APPENDIX - TRANSPORTATION IMPACT TAX

Basis and General Purpose for the Tax

The authority to impose a Transportation Impact Tax on new development is in Chapter 52 (Article VII – Development Impact Tax for Transportation Improvements) of the County Code. The purpose of the tax is to provide funds to increase the capacity of the transportation network (through a combination of approaches) so that trip making associated with new residential and commercial growth can be adequately accommodated.

Guiding Intent of the Tax

The Code contains policy guidance that provides context for any review of the tax. Examples include the following:

- The amount and rate of growth in certain policy areas will place significant demands on the County for provision of major highways to support and accommodate that growth.
- Imposing a tax that requires new development to pay its pro-rata share of the costs of the improvements necessitated by that development in conjunction with other public funds is a reasonable method of raising funds.
- The County retains the power to determine the impact transportation improvements to be funded by development impact taxes, to estimate the cost of such improvements, to establish the proper timing of the construction of the improvements to meet Adequate Public Facilities Ordinance (APFO) standards in areas where they apply, and to determine when changes to the Capital Improvement Program (CIP) are necessary.

In summary, the tax is needed to contribute to the funding of improvements to accommodate new development with the understanding that the amount of the tax and the programming of the funds generated by the tax are set by County policy and can change over time. There is also an acknowledgement that other public funds will likely be necessary to fund the improvements which indirectly would suggest there is also an acknowledgement that some of the improvements are likely to be needed for reasons other than just the accommodation of new development (e.g., mitigate existing conditions).[1]

Current Funding Profile

The Transportation Impact Tax is collected at the time of a filing for a building permit to be issued by the Department of Permitting Services. The tax varies by District and the type of land use. The current rates by District are shown below in Table 1.

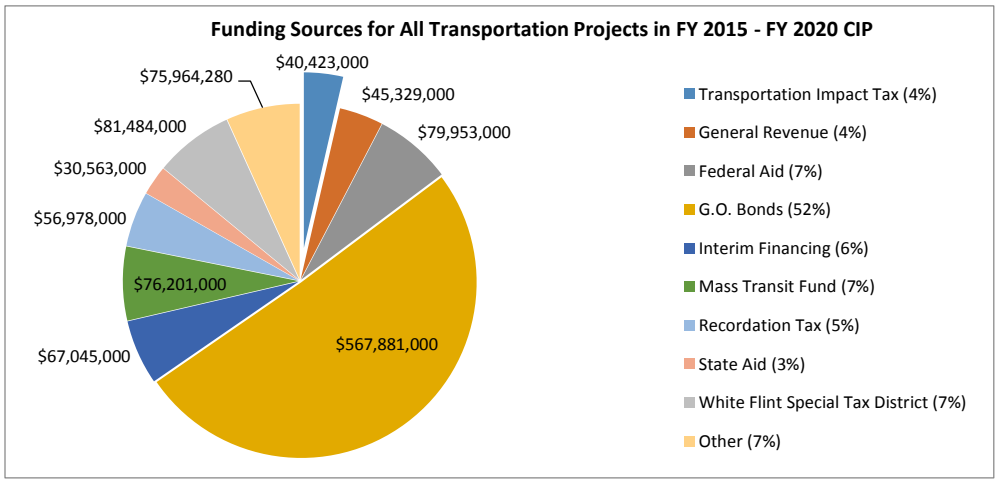
[1] This important question is explored in more detail later in this narrative.

TABLE 1 – TRANSPORTATION IMPACT RATES EFFECTIVE JULY 1, 2015

Building Type	Metro Station	Clarksburg	General
Single Family (SF) Detached Residential– Per Dwelling Unit (DU)	$6,984	$20,948	$13,966
SF Attached Residential – Per DU	$5,714	$17,141	$11,427
Multifamily Residential (Garden Apartments) – Per DU	$4,443	$13,330	$8,886
High Rise Residential – Per DU	$3,174	$9,522	$6,347
Multifamily – Senior Residential – Per DU	$1,269	$3,808	$2,539
Office - Per Square Foot (GFA)	$6.35	$15.30	$12.75
Industrial – Per Square Foot (GFA)	$3.20	$7.60	$6.35
Bioscience Facility – Per Square Foot (GFA)	$0	$0	$0
Retail – Per Square Foot (GFA)	$5.70	$13.70	$11.40
Place of Worship – Per Square Foot (GFA)	$0.35	$0.90	$0.65
Private Elementary and Secondary School – Per Square Foot (GFA)	$0.50	$1.35	$1.05
Hospital – Per Square Foot (GFA)	$0	$0	$0
Social Service Agency – Per Square Foot (GFA)	$0	$0	$0
Other Non-Residential - Per Square Foot (GFA)	$3.20	$7.60	$6.35

The FY 2015 – FY 2020 County Capital Improvement Program (CIP) program reflects an assumption that the tax will provide about 4% of the total amount of funds (about $1.1 billion) dedicated for all transportation improvements (see below) over that six-year period.

