-developed areas. In the Bethesda-Chevy Chase (BCC) cluster, for example, there is a projected elementary enrollment of 3,036 in 2011 and the cluster is deemed adequate under the school test. However, there is a need for CIP projects in the cluster to address overcapacity at the high school, middle and elementary school levels. In the

case of the B-CC cluster, the capacity issue can't be linked to growth from new development, because the cluster is in an established area where there has been little new development. The growth is related to a turnover in the neighborhoods or the tearing down and rebuilding of existing housing stock.

Are there aspects of the methodology that should be changed?

Capacity

One issue with the methodology is how classroom capacity is calculated, including what constitutes a "classroom" and whether to use *Growth Policy capacity* (standard multiplier) or *MCPS program capacity* (determined by each classroom's use). MCPS recently changed the calculation of the program capacity number for middle schools. According to the FY 2008 CIP, the multiplier for middle school program capacity was changed because it was found that the existing method overstated capacity. The multiplier was reduced from .9 to .85 (page3-1, 2008 CIP).

Current program capacity reflects the small classroom initiative for designated "Focus" schools. This initiative requires smaller classroom sizes for kindergarten and grades 1 and 2: kindergarten classes have 15 students per classroom and the first and second grades have 17 per classroom. This staffing level requires more classrooms per Focus school and many of those schools are currently overcapacity.

The gap between program capacity and Growth Policy capacity becomes clearer when the Growth Policy capacity is set at 100 percent or 105 percent (current test). Table 2 (Options 1A and 1B) prepared by MCPS, illustrates those different options. At 105 percent Growth Policy capacity, Clarksburg elementary school capacity is adequate. If capacity is calculated at 100 % Growth Policy capacity, Clarksburg fails. When MCPS program capacity is used (Table 2, Option 2A, 2B and 2C) for the Growth Policy test, many clusters fail. At 100% of MCPS program capacity, 15 clusters fail at the elementary level, two at the middle school level, two at the high school level (when no borrowing is allowed). As the percentage increases to 110% of MCPS program capacity, the failure rate decreases, but Clarksburg Middle School continues to fail and elementary schools in the Blake, Einstein and Kennedy clusters continue to fail. Of these clusters, only in Clarksburg can overcapacity be fully related to new housing growth. In other clusters, changing demographics in the built-up part of the County results in findings of inadequacy under the program capacity options. Table 2, Options 3A, 3B and 3 C show a Growth Policy test only for the Clarksburg cluster, illustrating an idea to apply the school test only in areas of the County where new development clearly plays the greatest rolls in students enrollment changes.

There has been discussion regarding using core capacity as the standard. Core capacity is the part of the school needed to support the school curriculum, such the lunchroom, and gymnasium and media center. For example, new elementary schools and ones undergoing modernization are designed with a core that can support

approximately 640 or 740 students. However, great variability of core size among older schools makes it impossible to use core capacity as a useful concept.

Accuracy of Forecasts

All forecasts are less accurate as the forecast horizon is extended. Inflection points (where a trend changes direction) are especially difficult to forecast. The forecast in 2003 for 2006 enrollment was 143,800 and actual 2006 enrollment was under 140,000.

Student Generation from New Developments

The Census Update Survey shows that fewer students are generated from higher density units, such as townhouses, apartments and condominiums. School demographers have evidence that neo-traditional/transit oriented development generates even fewer students. These student generation rate assumptions and the statistics underlying them are constantly reviewed, along with review of the changing nature of planned housing.

More detailed analysis of student generation from different housing types, and a comparison between student generations rates from new units and enrollments in older neighborhoods helps adjust these multipliers for local conditions. The MCPS staff conducts this type of sampling to refine enrollment forecasts.

MCPS staff and MNCPPC Research staff have discussed whether a special survey of neo-traditional/transit-oriented development is warranted to document the observed low student generation rates. At this time, we do not believe a survey would be helpful because of the small sample size and the somewhat loose definition of this type of development. However, staff is considering adding a question about house size or number of bedrooms to the next Census Update Survey, the answers to which would have uses beyond student generation rates.

Conclusions/Recommendations

Revise the test so that the definition of adequacy more closely conforms to the MCPS definition of capacity by lowering the threshold that triggers the School Facilities Payment. That threshold should be based on "MCPS program capacity," not "Growth Policy capacity" but should be inflated to avoid the problems that have kept the County from using program capacity in the past.

