



FREDERICK COUNTY GOVERNMENT

Jan H. Gardner
County Executive

OFFICE OF THE COUNTY EXECUTIVE · Raymond V. Barnes, Jr., Chief Administrative Officer

TO: Frederick County Council Members

THROUGH: County Executive Jan Gardner *JHG*

FROM: Kelly Weaver, Assistant Budget Director
Janice Spiegel, Education Liaison

DATE: January 15, 2019

SUBJECT: 2019 Annual Report and Adjustment Recommendations to Public School Development Impact Fees and Library Development Impact Fees

ISSUE:

1. In compliance with § 1-22-13 and § 1-22-23 of the County Code, this is the 2019 annual report regarding the Public School Development Impact Fees and Library Development Impact Fees.
2. The County Council should consider an adjustment to the public school and library impact fees as recommended in the most recent Impact Fee Study. The Impact Fee Study was presented by the consultant TischlerBise, Inc. in December 2017, but the recommendations contained in the report were not advanced into legislation.

BACKGROUND:

Development Impact Fees were established in accordance with Section 9J of Article 25 of the Annotated Code of Maryland and went into effect on July 1, 1993. The County amended the Code to establish a Library Development Impact Fee several years later on January 1, 2001.

The provisions of the Impact Fee Ordinance apply to all lands within Frederick County including within each municipality. The Ordinance is intended to ensure that new residential development pays its proportional fair share of local costs for capital facilities necessary to accommodate development impacts on public schools and libraries and ensures that adequate public facility capacity is available in a timely and well-planned manner to support new residential growth.

History of Impact Fee Adjustments from 2014 to Present

2014

In 2014, the Board of County Commissioners contracted with independent consultant TischlerBise, Inc. to initiate a full Impact Fee Study. The last full study prior to 2014 was completed in 2007. A full Impact Fee Study is conducted by a consultant who is secured through a procurement process. Using county staff data, the consultant reviews each component of the Impact Fee and updates it accordingly to reflect current costs and methodologies.

The updated 2014 study changed the way impact fees for schools are collected and appropriated by school level, and included a suggestion to conduct a full study update every 2-3 years. The BOCC adopted legislation based on those recommendations that increased impact fees for multi-family dwelling units significantly, while fees for single family dwelling units decreased.

The following fees were effective July 1, 2014:

Residential	Public Schools	Libraries
Single Family Detached	\$13,478	\$730
Townhouse/Duplex	\$13,412	\$660
Other Residential	\$5,595	\$366

2015-2016

There are three general methods used when calculating impact fees –

- 1. Cost Recovery Method (past)** – reflects past improvements were made and now costs need to be recovered;
- 2. Incremental Expansion Method (concurrent)** – reflects concurrent costs for infrastructure needed today to effectively accommodate growth;
- 3. Plan-based Fee Method (future)** – reflects future improvements which will be needed at some point in the future.

The choice for which method to use depends on the timing of construction projects needed. The 2014 Frederick County Impact Fee Study used the incremental expansion method to calculate elementary level fees (concurrent) and the cost recovery method to calculate high school and middle school fees (past).

In 2015, when staff examined fees, only elementary level impact fees were recommended to be adjusted, primarily because only elementary level projects were in the 6-year Capital Improvement Plan (CIP). Although the County had seen higher than anticipated costs for Frederick High School as it was being constructed, high school fees were calculated based on the cost recovery method, and were not recommended to be adjusted in order to pay costs incurred through an already approved CIP project.

In September 2015, the County Executive requested staff to update the elementary fee components of the 2014 Impact Fee calculation based on changes being seen in the cost of school construction. School construction costs had been rising dramatically across the state, and the Interagency Committee on School Construction (IAC) had increased the allowable cost per square foot by 21% and the allowable cost for site work by 7% to keep pace with rising costs. The County consulted with the author of the 2014 study, TischlerBise, Inc., to review staff's fee calculations and recommendations and offer their expertise.

