GO COMMITTEE #1
October 12, 2020

M E M O R A N D U M

October 8, 2020

TO: Government Operations & Fiscal Policy (GO) Committee

FROM: Pamela Dunn, Senior Legislative Analyst
Glenn Orlin, Senior Analyst
Robert H. Drummer, Senior Legislative Attorney

SUBJECT: Development Impact Taxes for Public School Improvements, Exemptions to Transportation and School Impact Taxes, and Amendments to the Recordation Tax

PURPOSE: Worksession – recommendations expected

Expected Attendees for this Worksession:

Casey Anderson, Chair, Montgomery Planning Board
Gwen Wright, Director, Planning Department
Tanya Stern, Deputy Director, Planning Department
Jason Sartori, Chief, Countywide Planning Division, Planning Department
Lisa Govoni, Housing Policy Coordinator, Countywide Planning Division
Hye-Soo Baek, Senior Planner, Countywide Planning Division
Meredith Wellington, Office of the County Executive
Mary Beck, Office of Management and Budget
Pofen Salem, Office of Management and Budget
Essie McGuire, Montgomery County Public Schools

Councilmembers: Please bring your copies of the SSP Draft and Appendices to this worksession.

This worksession of the GO Committee will address recommendations from the Planning Board and its staff, the County Executive, the public hearing testimony, and Council staff regarding impact tax credits and exemptions not covered in the staff report prepared for the GO Committee worksession on October 9, as well as changes to the recordation tax. In this report, each of the Planning Board's recommendations are referenced by its 'Rec' number followed by the page number in the Planning Board's Draft Report, in turn followed by its section and page number in the Draft SSP resolution, found in Appendix L (p. 86). For example, the recommendations on the recordation tax are referenced as "Rec. 6.9, (pp. 101-103; App. Q pp. 122-124)."

Impact Tax Credits for Projects Providing 2- and 3-Bedroom Units

On October 4, Councilmember Jawando sent to his GO/PHED Committee colleagues several recommendations regarding the Planning Board's Draft SSP and related impact tax changes. Some of the SSP-related recommendations were discussed during the PHED Committee worksession on October 5; others will be discussed at the worksession on October 14. In addition to the SSP recommendations, Councilmember Jawando is recommending an impact tax credit of 40 percent for two-bedroom multifamily units and 60 percent for three-bedroom multifamily units built in Infill School Impact Areas to incentivize multifamily housing for families. See © 1-2.

In the October 9 GO Committee worksession staff report, covering recommendations on the calculation of school impact taxes, Council staff explained that the primary basis for an impact tax is to address the cost-associated impact for which is it is being collected. And just like discounts for "desired growth areas" do not provide a cost-related savings not already captured by regional student generation rates, constructing two- and three-bedroom units also does not provide an impact -related cost savings. In fact, two- and three-bedroom units are most likely to have a somewhat higher cost impact than efficiencies and 1-bedroom units as they are more likely to generate students. However, this, for the most part, is captured in the student generation rates for multifamily structures. That said, the County has a long history of providing impact tax exemptions and credits that further other important public policy goals, affordable housing being one of the most notable and prevalent.

Councilmember Jawando's motivation for the tax credit is based on a significant decline in two- and three-bedroom units being constructed in the County; his memo notes that between 2010-2016, only two percent of the multifamily units built included three-bedroom units, and only 35 percent included two-bedroom units (the lowest percentages since 1950). Councilmember Jawando believes that, more than a need to incentivize development in "desired growth areas", the need to provide housing for families, especially housing that is accessible to high quality transit, should be a priority. He therefore recommends a 40 percent credit for two-bedroom multifamily units and 60 percent credit for three-bedroom multifamily units built in Infill School Impact Areas. A map on © 3 shows the Desired Growth Areas and Infill School Impact Areas.

Due to the targeted focus of the proposed credit, both in applicability and scope, and the primary goal of providing more housing for families, including more affordable housing for families since unit-types of MPDUs must be provided in the same proportion as market rate unit-types (thus more two- and three-bedroom units means more two- and three-bedroom MPDUs), **Council staff supports this recommendation**.

Impact Tax Exemption for Projects Providing a Minimum of 25 percent Affordable Units

Rec. 6.7 (pp.96-98; Sec. 52-55, p. 117) proposes two changes to the current impact tax exemption for projects providing a minimum of 25 percent affordable units. The first change is to require that all affordable units be placed in the County's or a municipality's Moderately Priced Dwelling Unit (MPDU) program. This is fairly straightforward; requiring that the affordable units be placed in the MPDU program ensures their affordability in the long term. Units in the MPDU program are under a 99-year affordability control period. Other affordable housing programs have much shorter control periods. **Council staff supports this change.**

The second change places a limit on the exemption. Currently, the exemption relieves a project from its obligation to pay both school and transportation impact taxes on **all** of its units in exchange for providing a minimum of 25 percent of its units as affordable. Since 2015 when it was adopted, 14 projects have been approved for development, including approximately 6,000 total residential units. Of these, approximately 800 units would be required MPDUs (provided with or without this exemption) and an additional 800 would be "incentivized affordable units", required for the project to qualify for the current exemption. According to OMB, the potential foregone collection of impact taxes associated with these projects equals more than $100 million.

Recognizing the potential impact of the current exemption on school and transportation infrastructure revenue, and aiming to balance this concern with the County's affordable housing goals, the Planning Board's exemption limit would replace the impact tax exemption with a discount equal to the lowest (standard) impact tax rate in the County for the applicable unit type.[1] At first glance, this proposed discount may seem unnecessarily complicated. Why not simply apply a percentage discount to all non-exempt units? Because doing so would provide a greater incentive for projects with the highest impact tax rates, and areas in the County with the highest impact tax rates are also the areas where the differences between MPDU rents and market rents are the lowest. Figures 42 and 43 in the Planning Board Draft demonstrate how the Board's proposed revisions would apply to school and transportation impact tax rates, respectively.

Council staff supports the proposed changes to the exemption for projects providing a minimum of 25 percent MPDUs. However, given the unanticipated level of participation and impact on revenue as a result of the current exemption, the Committee may want to request a reevaluation and briefing on any changes to the exemption in the next two years. It should also be noted that several property owners or their representatives have written to express their concern with projects at various stages in the approval process expecting/proposing to use the current exemption. Effective dates and grandfathering of applications and/or projects will be covered at a future Committee worksession (if time allows) or as part of the Council worksessions.

Recommended Changes to the Recordation Tax

Rec. 6.9 (pp. 101-103; App. Q, pp. 122-124) proposes that the County incorporate progressive modifications into calculation of the Recordation Tax to provide additional funding for school construction and the County's Housing Initiative Fund. Countywide, Planning staff estimate that more than 70 percent of recent Countywide growth in Montgomery County Public Schools (MCPS) enrollment can be attributed to turnover of existing dwelling units. Given the large role that turnover plays in enrollment growth, the Planning Board is recommending a modification to the calculation of the recordation tax to increase MCPS capital budget funding and increase support for the County's Housing Initiative Fund.