FIGURE 1 – FUNDING SOURCES FOR ALL TRANSPORTATION PROJECTS IN THE CIP

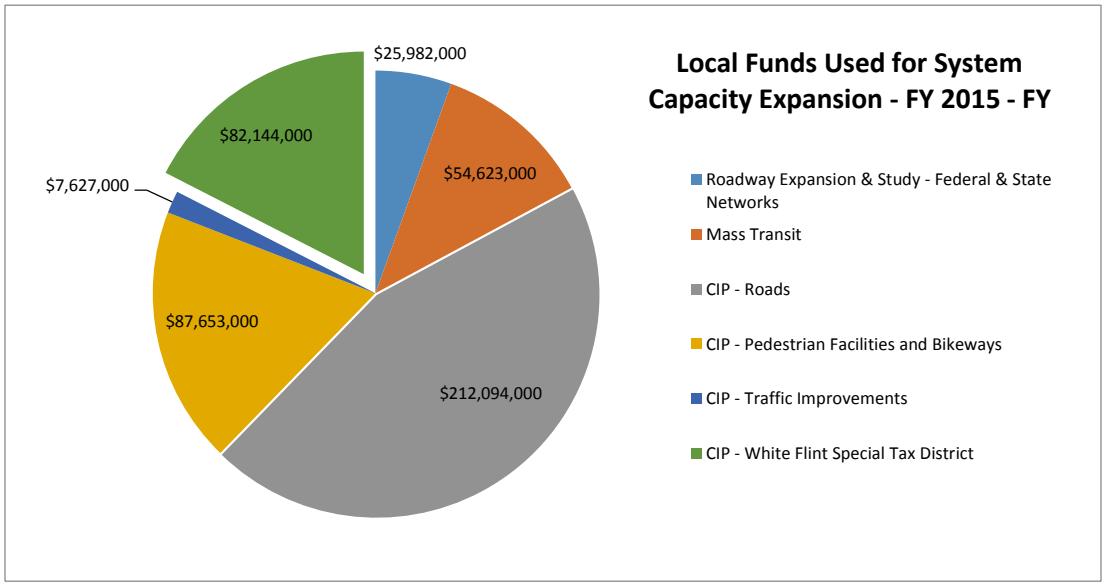


Since the tax is intended to support projects that increase network capacity it is useful to review assumptions related to that aspect of the funding profile. The specific types of improvements the tax is to be used for are noted in Section 52-58 of the Code:

- New road, widening of an existing road, or total reconstruction of all or part of an existing road required as part of a widening of an existing road, that adds highway or intersection capacity or improves bicycle commuting;
- New or expanded transit center or park and ride lot;
- Bus added to the Ride On fleet, but not a replacement bus;
- New bus shelter, but not a replacement bus shelter;
- Hiker-biker trail used primarily for transportation;
- Bicycle locker that holds at least 8 bicycles;
- Bikesharing station (including bicycles approved by the Department of Transportation;
- Sidewalk connector to a major activity center or along an arterial or major highway; or
- The operating expenses of any transit or trip reduction program.

The tax receipts (estimated at $40.4 million over the CIP period as noted above) represent about 9% of the total local funds allocated for system or network capacity expansion as shown in the chart below.[2]

FIGURE 2 – ALLOCATION OF LOCAL FUNDS IN THE CIP FOR SYSTEM CAPACITY EXPANSION



[2] The total of the local funds shown in the pie chart is approximately $470 million. The exclusion of the White Flint Special Tax District (the $82.1 million "piece" of the pie) reduces the total to about $388 million and the percentage the impact tax represents of total local funds dedicated to system expansion increases to a little over 10%.

The specific projects for system capacity expansion (excluding those to be funded by through the White Flint Special Tax District) that are programmed for funding in the current CIP are shown below in Table 2.[3]

TABLE 2 – PROJECTS TO EXPAND SYSTEM CAPACITY PROGRAMMED IN FY 2015 – FY 2020 CIP

Project	Total Local Funds
Roadway Expansion & Study - Federal & State Network	
Watkins Mill Interchange @ I-270	$3,163,000
MD 124 Corridor Study PE	$5,000,000
MD 355 @ Randolph Road Interchange PE	$6,728,000
Brookville By-Pass	$9,467,000
Montgomery Hills / MD 97 Study	$1,624,000
Sub Total	$25,982,000
Mass Transit	
MD 586 BRT Study	$4,402,000
Bethesda Metro South / Purple Line Entrance	$48,910,000
Montgomery Mall Transit Center	$1,311,000
Sub-Total	$54,623,000
Roads	
Burtonsville Access Road	$2,412,000
Chapman Avenue Extended	$6,293,000
Clarksburg Transportation Connections	$10,000,000
Goshen Road South	$63,292,000
Montrose Parkway East	$50,785,000
Platt Ridge Dive Extended	$3,180,000
Snouffer School Road North Webb Tract	$12,268,000
Snouffer School Road	$20,539,000
State Transportation Participation (Local Funds)	$5,673,000
Subdivision Road Participation	$6,914,000
Facility Planning - Transportation	$10,713,000
Ripley Street	$730,000
Bethesda CBD Streetscape	$7,116,000
East Gude Drive	$2,586,000
Seminary Road Intersection Improvements	$7,258,000
Wapakoneta Road Improvements	$945,000
Public Facilities Roads	$600,000
Maryland / Dawson Extended	$250,000
Rainbow Drive - Thompson Road Extended	$540,000
Sub-Total	$212,094,000