In addition, for the purposes of determining if a School Facilities Payment is required, the practice of "borrowing" high school capacity should not be used. Staff recommends that the threshold be when enrollment reaches 110 percent of program capacity, which would cause development in the following clusters to pay the school facilities payment: Blake, Clarksburg, Einstein, Kennedy, Northwest, Wheaton, and Wootton. If policymakers prefer to continue to use "Growth Policy capacity," staff would recommend that the threshold for the School Facilities Payment be set at the point when enrollment

reaches 95 percent of capacity. This would cause residential development to pay the School Facilities Payment in Bethesda-Chevy Chase, Blake, Clarksburg, Kennedy, Northwest, Quince Orchard, and Springbrook.

Staff understands that some may believe that a threshold be set at 110 percent of program capacity is too high and argue that any threshold over 100 percent of capacity is out of step with the best possible measurement of capacity. Staff considered this point of view because the school test already partially addresses the concern about using program capacity because it basically averages enrollment and capacity for all schools in the cluster. Staff remains with the 110 percent recommendation in large part to account for the relative effect of new and existing development on school capacity.

The purpose of this recommendation is two-fold: to have the adequacy test contribute toward understanding which schools require additional investments, and to trigger contributions from new development at a point closer to when schools are over-capacity. The current school test provides little in the way of information to guide capital investments, nor has it ever resulted in the School Facilities Payment being paid, despite the fact that subdivisions are being approved in clusters that are over capacity.

Increase the School Facilities Payment from \$12,500 per student to \$32,524 for each full-time equivalent elementary school student, \$42,351 for each middle school student, and \$47,501 for each high school student. This figure is derived from per-student costs for new schools, a calculation that is explained in some detail in the Infrastructure Financing section.

This is approximately the full cost-per-student of new school facilities. With this recommendation, staff is supporting a point of view that when facilities are inadequate, new development should not make the problem worse.

This recommendation would assess the school facilities payments separately for each level: elementary, middle, and high schools. If a development project were located in a cluster where only the *elementary* schools are inadequate, it would make the payment for each *elementary* school student generated. Each single-family detached home generates, on average, 0.32 elementary students, so the School Facilities Payment in this case would be \$10,407.

Retain the upper limit so that when enrollment greatly exceeds capacity, development approvals in that cluster stop. This upper limit, which is the threshold for imposing a strict moratorium on new development that generates students, has very rarely been exceeded, but when it was, new school facilities were promptly programmed. This suggests to staff that there is some utility to retaining a standard that serves an "alarm" function when enrollment and capacity are *severely* out of balance. Currently, the strict moratorium threshold is based on "Growth Policy capacity." If the threshold for a School Facilities Payment is changed to be expressed as program capacity, staff would suggest that a threshold for the strict moratorium, equivalent to the current threshold but expressed as program capacity, be found.

Consider capturing development that occurs outside the subdivision process. As smaller housing units are replaced with larger ones, or are expanded with additions, some additional student generation can be expected. There is sufficient academic study of this issue to legitimately link student generation to size of home. Although the total number of additional students is small, the County could consider applying the School Facilities Payment or the School Impact Tax to these properties. Staff is not yet ready to make a recommendation on this issue because we have not reviewed the number, type and location of these replacements/expansions. Possibly this issue could be studied along with the "mansionization" issue or in future Growth Policy studies.

It is clear from the MCPS data that change is occurring in older areas where no new or sizable development is occurring. GIS could be used to determine if changes in older neighborhoods are creating school capacity issues by tracking building permit and other data. Development such as teardowns, large additions including bedrooms, and minor subdivision approvals, may not add lots, but may generate new students

Make some technical corrections. The current Growth Policy Resolution *implies* that the Planning Board must continue to conduct the School test annually even if the Council fails to pass a new Growth Policy resolution, but explicit language is needed. The language in the Growth Policy concerning school clusters in municipalities did not anticipate that municipalities would pass APFOs that are more stringent than Montgomery County's. As a result, the provision can be read two completely different ways.

Monitor the Office of Legislative Oversight (OLO) review of indicators for Montgomery County Public Schools to see if they serve as a basis for further modification of the School Test.

The Office of Legislative Oversight (OLO), *Key Fiscal Indicators for Montgomery County Public Schools*, indicates that although enrollment has reached a plateau, the FY 07 MCPS operating budget was 31% larger than four years ago. The study focused on the operating budget and found that the increase in the number of teachers, costs of special education and costs associated with the salaries and benefits contributed to increased operating costs. The study included discussion of expanding the indicators to include measuring the efficiency and effectiveness of "successful" students in addition to the costs of educating each student. The OLO report recommended that the County Council consider assigning OLO a FY 08 Work Program project to develop a parallel package of key fiscal indicators for MCPS Capital Budget and Capital Improvements Program. Adaptations of the indicators study, as suggested by OLO, to measure the timing of the delivery of facilities included in the CIP, either by cluster or at the individual school level, would provide a more detailed picture of local and countywide conditions.



