

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 335

(Montgomery County Delegation and Prince George's
County Delegation)

Environment and Transportation

Education, Health, and Environmental Affairs

**Washington Suburban Sanitary Commission - System Development Charge -
Exemptions
MC/PG 104-17**

This bill authorizes the Montgomery County Council and the Prince George's County Council to grant an exemption from a system development charge imposed by the Washington Suburban Sanitary Commission (WSSC) to properties owned by a tax-exempt community-based organization that has the primary mission and purpose of providing recreational and educational programs and services to youth. To qualify for the exemption, which is limited to \$80,000, the property must be used primarily for youth-related recreational and educational programs and services. In addition, the county councils may provide a system development charge exemption to property that is used (1) primarily for child care or after-school care and (2) primarily for programs and services for developmentally disabled individuals.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: None.

Local Effect: WSSC finances are not directly affected by expanding the eligibility for exemptions from the system development charge.

Small Business Effect: Minimal.

Analysis

Current Law: State law provides for several exemptions to the WSSC system development charge. A full or partial exemption must be granted for public sponsored or affordable housing as jointly defined and agreed upon by the county councils. In addition, a full or partial exemption may be granted for:

- revitalization projects;
- residential property located in a mixed retirement development as defined in the zoning ordinance of Prince George's County;
- residential property located in a planned retirement community as defined in the zoning ordinance of Montgomery County;
- other elderly housing; and
- properties used for biotechnology research and development or manufacturing.

Chapter 124 of 2013 authorized the county councils to grant an exemption from a system development charge for properties owned by a tax-exempt community-based organization that has the primary mission and purpose of providing recreational and educational programs and services to youth. To qualify for the exemption, the property must be used primarily for youth-related recreational and educational programs and services. The exemption amount was limited to \$80,000. This authorization terminated June 30, 2016.

Chapter 441 of 2009 extended authorization for the county councils to exempt nonprofit youth services organizations from system development charges until December 31, 2010. The legislation also expanded this exemption to include nonprofit organizations that primarily provide recreational and educational programs and services to youth.

Background: WSSC is among the largest water and wastewater utilities in the country, providing water and sewer services to 1.8 million residents in Montgomery and Prince George's counties. It has more than 460,000 customer accounts, serves an area of around 1,000 square miles, and currently employs more than 1,500 people. The commission operates three reservoirs, two water filtration plants, and six wastewater treatment plants. The six wastewater treatment facilities, as well as the Blue Plains Advanced Wastewater Treatment Plant, handle more than 200 million gallons of wastewater per day. The commission maintains nearly 5,600 miles of water main lines and nearly 5,500 miles of sewer main lines.

Local Fiscal Effect: The system development charge is imposed on new development as a method to pay for capital expenses needed to accommodate growth in the bi-county area. It is reviewed and updated annually by the county councils.

The county councils have established a \$500,000 per county annual limit on exemptions to the system development charge, with any unused portion allowed to carry over to future years indefinitely. This restriction first became effective in fiscal 1999. Montgomery County has granted \$3.2 million in exemptions and Prince George’s County has granted \$6.6 million. Both jurisdictions have the capacity to grant additional exemptions from the system development charge without exceeding the current limitations.

Exhibit 1 shows the amount of exemptions granted in each county and the amount that has been carried over to future years. **Exhibits 2 and 3** show the amount of exemptions granted by category for each year since fiscal 1999. In Montgomery County, 21% of the exemptions were for elderly housing, 58% for revitalization projects, and 21% for biotechnology projects. In Prince George’s County, 4% of the exemptions were for elderly housing, 93% for revitalization projects, 2% for biotechnology projects, and 1% for youth projects.

Exhibit 1
Current Exemptions from System Development Charge
Fiscal 1999-2016

	<u>Exemptions Granted</u>	<u>Exemptions Unused</u>
Montgomery County	\$3,182,811	\$5,817,189
Prince George’s County	6,561,704	2,438,296
Total	\$9,744,515	\$8,255,485

Source: Washington Suburban Sanitary Commission

Exhibit 2
Exemptions to System Development Charges by Category
Montgomery County

<u>Fiscal</u>	<u>Elderly Housing</u>	<u>Revitalization Projects</u>	<u>Biotech Projects</u>	<u>Total Exemptions</u>
1999	\$44,800	\$0	\$117,766	\$162,566
2000	100,280	41,941	0	142,221
2001	171,940	0	63,898	235,838
2002	137,636	222,251	33,302	393,189
2003	56,898	121,740	121,591	300,229
2004	50,000	444,767	0	494,767
2005	0	267,659	50,000	317,659
2006	50,000	10,238	41,919	102,157
2007	56,540	101,150	0	157,690
2008	0	96,607	64,891	161,498
2009	0	52,969	0	52,969
2010	0	5,235	0	5,235
2011	0	260,552	110,058	370,610
2012	0	102,704	1,563	104,267
2013	0	4,600	0	4,600
2014	0	50,000	0	50,000
2015	0	50,000	50,000	100,000
2016	15,569	11,747	0	27,316
Total	\$683,663	\$1,844,160	\$654,988	\$3,182,811

Source: Washington Suburban Sanitary Commission

Exhibit 3
Exemptions to System Development Charges by Category
Prince George's County

<u>Fiscal</u>	<u>Elderly Housing</u>	<u>Revitalization Projects</u>	<u>Biotech Projects</u>	<u>Youth Projects</u>	<u>Total Exemptions</u>
1999	\$0	\$0	\$0	\$0	\$0
2000	87,636	25,374	0	0	113,010
2001	0	46,892	0	0	46,892
2002	40,850	42,444	0	0	83,294
2003	98,754	65,044	0	0	163,798
2004	0	327,896	0	0	327,896
2005	0	86,661	50,000	0	136,661
2006	0	0	0	0	0
2007	0	350,000	0	0	350,000
2008	0	0	74,556	0	74,556
2009	23,980	10,572	0	0	34,552
2010	0	984,421	0	0	984,421
2011	0	1,218,146	0	0	1,218,146
2012	0	1,144,174	0	0	1,144,174
2013	0	680,613	0	0	680,613
2014	0	127,839	0	0	127,839
2015	0	8,727	0	80,000	88,727
2016	0	987,125	0	0	987,125
Total	\$251,220	\$6,105,928	\$124,556	\$80,000	\$6,561,704

Source: Washington Suburban Sanitary Commission

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Montgomery and Prince George's counties; Washington Suburban Sanitary Commission; Department of Legislative Services

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mm/hlb

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