The Recordation Tax is a progressive tax paid on the sale of a property by the purchaser. The tax is progressive in that the amount paid is based on the sales price of the property and the rate paid increases at higher sales prices. Below is a copy of Table 18 in the Planning Board Draft. It highlights the current recordation tax steps and rates and the respective funding targets and compares these to the Planning Board's recommended modifications.

[1] For all non-exempt or market rate units.

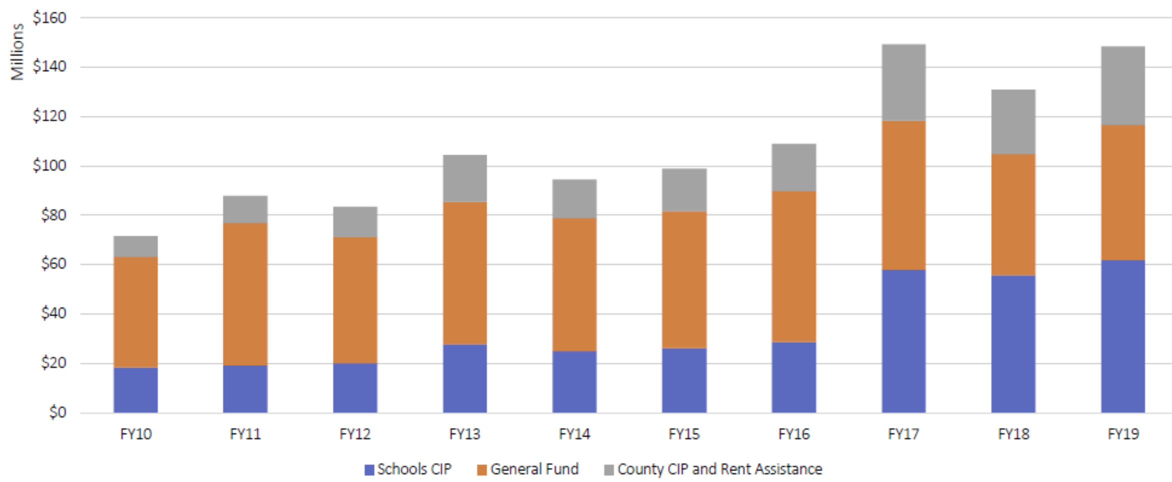
Table 18. Past, Current and Proposed Changes to the Recordation Tax.

	Prior to September 1, 2016	Current Recordation Tax	Proposed Recordation Tax
Exemptions	• First $50,000 of consideration payable, if it's the homebuyer's principal residence	• First $100,000 of consideration payable, if it's the homebuyer's principal residence	• First $100,000 of consideration payable, if it's the homebuyer's principal residence • First $500,000 of consideration payable, if the purchaser is a first-time homebuyer and it's the homebuyer's principal residence
For each $500 that the sales price exceeds $100,000	• $1.25 to the CIP for schools[51] • $2.20 to the county's general fund	• $2.37 to the MCPS CIP • $2.08 to the county's general fund	• $2.87 to the MCPS CIP • $2.08 to the county's general fund
For each $500 that the sales price exceeds $500,000	• $1.55 split evenly between the county CIP and rental assistance	• $2.30 split evenly between the county CIP and rental assistance	• $2.30 split evenly between the county CIP and rental assistance • $0.50 to the MCPS CIP
For each $500 that the sales price of a single-family home exceeds $1 million	• Not applicable	• Not applicable	• $1.00 to the county's Housing Initiative Fund

Currently, the recordation tax provides $2.37 to the Montgomery County Public Schools (MCPS) Capital Improvements Program (CIP) for every $500 interval (or part thereof) above $100,000 in the sales price of a home. The Planning Board recommends increasing that component by 50 cents to $2.87. Additionally, the Board recommends adding a new 50 cent charge earmarked for the MCPS CIP for every $500 interval above $500,000. The Board is also recommending a charge of $1.00 for every $500 interval in excess of $1 million allocated to the Housing Initiative Fund (HIF) to support rental assistance. And finally, the Planning Board is proposing an exemption from the recordation tax for the first $500,000 in consideration for first-time homebuyers.

In May 2016, the Council adopted Bill 15-16, which dedicated more recordation tax revenue to the MCPS CIP; the portion dedicated to schools was increased from $1.25 for each $500 increment in sales price to $2.37. The impact of this change can be seen in Figure 44 in the Planning Board Draft, copied below.

Figure 44. Recordation Tax Revenue, FY2010 to FY2019.



It shows recordation tax funding for the schools CIP increased from approximately $29 million in FY2016 to almost $58 million in FY2017.

Since 2017, when the recordation tax rate was raised, the recordation tax has consistently generated much more revenue for the schools CIP than development impact taxes. Table 2 below shows the collections of each for the past four years.

Table 2.

Collections		
Year	Recordation Tax	School Impact Tax
	$ millions	
2017	$57.8	$39.3
2018	$55.5	$20.8
2019	$62.3	$27.7
2020	$65.7	$22.9
Total	**$241.3**	**$110.7**
Source: Montgomery County Department of Finance		

In fact, the relative school impact tax collections from 2017-2020 was about 31 percent of the combined impact tax and recordation tax collections from this period (thus making recordation tax collections approximately 69 percent of the total). This is generally equivalent to the proportion of student enrollment growth from new development compared to student enrollment growth from the turnover of existing homes, suggesting, perhaps, that the relative revenue from these funding sources lines up fairly well with their relative impact on school facilities. In fact, the Approved FY21-26 CIP assumes that $447.2 million of resources for the MCPS CIP will be derived from the recordation tax, while only $121.3 million will come from the impact tax, thus making the recordation tax collections about 79% of the total of the two and the school impact tax 21%.

The following tables are from the Fiscal Impact Analysis prepared by OMB and Finance (see © 4-8).

Table 3.

Recordation Tax	Funding Allocation	Current Rate	Proposed Rate Changes		
		FY19 Tax Collection	Additional Revenue for School CIP	Additional Revenue for MHI	Increases Related to Rate Increase
BASE - for each $500 that the sales price <$500K	General Fund	$ 54,465,614			$ -
	MCPS Capital Improvement	$ 62,038,090	$ 13,088,205		$ 13,088,205
PREMIUM -for each $500 that the sales price >$500K	MCPS Capital Improvement	$ 15,904,800	$ 6,915,087		$ 6,915,087
	Rent Assistance	$ 15,904,599			
MHI - for $500 that the sales price >$1M	Montgomery Housing Initiative (MHI)	$ -		$ 2,027,000	$ 2,027,000
	Total	**$ 148,313,103**	**$ 20,003,291**	**$ 2,027,000.00**	**$ 22,030,292**

Table 3 shows that the two 50 cent increases (one for sales prices less than $500,000 and one for sales prices greater than $500,000) for the MCPS CIP result in approximately $20 million in additional revenue based on FY19 collections. It shows the $1 increase for sales prices over $1 million results in just over $2 million in funding for the HIF.