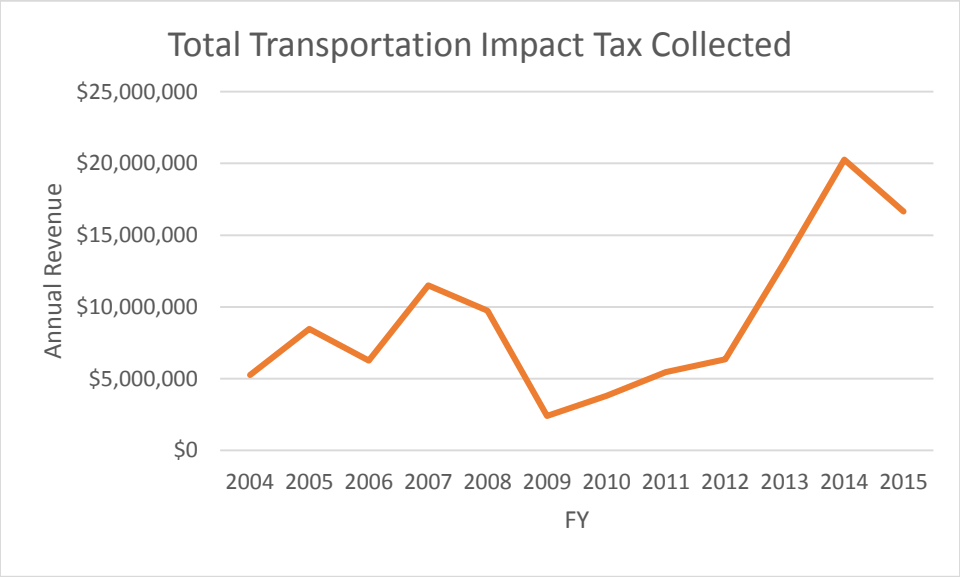
[3] The projects under the "Roadway Expansion & Study - Federal & State Network" are from the regional Transportation Improvement Program (TIP). The MD 586 BRT Study funding is also from the TIP.

TABLE 2 - CONTINUED

Pedestrian Facilities / Bikeways	
Capital Crescent Trail	$77,356,000
Metropolitan Branch Trail	$10,297,000
Sub-Total	$87,653,000
Traffic Improvements	
Intersection & Spot Improvements	$7,224,000
Redland Road	$403,000
Sub-Total	$7,627,000
TOTAL - LOCAL FUNDS FOR NETWORK EXPANSION	**$387,979,000**

Another important aspect of the current funding profile is the extent to which the total transportation impact tax collections can vary by year. There are a number of factors that can contribute to the variation. The overall economic environment is a primary reason for the variance and is clearly evident in the graph below where collections during the Great Recession were well below other years.

FIGURE 3 – ANNUAL TRANSPORTATION IMPACT TAX COLLECTED SINCE 2004



Source: Montgomery County Finance Department

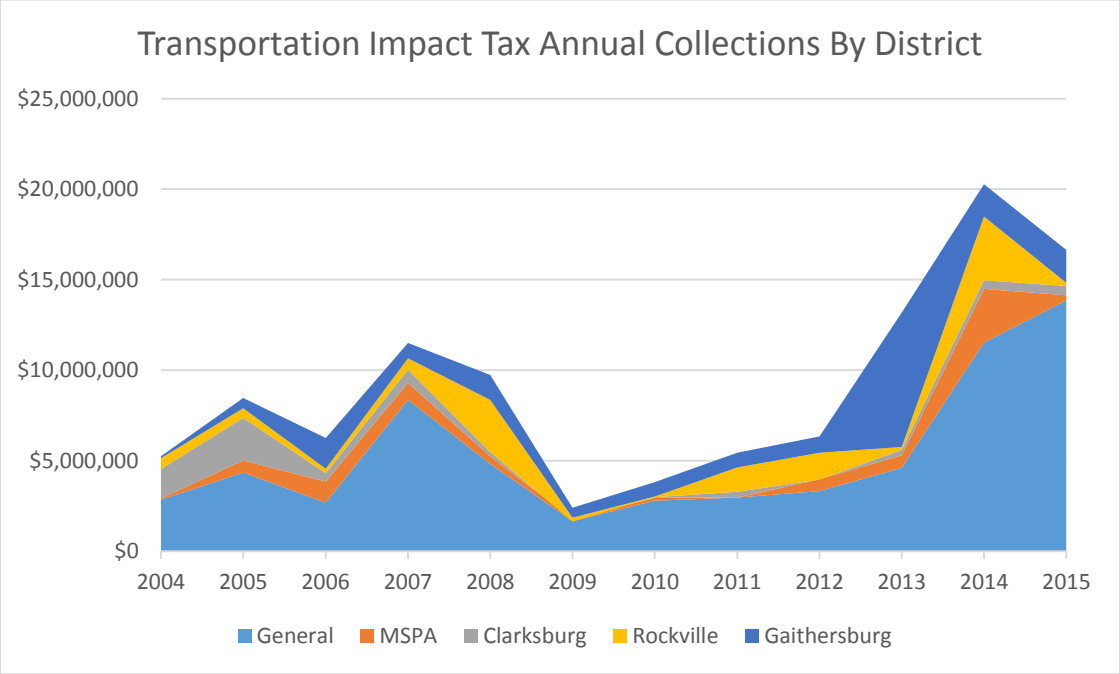
Other factors that contribute to the variation include geographical areas and/or types of development that are either exempt from the tax or pay a reduced rate. Examples include:

- Moderately Price Dwelling Units (MPDU's) built under Chapter 25A (exempt)
- Any development located in an enterprise zone (exempt)[4]
- Any building located within one-half mile of a MARC station (payment reduced to 85% of rate)

Impact tax credits are also available to property owners that provide additional network capacity in the form of the type of improvements the tax is intended to fund (see bullet list above).

Finally, it should be noted that the revenue shown in the line graph above includes revenue collected within the Cities of Gaithersburg and Rockville. Funds collected within Gaithersburg and Rockville are designated for projects within those jurisdictions. The annual amounts of the revenue attributable to the Cities and the respective impact tax districts within the County since 2004 are shown in the graph below.

FIGURE 4 – TRANSPORTATION IMPACT TAXES COLLECTED BY DISTRICT SINCE 2004



Source: Montgomery County Finance Department

[4] State designated enterprise zones include Burtonsville, Glenmont, Long Branch, Wheaton, and Olde Town in the City of Gaithersburg.

Rate History

The tax in its current form with a full rate was first levied during the last half of FY 2004. The rates were raised significantly (70% across the board) on December 1, 2007 after the review of the Subdivision Staging Policy (or Growth Policy) in the spring and fall of that year. While the rate increase resulted in an increase in overall collections for FY 2007, it was introduced at the beginning of the recession. The total revenue collected did not reach FY 2007 levels again until FY 2013 (largely due to the significant increase in the amount collected within the City of Gaithersburg).

The rate increases introduced in 2007 are shown below in Table 3.

TABLE 3 – COMPARISON OF OLD RATES AND NEW RATES INTRODUCED IN 2007

Land Use	**General District**		**Metro Station Areas**		**Clarksburg District**	
Residential (per DU)	**Old Rates**	**New Rates**	**Old Rates**	**New Rates**	**Old Rates**	**New Rates**
SF Detached	$6,264	$10,649	$3,132	$5,325	$9,396	$15,973
SF Attached	$5,125	$8,713	$2,563	$4,357	$7,688	$13,070
Garden Apartments	$3,986	$6,776	$1,993	$3,388	$5,979	$10,164
High-Rise Apartments	$2,847	$4,840	$1,424	$2,420	$4,271	$7,261
MF Senior	$1,139	$1,936	$569	$968	$1,708	$2,904
Non Residential (per SF – GFA)	**Old Rates**	**New Rates**	**Old Rates**	**New Rates**	**Old Rates**	**New Rates**
Office	$5.70	$9.69	$2.85	$4.85	$6.85	$11.65
Industrial	$2.85	$4.85	$1.40	$2.43	$3.40	$5.78
Bioscience	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Retail	$5.10	$8.67	$2.60	$4.34	$6.15	$10.46
Place of Worship	$0.30	$0.51	$0.15	$0.26	$0.40	$0.68
Private School	$0.45	$0.77	$0.20	$0.39	$0.60	$1.02
Hospital	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Social Service Agencies	N/A	$0.00	N/A	$0.00	N/A	$0.00
Other Non-Residential	$2.85	$4.85	$1.40	$2.43	$3.40	$5.78

What is a "Reasonable Rate" for the Transportation Impact Tax?