MONTGOMERY COUNTY PLANNING DEPARTMENT
THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

Memorandum

To: Montgomery County Planning Board

From: Karl Moritz, Research and Technology Chief

Re: Financial Infrastructure Recommendations for Planning Board May 15
Worksession on Growth Policy

Date: May 14, 2007

Recommendations:

1. School Impact Fees

Staff recommends that the Impact Fees for Schools should reflect the full cost of planned increases in school capacity. Our suggested schedule of tax rates to accomplish that approach is the following:

Table 1. School Impact Fees

\$ 22,729	single-family detached
\$ 17,112	single-family attached
\$ 10,815	multi-family non high-rise
\$ 4,585	multi-family high-rise

This impact tax rate schedule more accurately reflects the cost of school construction and expansion associated with new development. In comparison to the current fee, revenue generated from this tax will fund school buildings and additions in a more timely fashion.

2. Transportation Impact Taxes

The derivation of short-term transportation impact tax recommendations in the April 30 Staff Draft report assumed that certain uses would be exempt, most significantly some levels of affordable and workforce housing and government employment. The April 30 recommendations reallocated the "cost" of those trips proportionately across all other land uses. Based on discussions during the past two weeks, we now believe that a more appropriate process is to identify the tax rates that would occur without any exemptions.

This revised process is “purer” from a technical standpoint in that the relative cost of vehicle travel is identified first, prior to the consideration of whether the transportation impacts should be exempted from a tax because the land use either:

- achieves another public policy goal, such as affordable housing; or
- contains public sector employment, non-profit uses such as hospitals, or other desirable uses such as bioscience facilities.

Staff has revised the transportation impact tax rates so that the derivation is based entirely on the estimated trip generation impact without any exemptions. Table 2 presents the revised recommended transportation impact tax rates.

One way of thinking about the rates in Table 2 is that these are the rates that should be charged to all development in the County based on the proportional impact to the transportation system. When a use is determined to be tax-exempt for any reason, the County should, in essence, pay itself the impact tax and consider that payment as a cost of the broader public policy goal achieved by the tax exemption.

Table 2. Proposed Transportation Impact Tax Rates

CURRENT RATES (THROUGH 6/30/07)

	General	Metro Station	Clarksburg
Residential (per dwelling unit)			
Single-family detached	\$5,819	\$2,910	\$8,729
Single-family attached	\$4,761	\$2,381	\$7,142
Multi-family attached (except high-rise)	\$3,703	\$1,852	\$5,555
High-rise residential	\$2,645	\$1,323	\$3,968
Multi-family senior residential	\$1,058	\$529	\$1,587
Non-residential (per square foot GFA)			
Office	\$5.30	\$2.65	\$6.35
Industrial	\$2.65	\$1.30	\$3.15
Bioscience facility	\$0.00	\$0.00	\$0.00
Retail	\$4.75	\$2.40	\$5.70
Place of worship	\$0.30	\$0.15	\$0.35
Private elementary and secondary school	\$0.40	\$0.20	\$0.55
Hospital	\$0.00	\$0.00	\$0.00
Other non-residential	\$2.65	\$1.30	\$3.15

PROPOSED RATES

	General	Metro Station	Clarksburg
Residential (per dwelling unit)			
Single-family detached	\$8,380	\$4,191	\$12,572
Single-family attached	\$6,856	\$3,429	\$10,286
Multi-family attached (except high-rise)	\$5,884	\$2,943	\$7,591
High-rise residential	\$4,204	\$2,102	\$5,422
Multi-family senior residential	\$1,682	\$840	\$2,169
Non-residential (per square foot GFA)			
Office	\$11.55	\$5.80	\$13.90
Industrial	\$5.40	\$2.65	\$6.40
Bioscience facility	\$11.55	\$5.80	\$13.90
Retail	\$18.80	\$9.50	\$22.55
Place of worship	\$0.55	\$0.30	\$0.65
Private elementary and secondary school	\$0.75	\$0.35	\$1.00
Hospital	\$4.85	\$2.40	\$5.80
Other non-residential	\$4.85	\$2.40	\$5.80

3. Recordation Tax

Staff recommends a recordation tax of \$11.21 per \$1,000 with the first \$50,000 exempt.

The recordation tax is a tax applied to new housing sales, resales, and the recordation of other transactions involving housing. The revenue from the recordation tax funds school improvements, modernizations and additions.