Adding the first-time homebuyer exemption reduces the potential gains from the increases noted above. It should be noted that OMB's estimation of first-time homebuyers is based on a study by The Housing Center of the American Institute that reported a 44.9 percent share of first-time homebuyers for Montgomery County in 2019. The Housing Center's report uses the U.S. Department of Housing and Urban Development (HUD) definition of a first-time homebuyer, "an individual who has not had an ownership interest in a principal residence (anywhere) for the previous three (3) years" as the basis for its estimation. However, Maryland Tax-Property Code Ann. §12-103 authorizes the County to exempt a first-time homebuyer from paying the recordation tax as follows:

> ***(3)*** *The governing body of a county or Baltimore City may provide for an exemption from the recordation tax for an instrument of writing for residentially improved owner-occupied real property if the instrument of writing is accompanied by a statement under oath signed by each grantee that:*
>
> ***(i)***
>
> ***1.*** *the grantee is an individual who has never owned in the State residential real property that has been the individual's principal residence; and*
>
> ***2.*** *the residence will be occupied by the grantee as the grantee's principal residence; or*
>
> ***(ii)***
>
> ***1.*** *the grantee is a co-maker or guarantor of a purchase money mortgage or purchase money deed of trust as defined in § 12-108(i) of this title for the property; and*
>
> ***2.*** *the grantee will not occupy the residence as the co-maker's or guarantor's principal residence.*

Thus, the HUD definition used in OMB's analysis may lead to a much larger first-time homebuyer group than the Maryland definition above limiting a first-time homebuyer to someone who has never owned a principal residence in Maryland, but it is difficult to know. At the least, OMB's estimate of the revenue lost due to the proposed first-time homebuyer credit should be viewed with caution as the County is required to follow the State definition of a first-time homebuyer for this exemption. That said, Table 4 shows the estimated loss in revenue from the first-time homebuyer exemption.

Table 4.

2019 Home Sales	# of Sales	Average Sold Price (Est.)	Current Rate	Proposed Rate Changes			% Change
			Amount	Estimated Amount	Est. Exemption (1st $500K for 1st Homebuyer)	Total Amount	
>$100,000 to <$499,999	7,290	$ 330,062	$ 14,926,635	$ 16,603,785	$ (13,005,007)	$ 3,598,778	-76%
>$500K to <$999,999	4,247	$ 689,958	$ 26,010,445	$ 29,322,745	$ -	$ 29,322,745	13%
>$1M	1,180	$ 1,858,898	$ 25,848,050	$ 31,554,050	$ -	$ 31,554,050	22%
Total Residential	**12,717**	**$ 554,555**	**$ 66,785,130**	**$ 77,480,580**	**$ (13,005,007)**	**$ 64,475,573**	**-3%**

Of course, a decrease in revenue due to an exemption is not unexpected; however, one consequence of the first-time homebuyer's exemption (regardless of magnitude) is a decrease to the General Fund. Table 5 shows the impact of the first-time homebuyer exemption by fund.

Table 5.

Recordation Tax Proposed Bill 39-20 - Annual Estimated Revenue changes by Fund Type		Forecast-"Proposed Rates" FY21-FY26
MCPS Capital Improvement increase	$ 12,463,015	$ 74,778,088
Montgomery Housing Initiative increase	$ 2,027,000	$ 12,162,000
General Fund Operating decrease	$ (5,464,730)	$ (32,788,381)
Grand Total Revenue increase	**$ 9,025,285**	**$ 54,151,707**

Several stakeholders weighed in regarding the proposed changes to the recordation tax. The Executive expressed concern with the motivation for raising the tax and the impact on the General Fund as a result of the first-time homebuyers exemption. Others whose testimony expresses concern or opposition to the proposed changes include the Apartment and Office Building Association of Metropolitan Washington, the Greater Capital Area Association of Realtors, and Lerch, Early, and Brewer. However, several others, such as the League of Women Voters and several area residents, expressed support for the proposed changes—both the increase that could provide more funding for MCPS and the exemption for first-time homebuyers.

In Council staff's opinion, there is no clear answer. Any first-time homebuyer exemption will decrease funding for both the General Fund and MCPS. Given the recent relative collection of impact taxes and recordation taxes, 31 percent to 69 percent, and the projected relative collection of 21 percent to 79 percent, there is no apparent need to raise the recordation tax to better align these funding sources with their relative impact on enrollment growth. However, the capital infrastructure needs of MCPS could always benefit from more funding. The Committee will have had a worksession on the calculation of impact tax rates and other exemptions prior to this worksession (but after the writing of this report). Staff will prepare information summarizing the Committee recommendations on impact taxes to supplement this discussion.

<u>This packet contains:</u>	<u>Circle #</u>
Memorandum by Councilmember Jawando	1-2
Map of Desired Growth Areas and Infill School Impact Areas	3
Bill 39-20E Fiscal Impact Statement	4-8
Testimony excerpt CE recordation tax	9
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Testimony League of Women Voters	16

WILL JAWANDO
COUNCILMEMBER
AT-LARGE

Memorandum

To: GO/PHED Committees- CM Reimer, CM Navarro, CM Katz, CM Friedson

From: Councilmember Jawando

Date: October 4, 2020

Re: Subdivision Staging Policy Amendments

As we work our way through the new SSP, it is essential we remember the problems it is intended to tackle: overcrowded schools and inadequate transportation infrastructure. If you visit our schools or spend a day on our roads it becomes obvious we have problems with both overcrowding and traffic. There are numerous schools perpetually overcrowded at capacities in excess of 120%. We need to do more to support these overcrowded schools and incentivize the kinds of development that will address our missing middle family housing crisis.

We should make some key changes to the SSP to keep our promise to Montgomery County residents. First, the moratorium as it is currently structured only comes into effect after we already have a problem and then frequently focuses attention on funding solutions that overshadow other MCPS priorities. While I agree that moratoria are inefficient, I believe that we need to keep some form of moratorium policy in order to avoid catastrophic overcrowding while limiting its effect on other school needs. In order to do that, I recommend increasing the moratorium threshold to 135% countywide. Additionally, implementing a Utilization Premium Payment in areas with overcrowded schools, as proposed by M-NCPPC, is a step in the right direction but should be implemented below a utilization of 120%. We should start requiring UPP payments of 50% of impact taxes beginning at 105% capacity. Once a school's capacity has reached 120% we should double the UPP payment to 100% of impact taxes. This will bring in additional, sorely needed funds to help address overcrowding issues, see Table 1 attached.

We must also start addressing the lack of two and three bedroom units in our multi family housing. The incentives suggested in the plan are directed towards projects in desired growth areas that do not necessarily address our missing middle family housing needs. According to MWCOG's Round 9.1 Forecast, 76 percent of the County's overall housing growth is expected to occur within our Activity Centers. The need to further incentivize more housing in these locations is unwarranted; however, the fact that between 2010-2016 only 2% of the multifamily units built included 3 bedrooms, and only 35% included 2 bedrooms (the lowest percentages since 1950) demonstrates the real issue we need to solve, and should incentivize - the lack of housing for families. Instead of giving a 40% discount on the school impact tax to developers building in desirable growth areas, we should use the discount to further our commitment to providing more housing options for families by incentivizing increases in the number of two and three bedroom units. Instead, I propose providing an impact tax credit of 40% for two bedroom apartments and 60% for three bedroom apartments built in Infill School Impact Areas.