The fee adjustment was initiated as County Council Bill 16-04, by former Council President Otis on behalf of the County Executive, in January 2016. The bill proposed raising elementary public school impact fees between 9-11% at the elementary level only, and library impact fees by roughly 5.2%, depending on dwelling unit type. It also recommended adding language reinstating the annual adjustment which had been removed by the County Commissioners in 2012.

After much discussion and stakeholder input, Bill 16-04 was amended by a majority of the County Council in March 2016. Amended Bill 16-04 did several things:

1. Removed the annual adjustment provision and added two provisions that the County Executive "shall provide to the County Council a report which proposes an annual adjustment to the public school development impact fee based on the most recent data from the State of Maryland School Construction Cost Index" and "an annual adjustment to the library development impact fee, based on the most recent 20 City Annual National Average Data from the Engineering News Record (ENR) Construction Cost Index" on or before January 15, 2017, and on or before January 15 of each year thereafter; and
2. Removed the 9-11% recommended adjustment for public school impact fees, but added a two-year phase in of the total recommended increase. No additional amendments for library impact fees were proposed, and the 5.2% increase included in Bill 16-04 was adopted.

The amended Bill 16-04 was approved by a 5-2 vote of the County Council. The following fees were approved:

Impact Fees – year 1 phase-in, effective July 1 2016:

Residential	Public Schools	Libraries
Single Family Detached	\$14,112.50	\$768
Townhouse/Duplex	\$14,207	\$695
Other Residential	\$5,942	\$385

Impact Fees – year 2 phase-in, effective July 1, 2017:

Residential	Public Schools	Libraries
Single Family Detached	\$14,747	\$768
Townhouse/Duplex	\$15,002	\$695
Other Residential	\$6,291	\$385

2017

In January 2017, the County Executive provided a report to the County Council, as required. The report recommendations included:

- No change to the Public School Development Impact Fee since the full increase to the impact fee recommended in the spring of 2016 had not yet been completely phased-in. (*See bill 16-04*).
- No change to the Library Development Impact Fee even though the ENR 20 City Average Construction Cost Index reflected an increase.
- Once a new impact fee study is completed by outside consultants, a report and recommendation would be forthcoming.

In August 2017, the County Executive held a press briefing on Residential Growth and announced plans to conduct a full update to the 2014 Impact Fee Study. TischlerBise, Inc. was contracted to complete a full update to the 2014 Impact Fee Study with assistance from County staff from Budget and Planning & Permitting departments, Frederick County Public Schools, and the Frederick County Public Library gathering data.

The 2017 Impact Fee Study was presented by a representative of TischlerBise in December 2017. The report recommended an adjustment to both public school and library Impact Fees. The County Council did not take up legislation based on that report. Several changes were recommended in the 2017 study that have not been implemented:

- The study incorporated costs associated with constructing the FCPS prototype elementary, middle, and high school. Previous reports were based on the pre and post bids of 6-year CIP projects.
- For the 2017 study, all fees were calculated using the incremental expansion method, which was a change from the 2014 method for middle schools and high schools. This approach uses the total square footage for each prototype school level to calculate the capital cost per square foot, and then determines the current level-of-service standards

for all schools. Library fees were also calculated according to the incremental expansion method. TischlerBise recommends this methodology as a more accurate reflection of current conditions.

- A bus component and a land component were included as possible additions to consider when calculating school impact fees. TischlerBise regularly includes these components for other counties that they work with across the country. This was also based on a recommendation from the County Executive’s Public School Construction Work Group.

How are Impact Fees Calculated?

School Impact Fees

Impact Fees are based on the local costs of school construction only. The figure below, from page 21 of the 2017 Impact Fee Study, shows the data used to calculate the recommended public schools impact fees

Public School Students per Housing Unit	School Level			TOTAL
	Elementary K-5	Middle 6-8	High 9-12	
Single Family	0.20	0.10	0.14	0.44
Townhouse / Duplex	0.27	0.11	0.13	0.51
Multi-family	0.13	0.04	0.05	0.22