The 2005 Census Update Survey found that those who have moved within the past 5 years either into the County or within the County have an average of 0.78 children, while those who did not move had an average of 0.62. Thus, the marginal costs associated with housing turnover are approximately 25.9% of that for new construction. A rate of \$11.21 applied to the median sales price of a single family home last year would generate 25.9% of the costs of a school seat (the additional increment added by turnover). Staff is recommending that this rate of \$11.21 be applied as the recordation tax.

We have focused on additional capacity. We have additional information on modernization as follows. The optimal schedule to modernize schools is a 30-year cycle. Due to the size of Montgomery County's school inventory, the current modernization schedule results in a 43 year cycle for elementary schools, a 76 year cycle for middle schools, and a 50 year cycle for high schools, approximately. In the next six years, 13 elementary schools, 3 middle schools, and 4 high schools will be modernized, according to the Current FY 2007-12 CIP. The associated cost for these modernizations is \$559 million. The goal of the recordation tax may not be total funding the modernization schedule, but currently the recordation tax is currently funding less than one-half of the modernization needs .

To accomplish a 30-year schedule for modernizations in MCPS, 4.3 elementary schools need to be modernized per year, 1.3 middle schools, and .8 high schools per year. To equate this to a comparable 6-year CIP schedule, 26 elementary schools, 8 middle schools, and 5 high schools would need to be modernized every six years. This would cost approximately \$1.2 billion over the six years. This cost is an approximation based on the increase from the current CIP needed to accomplish the optimal modernization schedule.

At the current rate of \$6.90 per \$1000, \$142 million in revenue has been collected from the recordation tax for 2003-2006, approximately \$35 million per year. To fully fund the current modernization schedule, approximately \$93 million in revenue are needed each year. To fully fund the optimal modernization schedule, the revenue required more than doubles to \$200 million per year. To generate \$93 million with sales comparable to the past 4 years, the tax would need to be about \$18.00 per \$1,000 or \$39 to achieve the optimal modernization schedule.

4. School Facilities Payment

The Planning Board deferred a decision on the amount of a School Facilities Payment until it had reached a decision on impact tax rates. The School Facilities Payment is a payment that a developer would pay, on a per-student basis, when their proposed subdivision is located in a cluster that is considered inadequate.

Staff recommended that the School Facilities Payment be equal to the cost-per-pupil of infrastructure. As the Board knows, this is also the basis for the school impact tax. We believe it is not double-charging to require both the impact tax and the School Facilities Payment in clusters that are in deficit because the impact tax is development's contribution to school facilities countywide and the School Facilities Payment is development's requirement when school capacity is not adequate.

Staff previously suggested that the School Facilities Payment be charged only for the level (elementary, middle and/or high school) where there is a deficit. Now that staff has recalculated the cost-per-pupil of school capacity, staff believes this is the right approach.

Under the standard tentatively approved by the Planning Board last week, the following areas would be inadequate, and the following payments would be required:

Elementary: Blake, Clarksburg, Einstein, Northwest, and Wheaton would be inadequate

School Facilities Payment = \$32,524

Single Family Detached homes generate 0.32 elementary students, for a School Facilities Payment of \$10,407

Single Family Attached homes generate 0.21 elementary students, for a School Facilities Payment of \$6,862

Garden apartments generate 0.153 elementary students, for a School Facilities Payment of \$4,976

High rise apartments generate 0.042 elementary students, for a School Facilities Payment of \$1,366

Middle: Clarksburg would be inadequate

School Facilities Payment = \$42,351

Single Family Detached homes generate 0.144 middle school students, for a School Facilities Payment of \$6,099

Single Family Attached homes generate 0.122 middle school students, for a School Facilities Payment of \$5,167

Garden apartments generate 0.056 middle school students, for a School Facilities Payment of \$2,372

High rise apartments generate 0.039 middle school students, for a School Facilities Payment of \$1,652

High: Wootton would be inadequate

School Facilities Payment = \$42,351

Single Family Detached homes generate 0.131 high school students, for a School Facilities Payment of \$6,223

Single Family Attached homes generate 0.107 high school students, for a School Facilities Payment of \$5,083

Garden apartments generate 0.073 high school students, for a School Facilities Payment of \$3,468

High rise apartments generate 0.033 high school students, for a School Facilities Payment of \$1,568

Appendix A
Calculating the Marginal Costs of Growth

Montgomery County Public Schools provides the costs of construction of schools by type and an estimated cost per pupil. The 2005 Census Update Survey provides Montgomery County Public Schools with student generation rates for new housing by type. Using this information, the school costs per housing unit type can be calculated.

