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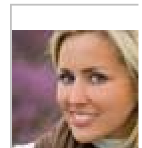

Bill would continue developer discounts

Majority of council wants to give break on impact fees

By ERIN COX, Staff Writer

Published 03/08/10

Developers would continue to get big discounts on fees that pay for roads and schools under a plan backed by a majority of County Council members.

A bill introduced last week would freeze impact fees at a discounted rate that recaptures less than 22 percent of the cost of building infrastructure demanded by new growth. But industry leaders say that development is the lifeblood of government, and spurring the economy benefits all taxpayers.

Supporters of the new bill say the beleaguered construction industry cannot tolerate the near-doubling of fees that took effect as scheduled in January.

Councilman Ron Dillon, R-Pasadena, initiated the bill to roll back the increase, saying this is the wrong time to burden an already crippled industry.

"As everyone is well aware of, the housing industry is in crisis," Dillon said. "It's an improper time to raise the fees on that industry."

None of the four council members backing the bill could identify specific projects held up by the impact fee increase, which was the first step in a two-year plan to start charging developers about 80 percent of the infrastructure costs their developments create. But politicians agreed that the pressing need to reduce unemployment outweighs everything else.

"We have got to get shovels in the ground right now to get jobs started," said Councilman Charles Ferrar, D-Edgewater.

While supporters said they hope the bill will help construction workers return to work, the plan drew criticism from politicians and community groups who say taxpayers shouldn't pick up the tab for developers.

"You're shifting the cost of development to the taxpayers, and I don't think a lot of taxpayers have a lot of extra change right now," said Arnold attorney Ann Fligsten, who served on the Impact Fee Advisory Committee convened in 2008 to set the new fees. "Someone has to pay for the cost of growth, and I don't think it should be the taxpayers, even though I'm sympathetic to the building industry."

County Executive John R. Leopold said the new bill undermines the compromise struck in 2008 to raise the fees.

"The fees were artificially low for 20 years, which was beneficial to builders and developers but unfair to taxpayers," Leopold said in a written statement. "We can't ask taxpayers to continue to subsidize the cost of development."

Eric DeVito, president of the Anne

Arundel County chapter of the Home Builders Association of Maryland, said rising impact fees coupled with declining home values magnify the industry's problems.

DeVito said that higher impact fees directly increase the price of homes, making them more difficult to sell in this market. And without development, the county is strangling a revenue source larger than impact fees, he said.

"This really isn't a debate about growth or no growth, it's about getting the economy moving in the right direction," DeVito said. "There's a far greater benefit to the county having that property on their tax rolls, as well as the income taxes and sales taxes from the family that lives in that house."

County politicians wrangled over impact fees for 10 months in 2008 before the financial crisis hit, appointing a committee - which included commercial and residential builders - to hash out exactly what developers should have to pay.

Anne Arundel's fees were already among the lowest in Maryland, but the council decided to decrease them further after the housing bubble burst.

For example, the fee to build a 3,000-square-foot home dropped by more than half, from $5,096 in 2008 to $2,272 in 2009. The fee to build a 90,000-square-foot office complex dropped by $88,740 between 2008 and 2009, to $112,950.

Councilwoman Tricia Johnson said she saw no reason the county couldn't continue to subsist on the deflated fees.

"We've survived on what they have been so far," said Johnson, a Davidsonville Republican who co-sponsored the discount bill. "They (the fees) should be higher. … (The bill) is just saying they shouldn't be higher right now."

Councilman Daryl Jones, D-Severn, who in 2008 said the discounts were "inappropriate," now backs the continued discounts, saying the economy has worsened far more than politicians expected.

"I think that the economy speaks for itself. The whole concept behind it (the discounts) was to stimulate growth," Jones said. He later added: "I don't think that our economy has improved very much, and I think it's time for us to look at desperate measures."

The proposal to roll back the increases scheduled for 2010 comes as Anne Arundel faces its largest revenue shortfall in county history. With the dismal housing market, unemployment and cuts in state aid, Anne Arundel has a $95.5 million shortfall for next year. County officials have already raided several savings accounts to cover a shortfall last year.