As previously noted, the last time the rate was examined was during the review of Subdivision Staging Policy in 2007. The methodology used in support of the analysis at that time is summarized in Table 4 below and involved the following steps (referencing the respective rows in Table 4):

- Row A – the capital funding requirements (local funds) contained in the CIP and regional Constrained Long Range Plan (CLRP) for projects adding network capacity
- Rows B, C, and D - the forecast growth in County households (single family and multi-family) and jobs (office, retail, industrial, or other) from the Regional Cooperative Land Use Forecast
- Rows E and F - the estimate of the new daily trips generated by the new growth
- Row G – the cost attributable to that specific land use based upon the proportion of trips
- Estimate Tax Rate (last row) – the computed rate by land use based on the allocated costs (Row G) divided by the number of units (Row C) or square feet (Row D) as applicable

TABLE 4 – ARRIVING AT AN INITIAL GENERAL RATE FOR THE TRANSPORTATION IMPACT TAX

A	County Capital Improvement Program (CIP) – Local $ for Projects adding Network Capacity Expansion – 25 Year Estimate					
B	**New Residential 25 Year Growth Estimate**		**New Commercial Growth 25 Year Growth Estimate**			
C	Residential Units		Office Jobs	Retail Jobs	Industrial Jobs	Other Jobs
D	Single family	Multi-Family	Office SF	Retail SF	Industrial SF	Other SF
E	Trip Rate	Trip Rate	Trip Rate	Trip Rate	Trip Rate	Trip Rate
F	New Daily Trips	New Daily Trips	New Daily Trips	New Daily Trips	New Daily Trips	New Daily Trips
G	Cost (A) Allocated by Trips (F)	Cost (A) Allocated by Trips (F)	Cost (A) Allocated by Trips (F)	Cost (A) Allocated by Trips (F)	Cost (A) Allocated by Trips (F)	Cost (A) Allocated by Trips (F)
Est. Tax Rate	G/C	G/C	G/D	G/D	G/D	G/D

The next series of tables present a comparison of 2007 and the present using essentially the same methodology used in the review of the Transportation Impact Tax in 2007.[5] A summary of the variables and resultant unit rates (for broad land use categories) for the present is shown in Table 5.

TABLE 5 – ARRIVING AT A RATE USING THE 2007 METHODOLOGY

Variable	SF Residential	MF Residential	Office	Retail	Industrial	Other Commercial
Forecast Growth 2015-2040[6]	11,218 DU	71,419 DU	128,822 Jobs	30,697 Jobs	12,180 Jobs	11,418 Jobs
SF of Commercial[7]			32,205,500	12,278,800	5,481,000	5,709,000
Vehicle Trip Gen Rate[8]	9.52 per DU	6.65 per DU	3.32 per job	21.47 per KGSF	2.77 per job	2.77 per job
Daily Vehicle Trip Ends	106,795	474,936	427,689	263,626	33,739	31,628
% of Total Trip Ends	8.0%	35.5%	32.0%	19.7%	2.5%	2.4%
Proportional Allocation of $1.6 Billion[9]	$129M	$574M	$517M	$318M	$41M	$38M
Resultant Unit Impact Tax Rates	$11,499 per DU	$8,032 per DU	$16.04 per GSF	$25.93 per GSF	$7.43 per GSF	$6.69 per GSF

A comparison of how the calculated rates in Table 5 compare with the rates calculated in 2007 using this same methodology and the current rates is shown in Table 6 below.

[5] While staff has not conducted a comprehensive review of the methodology used in other jurisdictions, the approach of considering the capital costs of projects programmed or planned, the growth in households and commercial building space, the application of trip rates, and the eventual calculation of a rate at least in part related to the type of land use is relatively common.

[6] Round 8.3 Regional Cooperative Land Use Forecast – Montgomery County Growth Only

[7] Estimate arrived at by applying SF factor by job type (250 SF/job for Office, 400 SF/job for Retail, 450 SF/job for Industrial, and 500 SF/job for Other Commercial.

[8] ITE Trip Generation Manual, 9th Edition

[9] $1.6 Billion estimate is arrived at by dividing the $388 million total shown in Table 2 by the number of years in the CIP (6) and multiplying that annual number by 25 – the number of years the forecast growth is based upon.

TABLE 6 – COMPARING CALCULATED (RESULTANT) RATES WITH CURRENT RATES

Variable	SF Residential	MF Residential	Office	Retail	Industrial	Other Commercial
Resultant Unit Impact Tax Rates – 2015-2040	$11,499 per DU	$8,032 per DU	$16.04 per GSF	$25.93 per GSF	$7.43 per GSF	$6.69 per GSF
Resultant Unit Impact Tax Rates 2005-2030[10]	$8,380 per DU	$5,884 per DU	$11.56 per GSF	$18.80 per GSF	$5.39 per GSF	$4.85 per GSF
Current-General	**$13,966 per DU**	**$8,886 per DU**	**$12.75 per SF GFA**	**$11.40 per SF GFA**	**$6.35 per SF GFA**	**$6.35 per SF GFA**
Current-Metro Station	**$6,984 per DU**	**$4,443 per DU**	**$6.35 per SF GFA**	**$5.70 per SF GFA**	**$3.20 per SF GFA**	**$3.20 per SF GFA**
Current - Clarksburg	**$20,948 per DU**	**$13,330 per DU**	**$15.30 per SF GFA**	**$13.70 per SF GFA**	**$7.60 per SF GFA**	**$7.60 per SF GFA**

A look at comparative percent increases of key variables is useful in attempting to arrive at any conclusion with respect to what might be a "reasonable" rate. In doing so, staff focused on two primary questions:

- How does the difference between the two calculated rates (2007 and 2016 using 2015 data) compare with the difference in the actual rate over the same time period?
- Does the current rate meet the fair-share or pro-rata objective of the Code?