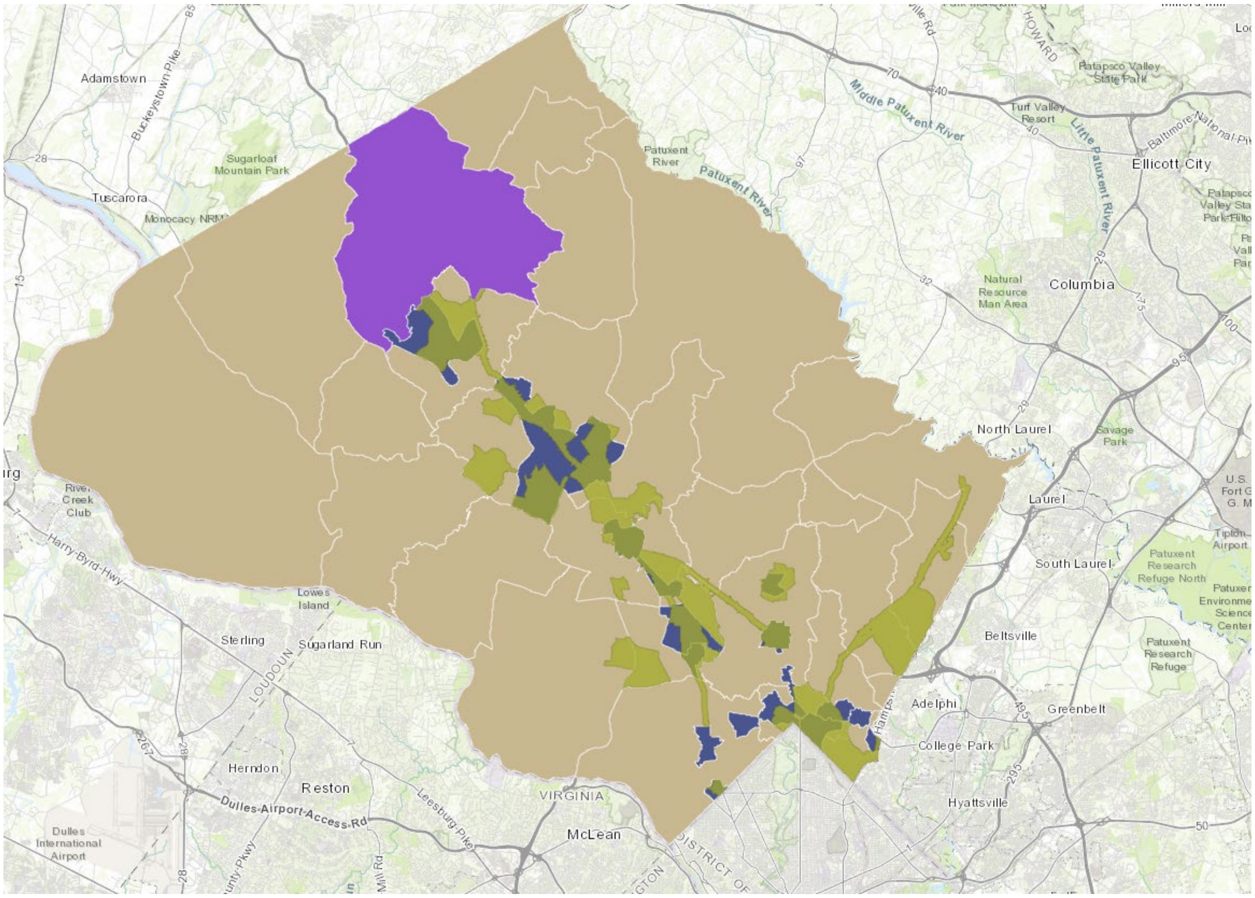
I appreciate the work done by the Planning Board, Council staff and all of my colleagues. The current draft of the SSP misses the mark when it comes to targeting incentives to add the kind of family housing we need most. I am hopeful we can implement a tool that will help prevent overcrowding at schools and will give us the means to address facility needs for our children.

Table 1. Utilization Premium Payments

		Utilization 105 - 120%[1]				**Utilization 121-135%[2]**			
		Single-family		**Multifamily**		**Single-family**		**Multifamily**	
	School Level	**Detached**	**Attached**	**Low-Rise**	**High-Rise**	**Detached**	**Attached**	**Low-Rise**	**High-Rise**
Infill Impact Areas	**Elementary**	$4,138	$3,635	$1,354	$671	$8,277	$7,271	$2,708	$1,341
	Middle	$2,365	$2,077	$774	$383	$4,730	$4,155	$1,548	$766
	High	$3,350	$2,943	$1,096	$543	$6,700	$5,886	$2,192	$1,086
Turnover Impact Areas	**Elementary**	$4,532	$5,025	$2,427	$488	$9,064	$10,050	$4,853	$977
	Middle	$2,590	$2,871	$1,387	$279	$5,180	$5,743	$2,773	$558
	High	$3,669	$4,068	$1,964	$395	$7,338	$8,136	$3,929	$791
Greenfield Impact Areas	**Elementary**	$7,100	$6,025	$6,178	--[3]	$14,200	$12,050	$12,356	--
	Middle	$4,057	$3,443	$3,530	--	$8,114	$6,886	$7,061	--
	High	$5,748	$4,877	$5,001	--	$11,495	$9,755	$10,003	--

Based on a percentage of the impact tax rate factored by school level to reflect relative impact of housing units on school enrollment.

[1] UPP at all 3 school levels equals 50% of the impact tax.
[2] UPP at all 3 school levels equals 100% of the impact tax
[3] Insufficient student data to determine rate – alternative proxy TBD



Legend:

Infill School Impact Areas:

Desired Growth Areas:

Fiscal Impact Statement
Expedited Bill 39-20, Taxation - Recordation Tax - Amendments

1. Legislative Summary

Expedited Bill 39-20 will increase the rate of the recordation tax levied under the state law for certain transactions involving the transfer of property and would establish a partial exemption from the recordation tax for a first-time home buyer. Bill 39-20 would also amend the allocation of revenue received from the recordation tax to capital improvements for schools and to the Montgomery Housing Initiative Fund.

