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Impact fees to build in Arundel may soar

Plan would hurt Fort Meade growth, critics say

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Sun reporter

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A proposal to tack more than \$21,000 onto the price of building a four-bedroom home in Anne Arundel County has incensed homebuilders and developers, who predict a sweeping bundle of increases to impact fees could deflate the growth boom around Fort Meade and drive them into other jurisdictions.

County Executive John R. Leopold has said the current impact fee of \$4,904 a house - typically passed on to buyers - is long overdue for an increase because it doesn't cover the "full freight" of building roads and schools and providing county services. He has said that if higher fees, such as \$1 million more for a 200,000-square-foot office complex, slow down "meteoric" growth, "that is not an undesired outcome."



His proposal, which would make Anne Arundel's impact fees perhaps the highest in Maryland, has won cheers from environmentalists and civic leaders, and has helped him fend off criticism that he's too cozy with developers, who gave his campaign more than a quarter-million dollars last year.

Leopold said impact fees have been set artificially low since their inception in 1987, and he faulted developers' excessive influence over the process. As a result, he said, the fees force taxpayers to subsidize developers' infrastructure costs.

"I want to see that changed," the Republican said.

But with the building industry in a downturn and construction costs soaring, developers and business leaders fear the higher fees could cripple the local real estate market. New fees would push coveted commercial projects - which Anne Arundel sorely lacks - to other suburban counties at a time when the county is bracing for 22,000 new jobs at the Army post, they said.

"There will be demand in Anne Arundel County, for sure," said Cathy Ward, a senior vice president for Corporate Office Properties Trust, one of the region's largest developers. "But that demand can be pushed across county lines."

Bob Burdon, chief executive of the Annapolis and Anne Arundel County Chamber of Commerce, said the proposed impact fees would be "counterproductive" to Leopold's stated goal of boosting commercial growth.

The county's commercial base stands at about 17 percent - some 5 percent to 8 percent lower than surrounding counties, Burdon said. Commercial projects typically pay out more in taxes than what they receive in municipal services, a big asset to Anne Arundel, which operates under a tax cap.

"What makes it more profound is that the county has the opportunity of BRAC and the opportunity to attract quality business and development in this county, and all of that is potentially in jeopardy," Burdon said of the base realignment process that will occur over the next four years.

Economists counter that without adequate impact fees to upgrade infrastructure, businesses, residents and shoppers will flee. County officials said higher fees would even encourage new building and ensure its viability.

The desire of defense contractors to be located near Fort Meade will outweigh the burden of new impact fees, county officials added. Thousands of acres of undeveloped lands surround the Army post, and those tracts have been eyed for upscale retail and office space to serve new workers.

"I think that the growth is going to occur because of the attractiveness that BRAC represents," Leopold said.

Impact fees were last raised in 2001, after a task force of community and business leaders weighed in, but they remain thousands of dollars less than in other counties. The County Council supports increasing the fees, and even developers concede they should be higher.

The question is, in a county that relies on development to expand its coffers, how high is too high?

Leopold's bill, based on a report from a nationally recognized expert on impact fees, James C. Nicholas, calls for replacing the flat fee for homes with a "progressive" fee based on the number of bedrooms, increasing to as much as \$37,017 for a five-bedroom house. Fees for commercial projects would multiply, based on the number of rooms (hotels), square footage (offices) or beds (hospitals).

County lawmakers, developers and other business leaders have questioned Nicholas' findings, and developers have hired rival consultants to challenge the figures. County Auditor Teresa Sutherland has found several errors in the study, including that it overstates the school portion of the impact fee by 35 percent, and understates the roads portion by 38 percent. Based on her calculations, the impact fee for a four-bedroom home should be \$21,479, not \$26,407 as listed in Leopold's bill.

The council has put up a united front in opposing Leopold's fees. Councilman C. Edward Middlebrooks has accused Leopold of seeking to quash criticism of his campaign contributions. He raised \$504,000 in 2007 - more than any elected official at the local or state level - with more than 50 percent coming from the development community, based on available state reports.

"That's why we are here tonight with a hastily made bill with no input from this body, with no task force," Middlebrooks, a Severn Republican, told a room packed with developers at the Feb. 7 hearing. "It was just to make me look like I'm beating up on you guys after I took your money," he said, referring to his view of Leopold's motives.

Tonight, the council will hold a second public hearing on the bill and could vote on it. Council members have previously suggested killing the bill and submitting their own version. But in recent days, county officials, Nicholas and Sutherland have been fine-tuning the fee structure.

"We're close to resolving this," said Alan R. Friedman, the county's governmental relations director. "Why start all over again?"

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