In its simplest form, the first question can be addressed by comparing the rates for the single family dwelling units:

- The calculated rate resulted in the single family dwelling unit rate increasing from $8,380 per unit in 2007 to $11,499 per unit now, an increase of 37% over 8 years or an average of 4.6% per year. Roughly the same percentage increase applies to the other residential and commercial land use type as the data inputs (percentage increase in capital costs of the network improvements, growth forecast, and the actual trip rates) do not vary that much.

[10] The eventual adopted rates were not the same as the calculated rates arrived at during the review of 2007 Subdivision Staging (Growth) Policy. See Table 3 for the actual adopted rates.

- The current rate for a single family dwelling unit has actually increased from $10,649 per unit in 2007 to $13,966 per unit in 2015, an increase of 31% over 8 years or an average of 3.9% per year.

The rate of the increase between the calculated rate and the current rate is relatively close and all other things being equal, one could therefore conclude that there may be a basis for an increase around ½ percent (but not much more) as the increase in the current rate trails the increase in the calculated rate by a small amount.

The second or pro-rata question might be addressed by comparing the growth forecast with the percentage of the expansion projects funded by the Transportation Impact Tax.

- The Round 8.3 Regional Cooperative Forecast for Montgomery County households estimates an increase form 377,500 in 2015 to 460,200 in 2040, an increase of 22 percent or 0.90 percent per year. Over a six year CIP period, this would amount to a total increase of 5.4 percent.
- The same forecast for employment for Montgomery County estimates an increase from 532,000 in 2015 to 715,000 in 2040, an increase of 34 percent or an average of 1.4 percent per year. Over a six year CIP period, this would amount to a total increase of 8.4 percent.

As previously noted (see Figure 1), the Transportation Impact Tax is estimated to provide $40,423,000 in funds over the six- year life of the current CIP. Excluding the White Flint Special Tax District projects, this amount of revenue represents 10.4 percent of the total $388 million in local funds used over the six-year period.

In terms of the percent of local funds supporting transportation projects that expand network capacity, one could conclude the current level of the Transportation Impact Tax (based on the estimates in the current CIP) is contributing slightly above its pro-rata share by somewhere between 2 and 5 percent when compared to the overall growth forecast (comparing the 10.4 percent portion of the CIP with the 5.4 or 8.4 percent increase for households and employment, respectively).

The comparison of the increase in the calculated rates (2007 vs 2016) therefore suggests an increase of about ½ percent may be in order; however, comparing the percent of local funds the tax provides with the growth forecast suggests the tax is covering (or exceeding) that "share" by a margin of between 2 to 5 percent. Given the potential variances in the growth forecast, construction costs and timing, and other factors, there does not appear to be a basis for recommending any significant change in the rates at this time other than the annual adjustments to account for inflation related to construction costs.[11]

In summary, it appears the Transportation Impact Tax is at a reasonable level, i.e., the current level is estimated to provide funding reasonably consistent – on a historical percentage basis - with anticipated growth and programmed capital costs for system expansion met through local funding sources.

[11] It should be noted that the calculated resultant rates are generally below the corresponding residential rates and above the corresponding existing commercial existing commercial rates. The final rates set in 2007 established this pattern (when compared to the calculated rates at that time – see Table 3 and second row of Table 6).

Beyond the more quantitative (but still high level given the complexity of the issue) preceding look at the impact tax are questions that also might inform decision-making on the level and application of the impact tax. Four common questions are briefly explored below.

How does Montgomery County compare with other Maryland Jurisdictions?

Because Maryland counties collect impact taxes, fees or surcharges related to new development under different statues and methods (i.e., different units are used to compute the tax or fee) comparisons can be difficult and imprecise. Nevertheless, it is known that 75.6% of these development charges were targeted for education related expenses and 21.0% were targeted for to transportation projects – the two leading government uses for these revenues.[12]

A comparison of the estimated FY 15 revenues from these impact taxes, fees, or surcharges - on a per capita basis – the majority of which are for either education (school construction, libraries, and community colleges) or transportation related purposes in presented below in Table 7.