Table 1. Rate changes under the current law vs. the Planning Board's proposal

(1) For each $500 of Debt to $499,999	**Current Rate**		**Proposed Rate**		
General Fund	$	2.08	$	2.08	
MCPS Capital Improvement	$	2.37	$	2.87	a)
Subtotal	**$**	**4.45**	**$**	**4.95**	
(2) for each $500 of Debt Between $500,000 to $999,999					
(A) Premium $2.30					
Capital Improvement	$	1.15	$	1.15	
Rent assistance	$	1.15	$	1.15	
(B) MCPS Capital Improvement			$	0.50	b)
Subtotal (cumulative)	**$**	**6.75**	**$**	**7.75**	
(3) for each $500 of Debt over $1,000,000					
Montgomery Housing Initiative			$	1.00	c)
Total Recordation Tax Pay (cumulative)	**$**	**6.75**	**$**	**8.75**	
Exemptions 52-16B (b):	**Current**		**Proposed**		
(1) owner-occupied residential property 7 month of 12 month after the property is conveyed.	$100,000		$100,000		
(2) If the buyer of the property is a first time home buyer.	N/A		$500,000		d)

Current Rates Sec 52-16B (a) and 52-16B (b) County Code

Proposed rate changes:

a) Increase the current tax rate of $2.37 by $0.50 to $2.87 for each $500 interval of which net revenue is reserved or allocated to capital improvements to schools;

b) Increase of another $0.50 for each $500 or fraction of $500 of the amount over $500,000 of which the net revenue is reserved or allocated to the cost of capital improvements to schools;

c) Increase of an additional $1.00 for each $500 or fraction of $500 of the amount over $1,000,000 of which net revenue is reserved for and allocated to the Montgomery Housing Initiative under Section 25B-9; and

d) Exempt from the recordation tax the first $500,000 of the consideration payable if the buyer of that property is a first-time home buyer. (Exemption applies only to recordation tax for residential units.)

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

With the exception of the one-time cost for software modification and testing outlined in item #7, Bill 39-20 does not impact County expenditures related to the reporting and collection of recordation tax required by the proposed changes.

Table 2. Analysis of Recordation Tax Collections

Office of Management and Budget (OMB) and Department of Finance (Finance) calculated the proposed rate collection based on FY2019 actual collections and home sale data from Market Statistics, and assumed all first-time homebuyers purchased homes with cost of less than $500,000 to estimate the potential exemption.

Recordation Tax	Funding Allocation	Current Rate	Proposed Rate Changes		
		FY19 Tax Collection	Additional Revenue for School CIP	Additional Revenue for MHI	Increases Related to Rate Increase
BASE - for each $500 that the sales price <$500K	General Fund	$ 54,465,614			$ -
	MCPS Capital Improvement	$ 62,038,090	$ 13,088,205		$ 13,088,205
PREMIUM -for each $500 that the sales price >$500K	MCPS Capital Improvement	$ 15,904,800	$ 6,915,087		$ 6,915,087
	Rent Assistance	$ 15,904,599			
MHI - for $500 that the sales price >$1M	Montgomery Housing Initiative (MHI)	$ -		$ 2,027,000	$ 2,027,000
	Total	**$ 148,313,103**	**$ 20,003,291**	**$ 2,027,000.00**	**$ 22,030,292**

Calculation of the additional revenue for schools CIP is based on Montgomery Planning (Planning) staff's estimate as validated by the Department of Finance. Planning applied the historical recordation tax collection data for FY19 from the Treasury Division (Department of Finance) to the proposed new tax rates related to MCPS Capital Improvement. With this approach, the proposed change would have generated $20M more in revenues for MCPS CIP.

Calculation of the additional revenue for MHI ($2.03M), and the First-Time Homebuyers exemption (-$13M) was calculated based on data published by MarketStat in the Market Statistics Report for 2019. Using this data, Finance and OMB were able to group home sales into tiers that matched the recordation tax tiers. The 2019 Montgomery County home sales data was then used to calculate revenues under the current and proposed rates to determine the additional revenues for home sales over $1M. Then, based on the assumption that first time homebuyers would fall into the lowest tier of home sales (<$500K), the calculated number of first-time homebuyers was multiplied by the average sales price in the lower tier of home sales. (Table 3)

Table 3. First Time Homebuyers Exemption

2019 Home Sales	# of Sales	Average Sold Price (Est.)	Current Rate	Proposed Rate Changes			% Change
			Amount	Estimated Amount	Est. Exemption (1st $500K for 1st Homebuyer)	Total Amount	
>$100,000 to <$499,999	7,290	$ 330,062	$ 14,926,635	$ 16,603,785	$ (13,005,007)	$ 3,598,778	-76%
>$500K to <$999,999	4,247	$ 689,958	$ 26,010,445	$ 29,322,745	$ -	$ 29,322,745	13%
>$1M	1,180	$ 1,858,898	$ 25,848,050	$ 31,554,050	$ -	$ 31,554,050	22%
Total Residential	**12,717**	**$ 554,555**	**$ 66,785,130**	**$ 77,480,580**	**$ (13,005,007)**	**$ 64,475,573**	**-3%**

Notes

1. The data source is the 2019 home sales reported by Market Statistics; the calculation reflects the existing tax exemption for the first $100,000 of the sales price if it is the homebuyer's principal residence.
2. The Housing Center of the American Enterprise Institute reported a 44.9% 2019 share of first-time homebuyers for Montgomery County in 2019. The calculated exemption by OMB and Finance assumes the proposed policy change of exempting the first $500K of the sales price for first-time homebuyers.
3. Market Statistics home sales data reports FHA first time homebuyers. First time home buyer definition: (HUD, FHA) "an individual who has had no ownership in a **principal residence** during the **3-year** period ending on the date of purchase of the property. This includes a spouse (if either meets the above test, they are considered first-time homebuyers). NOTE: In an effort to find first time homebuyer data more consistent with state definitions, OMB and Finance requested information from the Circuit Court. This data was not available.
4. Using 2019 data, we estimate that the exemption for the first-time homebuyers whose sales price is less than $500K would yield a loss of approximately $13.01M.

Table 4: Summary of Recordation Tax Resulting from Proposed Rate Changes

Proposed Rate changes applied to FY19 collection	
Additional Revenue for School CIP	$ 20,003,292
Additional Revenue for MHI	$ 2,027,000
Exemption for First-time Homebuyers (<$500)	$ (13,005,007)
Total Estimated Revenue	$ 9,025,285

Based on FY19/CY19 data, we could expect to receive an additional $22M or 14.8% increase in recordation tax revenues without the new first-time homebuyer exemption. However, with the new exemption, we expect a $13M loss in revenue, for a net increase of $9.03M in recordation tax revenues.

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

If the proposed changes are approved, the direct impact of the estimated tax exemption for first-time homebuyers will have a negative revenue impact ($5.5M loss estimated) on the General Fund, though additional revenue generated for the Schools CIP and MHI would more than offset these losses across all funds. Table 5 shows the revenue estimated for the next 6 years by fund, assuming development and housing markets do not deviate from historical trends.

Table 5: Summary of Estimated Revenue Changes by Fund Type

Recordation Tax Proposed Bill 39-20 - Annual Estimated Revenue changes by Fund Type		Forecast-"Proposed Rates" FY21-FY26
MCPS Capital Improvement increase	$ 12,463,015	$ 74,778,088
Montgomery Housing Initiative increase	$ 2,027,000	$ 12,162,000
General Fund Operating decrease	$ (5,464,730)	$ (32,788,381)
Grand Total Revenue increase	**$ 9,025,285**	**$ 54,151,707**

4. **An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.**
   Not applicable.

5. **An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.**
   Not applicable.