Current Level of Service Standards			
Component	Elementary	Middle	High
School Buildings			
Sq Ft per Student	117.60	142.70	156.30
Capital Cost per Square Foot	\$272	\$236	\$229
Cost per Student	\$32,019	\$33,711	\$35,787
Land			
Acreage per Student	0.032	0.029	0.033
Capital Cost per Acre	\$40,000	\$40,000	\$40,000
Cost per Student	\$1,280	\$1,160	\$1,320
Buses			
Buses per Student	0.01	0.01	0.01
Capital Cost per Bus	\$87,266	\$87,266	\$87,266
Cost per Student	\$873	\$873	\$873
Gross Capital Cost per Student	\$34,172	\$35,744	\$37,980
Principal Payment Credit Per Student	(\$3,619)	(\$3,619)	(\$3,619)
Net Local Capital Cost per Student	\$30,553	\$32,125	\$34,361

The fees are calculated by multiplying the student generation rate for each housing type and school level by the net capital cost per student for each type of school. Each component is then added together to determine the total school impact fee. For example, for a single family unit, multiply the student generation rate of .20 by the net capital cost per elementary student of \$30,553. This equals \$6,110 per single family unit. The chart below shows the maximum supportable school impact fee based as determined in the 2017 Impact Fee Study.

Proposed Maximum Supportable School Impact Fees					
Housing Unit Type	Elementary K-5	Middle 6-8	High 9-12	TOTAL	Increase/ (Decrease)
Single Family	\$6,110	\$3,212	\$4,810	\$14,132	(\$605)
Townhouse/Duplex	\$8,249	\$3,533	\$4,466	\$16,248	\$1,246
Multi-family	\$3,971	\$1,285	\$1,718	\$9,974	\$683

Library Impact Fees

The figure below, from page 28 of the 2017 Impact Fee Study, shows the data used to calculate the recommended library impact fees:

Persons Per Housing Unit	Standards:
Single Family	2.72
Townhouse / Duplex	2.48
Multi-family	1.54
Per Person	
Building Cost	\$247.78
Collection Cost	\$52.17
Principal Payment Credit	(\$47.06)
Net Capital Cost	\$252.89

The library impact fee is calculated by taking the persons per housing unit and multiplying by the total net capital cost per person for each dwelling unit type. For example, for a single family housing unit, multiply the net capital cost (\$252.89) by the persons per housing unit (2.72) to arrive at the maximum supportable library impact fee of \$687 per single family dwelling unit.

Maximum Supportable Library Impact Fee			
Housing Unit Type	Proposed Fee	Current Fee	Increase/ (Decrease)
Single Family	\$687	\$768	(\$81)
Townhouse/Duplex	\$627	\$695	(\$68)
Multi-family	\$389	\$385	\$4

RECOMMENDATION:

1. The County should adopt the maximum supportable public school impact fees and library impact fees based on the most recent Impact Fee Study, as reported by the consultant TischlerBise, Inc. in 2017, and without an adjustment to fees in 2018.
2. Language should be added to reinstate the annual fee adjustment for both public schools and library impact fees, which is the most efficient way to keep fees set at a current, updated rate. Staff suggests the following language be added regarding an annual adjustment each July 1, the start of the county's fiscal year:

On July 1, 2019, and on July 1 of each year thereafter in which the public school development impact fee and library development impact fee is in effect, the amount of the public school development impact fee and library development impact fees, per dwelling unit, shall be adjusted as follows:

(A) On or before January 15, 2019, and on or before January 15 of each year thereafter, the County Executive shall provide to the County Council a report which proposes an annual adjustment to the public school development impact fee and the library development impact fee. The adjustment shall be calculated by taking into account the most recent data from the State of Maryland School Construction Cost Index and on the most recent 20 City Annual National Average data from the Engineering News Record Construction Cost Index and changes to other factors and data components in the fee calculations.

(B) The proposed annual adjustments shall automatically take effect on the following July 1, unless the County Council enacts a bill that takes effect on or before the following June 30 to change the public school development impact fee or the library development impact fee, following receipt of the report.

3. In addition, staff recommends completing a full update of the public school and library impact fee study on a regular schedule, such as every 2-3 years, or following regular updates to pupil yield rates or updates to the other components that are used in the fee calculations.