TABLE 7 – COMPARISON OF IMPACT TAXES BY COUNTY

County	Type	Rate Per SF DU	Estimated Revenues FY 15[13]	Population	Per Capita Revenues
Anne Arundel	Impact Fee	$11,896	$8,420,000	560,133	$15.03
Calvert	Excise Tax	$12,950	$3,128,314	90,613	$34.52
Caroline	Excise Tax	$5,000	$60,000	32,538	$1.84
Carroll	Impact Fee	$533	$318,000	167,830	$1.89
Charles	Excise Tax	$13,366	$9,250,767	154,747	$59.78
Dorchester	Excise Tax	$3,671	$82,770	32,578	$2.54
Frederick	Impact Fee / Excise Tax	$14,208	$10,508,724	243,675	$43.13
Harford	Impact Fee	$6,000	$2,500,000	250,105	$10.00
Howard	Excise Tax / Surcharge	$2.40 / SF	$14,414,904	309,284	$46.61
Montgomery	Impact Tax	$39,450[14]	$58,407,000	1,030,447	$56.68
Prince George's	Surcharge	$22,803	$26,104,650	904,430	$28.86
Queen Anne's	Impact Fee	$4.84 / SF	$1,555,000	48,804	$31.86
St. Mary's	Impact Fee	$4,500	$2,187,500	110,382	$19.82
Talbot	Impact Fee	$6,804	$200,000	37,643	$5.31
Washington	Excise Tax	$1.00 / SF	$543,000	149,573	$3.63
Wicomico	Impact Fee	$5,231	$771,142	101,539	$7.59

Source: County Development Impact Fees and Building Excise Taxes in Maryland, Amounts and Revenues, Department of Legislative Services 2014, page 5.

[12] County Development Impact Fees and Building Excise Taxes in Maryland, Amounts and Revenues, Department of Legislative Services 2014, page 4.

[13] The estimated revenue is the total for all types of uses (residential and commercial), not just single family dwelling units.

[14] Fiscal 2015 amount represents $13,506 for transportation and $25,944 for schools.

Montgomery County therefore is the second highest on a per capita basis, trailing only Charles County.

There are only seven counties in Maryland that collect an impact tax or fee related to transportation improvements. A similar comparison of those counties is shown below in Table 8.

TABLE 8 – COMPARISON OF TRANSPORTATION IMPACT TAXES BY COUNTY

County	Transportation Impact Tax Revenue - FY 2013	Population	Per Capita Revenues
Anne Arundel	$5,915,870	560,133	$10.56
Calvert	$913,446	90,613	$10.08
Howard	$6,990,924	309,284	$22.60
Montgomery County	$13,179,898	1,030,447	$12.79
St. Mary's County	$160,425	110,382	$1.45
Talbot County	$30,938	37,643	$0.82
Washington County	$202,749	149,573	$1.36

Source: County Development Impact Fees and Building Excise Taxes in Maryland, Amounts and Revenues, Department of Legislative Services 2014, page 8.

Montgomery County therefore falls in the middle range of the Maryland Counties that specifically collect impact taxes for the funding of transportation projects.

How Does Montgomery County compare with the Region?

It is also difficult to compare jurisdictions within the region as the fundamentals of the process itself (proffer jurisdiction or formula based, negotiated agreements for improvements beyond transportation and schools or not, etc.) varies by State, District, or County. A 2012 report by George Mason University's Center for Regional Analysis offers the following interesting insight into some aspects of this question:

- Locally imposed costs on development tend be lower in Maryland than in Virginia.
- Montgomery County has the highest published impact taxes in the Washington region.
- Within the County, the combination of the fees and review process can add $30,000 - $50,000 to the cost of a new single family or townhouse unit and $10,000 - $20,000 to the cost of a multi-family unit. These costs are generally in line with other suburban jurisdictions within the region.[15]

Mitigating Existing Conditions or Adding Capacity for Past and Future Growth – or Both?

Determining the fair share of the estimated cost for expanding network capacity attributable to new development requires consideration of the fact that the projects listed in Table 2 are also expected in some degree to address both (1) existing conditions created in part by past growth and/or insufficient funding resources and (2) anticipated impacts upon the network of future growth. Accepting that fact would mean that impact tax should be set at rates that generate some (likely smaller) increment of the

[15] Impact of Local Regulatory Processes and Fees On Ability to Delivery New Housing Units, Montgomery County MD, George Mason University Center for Regional Analysis, Artemel & Associates, June, 2012,

total local funding burden which is the case with the current rate structure (i.e., the estimated revenue is about 10% of the total local funding set aside for these projects that add capacity to the network). The question of how large or small of an increment is not addressed in the above analysis other than to note that the percentage of the local share of funds generated by the impact tax is close to the percentage increase of the forecasted growth in households and employment (converted to building size).