6. **Later actions that may affect future revenue and expenditures if the bill authorizes future spending.**
   Finance, which administers this tax, does not expect later actions that may affect future revenue and expenditures nor does this bill authorize future spending

7. **An estimate of the staff time needed to implement the bill.**
   There are additional one-time costs required of Finance to implement Bill 39-20. Changes will have to be made in Oracle, the recordation tax system adopted in June 2020, and in the County's own recently developed system for administering transfer and recordation taxes for transactions that cannot be processed by Simplifile. Testing should precede the implementation when developing changes for any of the mentioned systems. Implementation will require the equivalent of at least 0.5 workyears in total- comprised of roughly 50-50 split between technical and functional staff, and will also require coding by the proprietary software companies. Finance estimates at least 1,040 work-hours will be needed to reconfigure the IT system to track and monitor recordation tax collections at an estimated cost of $65,000.

8. **An explanation of how the addition of new staff responsibilities would affect other duties.**
   Not applicable.

9. **An estimate of costs when an additional appropriation is needed.**
   Not applicable.

10. A description of any variable that could affect revenue and cost estimates.
The variables that could affect the revenue estimates are:
- Overall recordation tax activity (purchases of homes and commercial properties, refinancing, etc.)
- Real estate market conditions;
- The percent of first-time home buyers and price of homes they purchase.

11. Ranges of revenue or expenditures that are uncertain or difficult to project.
Not applicable.

12. If a bill is likely to have no fiscal impact, why that is the case.
Not applicable.

13. Other fiscal impacts or comments.
Not applicable.

14. The following contributed to and concurred with this analysis:
David Platt, Department of Finance
Mary Beck, Office of Management and Budget
Estela Boronat de Gomes, Office of Management and Budget
Pofen Salem, Office of Management and Budget

Jennifer R. Bryant ____________________ **10/2/20**
Jennifer Bryant, Acting Director — Date
Office of Management and Budget

Recommendation		Page
Tax Recommendations: Recordation Tax		
6.9	Incorporate progressive modifications into calculation of the Recordation Tax to provide additional funding for school construction and the county's Housing Initiative Fund. **The CE does not support an increase in the recordation tax in order to offset the revenues lost from the impact taxes charged to developers.** The SSP is the vehicle for assessing developers with their commensurate share of new infrastructure needs, and that is what should be done in this SSP. The Planning Board's recommendation to add an exemption for the first $500,000 of the sales price for first time homebuyers will result in significant reductions in recordation tax proceeds – particularly in the general fund which was not recommended for a rate increase. Further analysis is required to determine the net impact of these proposed changes.	101

Statement of the Apartment and Office Building Association of Metropolitan Washington on Bill 39-20 Recordation Tax - Rates – Amendments
September 15, 2020

The Apartment and Office Building Association of Metropolitan Washington (AOBA) is a non-profit trade association representing more than 133,000 apartment units and over 23 million square feet of office space in suburban Maryland. Here in the County, AOBA members own/manage over 60,000 of the County's estimated 83,769 rental units and 20,00,000 square feet of office space. AOBA submits this statement on Expedited Bill 39-20, Taxation-Recordation Tax-Amendments. **AOBA opposes Bill 39-20 Recordation Tax - Rates – Amendments**, which proposes to increase the recordation tax, especially given the historic and unprecedented havoc the pandemic is wreaking on residents, businesses and local and state economies.

I. THE COVID-19 PANDEMIC CONTINUES TO HAVE A DEVASTATING FINANCIAL IMPACT ON BOTH THE PRIVATE AND PUBLIC SECTOR.

As a result of the continued economic fallout from COVID-19, residents and businesses, including housing providers, are facing an extended period of economic uncertainty. Many of our members' residents are facing unemployment because of layoffs from, for example, the many closed retail, restaurant, and other businesses unable to maintain their valued employees. Many commercial tenants are unable to meet their lease payments, and some have closed permanently. While early outreach by commercial and multifamily building owners to tenants at the beginning of this crisis has helped to stabilize the finances of some of those tenants affected by COVID-19, the continuing effects of the crisis threatens the County's real estate sector and ultimately the County's own fiscal health. **Now is not the time to increase taxes.**

A. Financial Impact of Pandemic on County's Rental Housing Stock

Already, we are hearing reports of 20-30% rent payment default rates, a number expected to significantly increase the longer the economic fallout from the COVID-19 pandemic continues.[i] Most at risk are Class C properties for example, which include much of the County's affordable housing stock.[ii] Thus, we could also be facing an affordable housing crisis. Rent is the primary source of income for multifamily communities and as housing providers continue to face declining rent collections, they will struggle to retain their own employees and maintain and operate their communities. Housing providers' financial obligations include, for example, mortgage payments, rising utility costs (including from the spike in usage by residents), insurance expenses, and other operating costs while also facing *new costs* associated with protecting their communities from the spread of this highly contagious virus. While there is limited federal relief for housing communities with federally backed mortgages, the vast majority of private lenders have offered no such relief to date and AOBA is unaware of any plans to follow Freddie Mac's lead despite ongoing pressure from both the private and public sectors. Further, mortgage payments represent only a percentage of operating expenses, so even assuming available broader mortgage forbearance relief for those that need it, housing providers remain responsible for other significant ongoing costs. Note, for example, that utility costs before COVID-19 averaged about 15-20% of operating expenses in master-metered apartments, a figure which has spiked as residents across the region continue to shelter in place. In Pepco Maryland, Q2 electric sales showed an increase in residential usage by 4.8% offset by a decrease in commercial usage by 11.8%, a shift that Pepco blamed on stay-at home orders related to COVID-19.[iii] While utility companies will not shut off utilities or assess late fees, all customers, including housing providers remain obligated to pay their utility bills. Compounding an already challenged housing market, are rising vacancy rates as residents make different housing choices given an uncertain economic future.[iv]

Consider too that the loan period for many multifamily properties averages 7 to 10 years, making refinancing a frequent, and if this proposal passes, more expensive occurrence. Higher recordation rates and rising operating expenses (i.e. increases to electric and water rates in addition to numerous surcharges, among others) should raise alarms about the ability to preserve and operate the County's existing rental housing stock especially during a recession.

B. Financial Impact of Pandemic on County's Commercial Office Buildings

Just as COVID-19 continues to threaten the financial stability of residential communities, it is also having a devastating impact on a commercial office building sector that struggled even before the catastrophic effects of the COVID-19 pandemic. The County should be concerned that an already soft commercial real estate market may never fully recover as the economy has essentially come to a screeching halt. Across a County with an average 15.5% vacant rate are still near empty office buildings.[v] Once vibrant restaurants, retail establishments, small businesses, and nonprofits are still shuttered (some permanently or as a result of widespread telecommuting), others operating at limited capacity and with many struggling to meet payroll and pay any rent.[vi] No sector remains unscathed and even some law firms, that occupy significant commercial space, have announced layoffs.