Revenue from impact fees has already been on the decline, dropping by $2.97 million between 2008 and 2009, when the discounts took effect, according to the county officials. The budget crisis, as well as a backlog of needed school and road improvements that total more than $1 billion, have prompted some community leaders to oppose continued impact fee discounts.

"No. No way. We need that money," said Albert Johnston, one of the members of the Impact Fee Advisory Committee and a member of the Greater Severna Park Council. "It's nothing for the developer to do this, but it is not in the interest of the general public."

Three of the four sponsors of the bill are facing re-election this year, and the development community's contributions for council races have traditionally outpaced every other industry.

More than two-thirds of the money donated to Leopold's $500,000 campaign fund has been linked to the development community, according to an analysis by The Capital.

All of the sponsors of the discount bill said that campaign fundraising had no bearing on their decision to back the impact fee bill.

Ferrar acknowledged that the development community represents large campaign contributors, but said that "they represent the fewest votes."

A hearing on the bill is scheduled for 7 p.m. April 5 at the Arundel Center, 44 Calvert St. in Annapolis.

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Developers - 2010-03-08 14:08:46 Report Abuse or Vote 0 1

should pick up 100% of the infrastructure costs incurred as a result of their development. It is not the 1980's anymore when our natural resources were abundant and poorly looked after. The county has a billion dollar backlog of repairing the damage caused by rampant development granted with discounted fees.

This has been a big issue in other municipalities and I expect it will be a significant issue come the next election for AACO.

Tyler Durden - Annapolis, MD - Karma: Neutral

Alice in Wonderland? - 2010-03-08 13:42:30 Report Abuse or Vote 0 1

Do we have a shortage of homes in Anne Arundel County? Do we have a lack of commercial space? Quite the opposite, I am afraid. We have a dangerous glut that is far more ruinous to the local economy, particularly current homeowners, than any lack of new development. To address current economic concerns, our County Council is taking orders from the people at the very epicenter of the current economic mess?! This is exactly the wrong time to encourage more overdevelopment. Developers can afford to build homes and office space more cheaply, but doing so undermines the fragile economic foundation of current homeowners, who are the developers former customers, and whose wealth is decimated by this subsidized real estate glut. To add insult to injury, even the higher impact fees do not cover the massive cost of repairing the damage to our waterways caused by past overdevelopment, let alone continued overdevelopment. The County needs to unhitch its economic wagon from the cancerous development and real estate industry. It is a poorly managed industry run largely by good old boys and out of area interests who have proven economically inept and incredibly shortsighted.

Jeff Schomig - Arnold, MD - Karma: Excellent

Liars - 2010-03-08 13:17:16 Report Abuse or Vote 0 1

Thanks for staying ahead of this issue. The developers knew back in 2008 that they would be able to alter the outcome when it came time to pay. Keep shining a spotlight on them and the councilmen who are in their pockets. Infrastructure costs should be shouldered by all, Look at the higher fees in other Maryland counties. Construction projects aren't going to be held up if the county brings its rates in line with the rest of the state's urban counties. Construction is being held up because there is a national recession and not enough demand. These guys have been getting breaks for too long. They got the break in 2008 by agreeing to higher fees in 2010. Now they want to back out on the deal. Imagine how they'd be screaming if the county now was trying to change the 2008 deal the other way?
No more corporate welfare!

Ed Lewis - Annapolis, md - Karma: Neutral

Enough is enough - 2010-03-08 12:54:58 Report Abuse or Vote 0 1

The LAST thing this area needs is more "development".
When will politicians realize that this?

The tax revenue generated can not possibly balance out the impact that all this development has on already stressed infrastructure, or on the average length of ones daily commute, or the environment, or the rapidly deteriorating quality of life in this area.

Why are we considering giving developers a break? They are part of the problem. NOT part of the solution.

Mark M - MIllersville, MD - Karma: Excellent

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