At least one state (Texas) has in place a statutory requirement to examine this question in some detail. Chapter 395 of the Texas Local Government Code requires an analysis of the question that takes into consideration how planned projects relate to existing network, usage and needs and compares that with the future network, usage and needs on a project by project basis within service areas. An examination of how the statue was applied in the case of the City of Fort Worth indicates consideration of the following variables (among others):

- Total Vehicle Miles of Capacity Added by Projects
- Total Vehicle Miles of Existing Demand
- Total Vehicle Miles of Existing Deficiencies
- Net Amount of Vehicle Miles of Capacity Added

One consideration in subsequent reviews of the Transportation Impact Tax rate structure could be the consideration of similar more detailed approaches for attempting to determine that portion of programmed projects that could be considered as necessary to mitigate existing conditions as opposed to providing capacity necessary to accommodate future growth. If undertaken, a case could potentially be made that the findings would provide a more accurate comparison of whether the current 10% contribution of the local funds allocated for network expansion is a reasonable share for the Transportation Impact Tax. The converse argument, of course, is that any methodology (because new growth is incremental and many of the projects are capital intensive and expensive) is not likely to result in a finding that significantly increases the current percentage contribution for the impact tax.

Should We Expect an Impact Tax to Provide Significant Funding of Network Expansion Projects?

This is a question related at least indirectly to the prior discussion. The County Code requires the Transportation Impact Tax to be collected by specific Districts and the revenues expended within – or adjacent to - those Districts, if feasible.[16] The revenues are not used to back bonds in part because of the variation of the collections in any one year and the variation by District (see Figure 4). The growth that generates the revenue is inherently incremental and many of the related network improvements that provide capacity are capital intensive, require significant lead time, often cross district and jurisdictions, and may require a significant level of funding from other sources (federal, state, etc.). These competing factors (incremental and somewhat unpredictable growth and availability of the revenue source(s) to fund projects that are capital intensive with phasing challenges) result in the revenue contributing a relatively small portion of the overall cost of the programmed projects. This is not to say some jurisdictions take the approach that any amount is a needed contribution and support specific major projects (like light rail or bus rapid transit) with impact taxes earmarked for that purpose.

[16] Funds collected as a result of development in Gaithersburg and Rockville must be dedicated to projects in those jurisdictions, not adjacent to those jurisdictions.

The issue however is the proportion of the total project cost the impact tax revenue provides – it remains very small as a result of factors inherent with the impact tax and the capital project.

Adjustments to Base Rate

The current transportation impact tax rate varies by District and land use. The variance in the rates in relation to the General Rate is shown in the table below. As an example, the rates in Metro Station Areas are 50% of the rate in the rest of the County (excluding Clarksburg which is higher). The basis for the variation is a general acknowledgement that on a unit basis, it costs more to provide public facilities for development in areas of lower density.

TABLE 9 – Factors Reflecting Difference in Current Rates Among Three Tax Districts

District	SF Residential	MF Residential	Office	Retail	Industrial	Other Commercial
Current – General	1.0	1.0	1.0	1.0	1.0	1.0
Current – Metro Station	0.5	0.5	0.5	0.5	0.5	0.5
Current - Clarksburg	1.5	1.5	1.2	1.2	1.2	1.2

The extent to which the rates in Metro Station areas and Clarksburg vary from the rest of the County has been a point of discussion over the years and as a result, it is worthwhile to consider whether other metrics are available to consider if the variance should remain the same or change.

Staff recommends consideration of current estimated Vehicle Miles of Travel (VMT) for trips to work[17] as a readily available – and relevant – measurement to use in establishing Policy Area specific rates for residential development. A similar and complementary metric for commercial development is the non-auto driver mode share for trips to work. A potential stratification of the adjustment factor for new residential and commercial development is depicted in the table below.

[17] Trips to work are referred to as Home Based Work (HBW) trips because they have home at one end of the trip and work at the other.

Table 10 – Potential Stratification of Adjustment Factor for New Residential and Commercial Development

Policy Area Type	Residential HBWVMT	Ratio of impact to County Average	Proposed as Policy	Commercial HBW NADMS	Ratio of impact to County Average	Proposed as Policy
County Average	11.5			32.6%		
Core	3.6	31%	0.25	48.9%	76%	0.75
Corridor	7.8	68%	0.75	31.5%	102%	1.00
Residential	14.8	129%	1.25	19.4%	120%	1.25
Rural	25.5	222%	2.00	10.4%	133%	1.25

Adjustment to Transportation Impact Tax to Incentivize Reduced Parking

Progressive parking management that more accurately reflects the cost and utilization of private and public parking has been shown to be a key component of transportation demand management. The County has a number of incentives currently in place through its zoning code, PLD, and TDM programs. Additional incentives in the form of a reduction in the impact tax could supplement these existing programs.

An example of how this might apply in "reduced parking areas" as defined in the zoning code is shown below.

Table 11 - Multiplier for Transportation Impact Tax Reduction – Parking Incentive

Percentage Parking Supply is Below Baseline Minimum	Percentage Reduction in Transportation Impact Tax After Policy Area Adjustment											
	Core Policy Area				Corridor Policy Area				Residential Policy Area			
	Residential	Office	Retail	Other	Residential	Office	Retail	Other	Residential	Office	Retail	Other
X	3X	3X	3X	3X	2X	2X	2X	2X	X	X	X	X