The commercial office market is facing an unprecedented tsunami of tenants, small *and* large, that are unable to pay rent. See, for example, Coronavirus is clobbering the real estate industry. From a frenzy of flex-office layoffs to big deals falling apart, here's everything you need to know. Each week, commercial owners/managers experience another aftershock as another tidal wave of commercial tenants call seeking to renegotiate leases, request payment plans or provide notice of their inability to pay *any* rent for the *foreseeable future*. *See* Preventing the Pending Collapse of the Real Estate Market ("[U]p to 90% of all commercial tenants in the US will not pay their rent next month. The domino effect of landlords not having rental revenue will potentially force property owners to default on their mortgages.").

While commercial building operators are working with their tenants to the extent possible, there are limits on how much income shortfall they can sustain before taking drastic actions, such as laying off employees, and triggering another wave of an economic fallout. ***As income decreases, property values decline ultimately impacting local and state revenues***.[vii] Additionally, as with residential properties, commercial office buildings are facing new requirements necessary to prevent the spread of COVID-19. AOBA also cautions the Council that the pandemic has not left the sale of commercial buildings untouched and there are reports that "there are currently no office buildings being actively marketed for sale in Suburban Maryland as several assets have been pulled from the market since March."[viii]

C. Economic Fallout from Pandemic Continues to Threaten Fiscal Health of County and State

The devasting impact of the COVID virus has not left the County untouched. Earlier this year the Council approved cutting $72.1 million from the County's budget.[ix] The Council's action followed the submission of the Executive's proposed spending plan to address the "ongoing and ***unpredictable*** impacts of COVID-19 on the public health and economic vitality of our community." This is likely only the beginning as the effects of COVID continue and data on the impact on FY21 on property tax estimates will not be available until mid-October.[x] Given the significant decrease in occupancy levels in office buildings and rent collection rates in residential buildings, the County can expect a record number of real property tax appeals further lowering real property tax revenues.[xi] Alarmingly, recent revenue estimates project a decrease of $522 million over the next three years.[xii]

Similarly, at the state level, Maryland has already projected significant revenue losses.[xiii] Per the Governor's veto letter on 5/7, the State Board of Revenue estimates ***Maryland will lose $2.8 billion***, including nearly $1 billion in income tax revenue in just three months because of COVID-19. The total loss amounts to 15% of the state's entire general fund for FY 2020. On July 1, the Board of Public Works (BPW) approved a plan to reduce state spending by $413 million to offset anticipated reduction in State revenue. The cuts save $395 million from the State's General Fund. While the approved cuts were significantly lower than the Governor's preliminary proposal, ***the $413 million reduction is the second largest reduction in spending ever***. The Hogan administration's initial plan to cut spending by $672 million, would have taken an additional $205 million from education, employee pay and benefits, and aid to local governments.

II. CONCLUSION

Now is not the time to increase to increases taxes. As County Executive noted, "the current proposal is set in another time—before Covid-19." The County, together with its private sector stakeholders, must continue to focus our collective efforts on stabilizing the economy during the pandemic and recession. We are one community.

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[i] NMHC Rent Payment Tracker Finds 79.3 Percent of Apartment Households Paid Rent as of August 6 ("Over the past few months apartment residents have largely been able to meet their housing obligations. In no small part, this is due to the enhanced unemployment benefits enacted under the CARES Act and significant steps by apartment owners and operators to help their residents. ***These unemployment benefits*** *that have proven so important to so many households have now lapsed, meaning greater financial distress for millions and the potential worsening of*

America's housing affordability crisis," said David Schwartz, NMHC Chair, and CEO and Chairman of Chicago-based Waterton.)

[ii] Class C Residents Show Signs of Growing Financial Strain: Disproportionately impacted with many experiencing lower rent collection rates. Cheapest Apartments at Biggest Foreclosure Risk as Payments Fall ("Tenants at so-called Class C buildings paid 54% of total rents due in June by the middle of the month, according to a study by LeaseLock. In July, even with emergency unemployment relief still flowing, the figure slipped to 37%.")

[iii] Pepco Holdings Response on August 11, 2020 in Maryland PSC Public Conference 53 (PC53) https://www.psc.state.md.us/search-results/?q=pc53&x.x=15&x.y=11&search=all&search=rulemaking

[iv] 39% of younger millennials say the Covid-19 recession has them moving back home, CNBC, Aug. 5, 2020. Some residential AOBA members report vacancy rates of 10% or more.

[v] See Montgomery County must fix its economic development woes to compete. The pandemic has made that even harder, Washington Business Journal, Aug. 21, 2020 ("Office vacancy rates have remained persistently high, reaching 17.5% last year per Cushman & Wakefield's calculations, ensuring that new commercial construction has been hard to come by in what was once Maryland's prevailing locality." Cresa Market Report 2020 Q2 - Suburban Maryland (Montgomery County has a 15.5% office vacancy rate).

[vi] Cresa Market Report 2020 Q2 - Suburban Maryland, ("The coronavirus adversely impacted suburban Maryland's office market in Q2 of 2020. The repercussions of forced layoffs, mandatory remote working, and delayed real estate initiatives began to materialize in April. Pandemic-induced economic uncertainty has played a role in slowing down leasing activity, which reached historically low levels in Q2. … Vacancy increased to 15.6% and is expected to remain elevated through 2020 due to continued economic uncertainty and new construction deliveries.")

[vii] Office Markets Under Pressure as Coronavirus Squeezes Cities, Wall Street Journal, Aug. 4, 2020 ("***A big drop in profit tends to lead to an even bigger drop in property values during market downturn***s, when investors are skittish about any sign of distress. Victor Calanog, head of commercial real estate economics at Moody's Analytics REIS, found that during past recessions, ***any 10% drop in an office building's net income before taxes and mortgage costs led to a 12.2% drop in property value on average***. "Losing one tenant that occupies 30% of your space might have a very big multiplier effect on your income that puts you underwater really quickly," Mr. Calanog said.")

[viii] CBRE Market Overview Suburban Maryland Office, Q2 2020

[ix] Council report Council supports cutting $72.1M from budget for pandemic impacts ("County officials have previously announced that they expect tax revenue estimates to decrease by $192 million in the current fiscal year, which began on July 1.)

[x] County tax revenue estimates decrease $522M for three years, Bethesda Magazine, July 16, 2020.

[xi] July 14, 2020 Council/Department of Finance discussion on FY21 revenues ("FY21 Revenue Discussion"), page 3 ("The other major component to potential changes in property tax estimates are appeals. Finance notes that 2020 appeals are down compared to previous years, but they believe it will increase as ***property owners assess the economic realities following the pandemic."); circle page 6 ("…the data suggest that the number of appeals for 2020 will likely increase***…"

[xii] FY21 Revenue Discussion; See also County tax revenue estimates decrease $522M for three years;

[xiii]Across the country, localities and states are reporting significant revenue losses resulting from the COVID-19 pandemic. States Are Broke and Many Are Eyeing Massive Cuts. Here's How Yours Is Doing, NPR, Aug. 3, 2020.

September 11, 2020

Tax Recommendations: Recordation Tax

6.9 Incorporate progressive modifications into calculation of the Recordation Tax to provide additional funding for school construction and the county's Housing Initiative Fund.

Comments: Recordation Taxes should be as low as possible to make the County competitive when it comes to tax policy.