The per pupil construction costs for a new school seat are \$32,524 for an elementary student, \$42,351 for a middle school student and \$47,501 for a high school student.¹ By multiplying the "student generation factors" (or the average number of students for each school type by housing type) by the per pupil construction costs, we know the costs per housing type.

Marginal costs of growth

	Elementary	Middle	High
Cost per pupil	\$32,524	\$42,351	\$47,501

Student Generation Factors

Housing Type	Elementary	Middle	High
SFD	0.32	0.144	0.131
SFA	0.211	0.122	0.107
Multi-family garden apt.	0.153	0.056	0.073
High/Low Rise w/parking	0.042	0.039	0.033

Cost per housing type	Elementary	Middle	High	Total
SFD	\$10,408	\$6,099	\$6,223	\$22,729
SFA	\$6,863	\$5,167	\$5,083	\$17,112
Multi-family garden apt	\$4,976	\$2,372	\$3,468	\$10,815
High/Low Rise w/parking	\$1,366	\$1,652	\$1,568	\$4,585

¹ MCPS, average cost based on 2007 market conditions

Appendix B – Transportation Impact Tax Derivation

The transportation impact tax recommendations described in this memorandum reflect adjustments to the April 30 Staff Draft recommendations to reflect the treatment of exemptions for certain types of land uses. This Appendix describes the derivation of the transportation impact tax recommendations through revisions to the assumptions and calculations described on pages 7 to 9 of the April 30 Staff Draft report section on Infrastructure Financing.

Table B-1 is a revision to Table 1 from the April 30 Staff Draft report and derives the relative trip generation rates from various land uses to proportionally allocate the estimated \$1,182B cost of the 25-year County program of transportation system improvements according to the relative trip generation of each type of land use. The table shows the following information:

- Line A shows the Round 7.0 forecast demographic growth
- Line B converts the projected job growth to estimated building square footage
- Line C shows the vehicle trip rates assumed for this exercise
- Line D shows the total vehicle trip ends (Line C times Line A or Line B as appropriate)
- Line E shows the proportion of vehicle trip ends within all categories (each cell in Line D divided by the sum of all cells in Line D)
- Line F shows the distribution of capital costs apportioned to each land use type (\$1.182B times Line E)
- Line G shows the resulting per-unit Transportation Impact Tax rates

The following rates from Table B-1 were inserted into the general category of Table 2 as follows:

- The single family residential rate (\$8,380/DU) as single-family attached,
- The multi-family residential rate (\$5,884/DU) as multi-family non-high rise,
- The square footage rates for office (\$11.56), industrial (\$5.39), retail (\$18.80), and other non-residential (\$4.85) were used directly (with rounding to the nearest five cents),
- The office rate was applied to bioscience uses (currently exempt), and
- The other non-residential rate was applied to hospitals (currently exempt).

Each of the other values in Table 2 were based on applying the categorical ratios (for types of land use and geographic areas) in the current rate structure to the six values described above. For instance, the current tax rate for a single-family attached house in Clarksburg (\$7,142) is 22.7% higher than that for a single-family detached house in the general category (\$5,819), so the recommended tax rate for a single-family attached house in Clarksburg (\$10,286) is also 22.7% higher than the recommended tax rate for a single-family attached house in the

general category (\$8,380). The recommended rates for houses of worship and private schools are based on the "other non-residential" category.

Table B-1. Derivation of Recommended Transportation Impact Tax Rates

	Single-family residential	Multi-family residential	Office	Retail	Industrial	Other commercial
A. Forecast growth, 2005-2030	26,645 DU	67,655 DU	119,533 jobs	18,232 jobs	12,208 jobs	20,027 jobs
B. Square footage of commercial space			29,883,250	7,292,800	5,493,600	10,013,500
C. Vehicle trip generation rates	9.57 per DU	6.72 per DU	3.30 per job	21.47 per KGsf ²	2.77 per job	2.77 per job
D. Daily vehicle trip ends by land use type	254,993	454,642	394,459	156,577	33,816	55,475
E. Percentage of total daily vehicle trip ends	18.9%	33.7%	29.2%	11.6%	2.5%	4.1%
F. Proportional allocation of \$1,182M estimated local capital cost for facility expansion, 2005-2030	\$223M	\$398M	\$345M	\$137M	\$30M	\$49M
G. Resultant unit impact tax rates	\$8,380 per DU	\$5,884 per DU	\$11.56 per GSF	\$18.80 per GSF	\$5.39 per GSF	\$4.85 per GSF

² Assumes a 50% pass-by trip percentage