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Guest Column: Impact fee delay will hurt our county

By ALBERT JOHNSON
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Bill 12-10 sponsored by four members of the Anne Arundel County Council to delay an increase in impact fees will harm our county's financial well being and force taxpayers to subsidize new development with no documented benefit to the county.

This council is to be commended for its tenacity and attention to detail to work through Bill 6-08 in the spring of 2008 to the enactment of Bill 71-08 in the fall of 2008. In a word, it would be hard to find legislation that has received more careful deliberation by the council with extensive inputs from consultants, a study committee headed by former County Executive Robert Neall Committee and public testimony.

The accurate identification of the proper impact costs for schools, roads and public safety in Anne Arundel County produced an outstanding piece of legislation ultimately signed by County Executive John R. Leopold. Given the time period required for development projects and the worsening economic conditions, Bill 71-08 provided for an immediate reduction and a phase-in of the fee schedule permitting projects near final approval to build with planned financing.

The County Council heard on April 5 about some 500 building permit applications in December alone that took advantage of reduced fees at a fraction of actual impact costs to taxpayers.

Reviews by the Wall Street firms that publish our bond ratings made it quite clear that any "audit results materially worse than anticipated" in March 2010 would cause them great concern. The refunding of paid fees plus delaying appropriate impact fee rates will dramatically produce those "worse results."

The collective "concerns" of rating agencies translate into higher rates on new bonds and decreased value of issued bonds. Standard & Poor's continued to award the County an AAA rating with "concerns," Moody's continued an Aa1 with a "negative outlook" and Fitch Rating Services downgraded the County from an AA1 rating to AA.

The sponsors of Bill 12-10 certainly were unaware of the Moody's Investor Services' "negative outlook" as well as the concerns of Fitch Ratings and Standard & Poor's when the bill was drafted. Now that they are knowledgeable, they should withdraw the bill.

We should also question the claim that delaying new impact fees will produce new jobs. The oversupply of unsold residences and vacant commercial facilities reduces the demand for new construction in this county.

With the exception of high-end residential and BRAC commercial construction, where impact fees are not material, new construction will remain uneconomic and close to impossible to finance. Until the large supply of unsold homes no longer impacts the residential market and the many vacant commercial properties have tenants, there will be no financing and no construction. Bill 12-10 does not produce a single homebuyer or commercial tenant; it only enriches certain developers.

The double whammy created by providing a refund of fees already in the general fund, together with nonreceipt of future fees, generates the highly-probable negative impact on bond ratings, plus a probable lay-off of county employees in Fiscal 2010.

Not only does this produce a loss of jobs, but it produces a loss of expensively-trained county employees. An alternative technique of increasing bond borrowing to refund valid statutory fees to forestall a layoff approaches the fiscally incomprehensible.

Unlike the discussions during the Neall committee review on Bill 71-08, there has been no public rationale for Bill 12-10. The sponsors have had ample time to provide the press a documented justification of the dollar pay-out but none has appeared.

As announced at the hearing on April 5, Bill 12-10 would authorize an estimated \$8.5 to \$17 million reduction in county income with no explanation to the general public prior to the date of its introduction - a most inappropriate exercise of legislative authority!

Albert Johnston is vice president for public affairs of the Greater Severna Park Council and served on the Neall committee. A public hearing on the bill is scheduled Monday in Annapolis.