39-20

Testimony
Recordation Tax
September 15, 2020

The League of Women Voters of Montgomery County urges the County Council to adopt the proposed amended Recordation Tax, Bill 39-20.

- We support Montgomery County policies and programs to maintain and increase the much-needed supply of affordable and low-income housing that this Bill addresses.

- We also support additional funding for capital needs for schools -- which is needed and part of this Bill.

The Bill increases the portion of the Tax that addresses the capital needs of schools by adding $0.50 to the Tax on each $500 or portion thereof of the price of the house for use for these capital needs. It provides funds for rental assistance to low income renters by adding $1.15 to the tax on each $500 or fraction thereof of the housing price over $500,000.

> By not including units priced below $500,000, we're pleased to see that the tax does not add a new burden to more moderately priced homes. Low-income renters appear to be particularly hurt by the pandemic since many of their jobs, such as low-wage restaurant work, have disappeared, at least temporarily. The rental assistance this Bill would add is vital at this time.

The Bill also adds $0.50 per $500 or fraction of $500 to the amount of the tax if the house is priced over $500,000. The net revenue of this provision is also dedicated to school capital needs.

Finally, if the price of the home is over $1,000,000, there would be an additional tax of $1.00 per $500 or fraction of the amount over a million dollars. The net amount of this part of the tax would go to the Housing Initiative Fund.

In addition, the League supports tax abatement and urges you to adopt the part of this Bill that would exempt the first $500,000 of the price of a home from the Recordation Tax for first-time home buyers. This would help move many families into homeownership since closing costs like this tax are a major cost for first time buyers.

Diane Hibino and Kathy McGuire, Co-Presidents
Sally Roman, Housing Committee Chair
Judy Morenoff, Education Committee Chair

gcaar.com

TESTIMONY OF THE GREATER CAPITAL AREA ASSOCIATION OF REALTORS® BEFORE THE MONTGOMERY COUNTY COUNCIL

Regarding Bill 39-20, Proposed Recordation Tax Increases

September 15, 2020

Good evening – my name is Danai Mattison Sky and I am here to testify as President of the Greater Capital Area Association of REALTORS®. GCAAR represents nearly 11,000 REALTORS® and real estate professionals. We are also the voice for thousands of buyers, sellers, and homeowners. As such, we must oppose Bill 39-20 and the multiple increases in the recordation tax it proposes.

While these increases would lead to incremental gains in the overall county budget, the funds that create these new sources of revenue would only increase the burden felt at the closing table by hundreds if not thousands of our hard working residents.

The latest market statistics for Montgomery County residential real estate show a grim forecast: prices are rising due to a nearly 40% drop in supply. This is a historically constrained housing landscape, with a more limited inventory than we saw during the housing market crash of 2008. If only those with extremely high means can buy homes that previously were affordable to others, it will further exacerbate our already limited housing stock.

As our county grows, we understand the difficult task the Council faces in its efforts to fund schools, affordable housing, and its operating costs. But, as the Council itself said earlier this year:

> *"Our focus in the midst of an unprecedented health emergency must be on bringing together businesses and residents, nonprofits and government to address the immediate crisis we face...This is a time for cautious decision-making."*

This unprecedented emergency is not over, and our region will not instantly bounce back when it ends. We urge the Council to heed its own wise words and reject Bill 39-20's proposed recordation tax increases. Since we only have two minutes to speak this evening, we will be including more information with this testimony.

We greatly appreciate your consideration of our Association's perspective and look forward to our continued work together to make Montgomery County a welcoming home for all.

Additional Testimony & Information:

Regarding Bill 39-20, Proposed Recordation Tax Increases

September 15, 2020

The proposed recordation tax rate increases will have a negative impact on housing affordability in Montgomery County, and will further place our in a disadvantageous position versus neighboring jurisdictions.

With the costs of real estate in Montgomery County rising due to a scarcity of inventory, presenting an even more daunting financial hurdle at the closing table will cause some buyers to consider less expensive housing. Right now, that less expensive housing is becoming more and more attractive in neighboring jurisdictions.

If Bill 39-20 is adopted, neighboring counties will have an ever greater advantage regarding taxation than ever before. This may also place Montgomery County at a competitive disadvantage as a location for the construction of new homes, affecting the value of property suitable for development as developers factor the effect of the tax into the revenue projections from home sales, or adjust product type to account for a shift in the market for homes to jurisdictions not affected by the tax.

The table below the current recordation tax rates in each county in Maryland that borders ours, as well as the adjacent counties in Virginia and in the District of Columbia.

Comparison of Recordation Tax Rates

Jurisdiction	Recordation Tax Rate17
Montgomery County (*Existing*)	**$8.90** per $1,000 up to $500,000 **$13.50** per $1,000 over $500,000
Montgomery County (*Proposed*)	**$9.90** per $1,000 up to $500,000 **$15.50** per $1,000 over $500,000 **$17.50** per $1,000 over $1,000,000
Anne Arundel County	**$7.00** per $1,000
Carroll County	**$10.00** per $1,000
Frederick County	**$12.00** per $1,000
Howard County	**$10.00** per $1,000
Prince George's County	**$5.50** per $1,000
Arlington County, VA	**$3.33** per $1,000
Fairfax County, VA	**$3.33** per $1,000
Loudoun County, VA	**$3.33** per $1,000
District of Columbia (Class I)	**$14.50** per $1,000

While the new recordation tax revenue will be used to fund capital improvements for Montgomery County schools, the link between increased enrollment and residential real estate sales has not been sufficiently established to make the recordation tax increases the policy choice for financing school capital improvements.

Under Bill 39-20, if passed as written, most of the funds raised through the recordation tax increases will go towards capital improvement to schools. Further financing school improvements through the recordation tax places the burden of paying for these benefits most heavily on the small number of people who are departing from or newly arriving in the County, or who move from one location to another within Montgomery County. This is an unfair burden to levy on those residents.

The purported link between the need for new schools and the students who are added to the school system because of people who purchase existing or new homes in the community is imprecise at best. Not every person who purchases a home, new or existing, has children or plans to have children in the school system. Yet they would be required to pay for the new schools both through the recordation tax and through their future tax payments.

Those selling their homes have paid into the capital improvements fund for years through their tax dollars. Having paid their share already, it is unfair to place an additional "moving tax" burden on their departure. It is also punitive to charge them a "moving tax" just to leave the jurisdiction.

The proposed recordation tax increase should not be used to address the yet-to-be-determined financial impacts of the Covid-19 crisis.

County analysis of projected revenues has estimated the potential losses to the County could be up to $600 million, but there is not yet any analysis showing what that amount actually is, and it remains unclear the extent to which further state and federal actions may assist with such losses. Until now, the Council has taken a wait and see approach regarding the County's financial fallout from the pandemic. There is currently no reason to stray from that approach.

Using this approach to levy further costs on consumers and residents ignores the reality that those same consumers and residents are facing many of the same hardships the County is seeing. The Council should not act on wide ranging, county altering legislation until we have a clearer picture of the post-pandemic financial and market situations.