



HoCo by Design General Plan Update Fiscal Impact Analysis

March 29, 2023

HOCO BY
DESIGN

Every Voice, One Vision



- The HoCo By Design Fiscal impact analysis (FIA) was developed by DPZ in consultation with the Budget Office.
- The purpose of the FIA is to inform HoCo By Design. The FIA will not be adopted as a part of HoCo By Design.
- The FIA is an analysis tool for scenario and sensitivity analysis testing. It should not be considered to be a definitive budget projection model.

HoCo By Design Fiscal Impact Analysis

Spending Affordability Advisory Committee Review

- FIA was reviewed by the Spending Affordability Advisory Committee (SAAC) in Dec/Jan 2022/23. Met 4 times to review and discuss the analysis.
- Some model assumptions were adjusted based on SAAC feedback.
- The SAAC prepared a report on the FIA in January, 2023.



SAAC FIA Findings and Conclusions

- The SAAC found the fiscal analysis “solid in both methodology and results.”
- Suggested alternative scenario tests be run:
 - a) include inflation to show nominal impact,
 - b) increase mortgage interest rates for owner-occupied units,
 - c) increase capitalization rate for rental units,
 - d) adjusted home affordability ratio, and
 - e) reduce non-residential assessed value due to remote work trends
- The SAAC “believes the methodology and assumptions of the revised fiscal impact analysis are reasonable, and the results showing significant positive net fiscal gains from the projected new development are valid.”

- A fiscal analysis measures the costs and revenues to the public sector.
- Both operating & capital costs and revenues are included (General Fund and Fire & Rescue Reserve Fund).
- Current levels of service are used to determine cost and revenue factors applied to new development.
- The analysis projects costs and revenues annually over the 18-year development timeframe from new growth (marginal analysis).

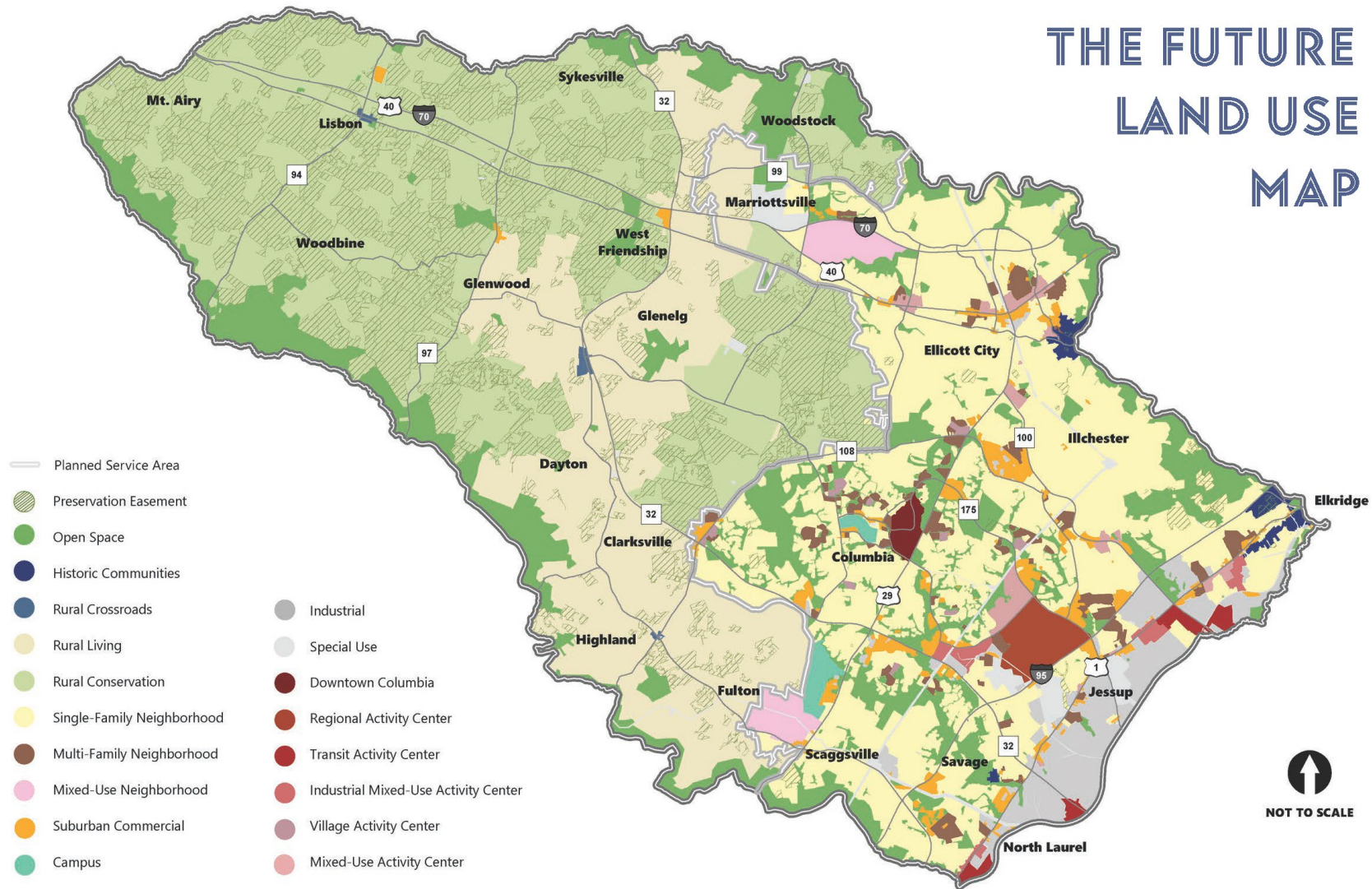
What is a Fiscal Impact Analysis?



Review of Growth Assumptions



THE FUTURE LAND USE MAP



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PB DRAFT REVISED MARCH 2023

Future Capacity (FLUM) Compared to Demand



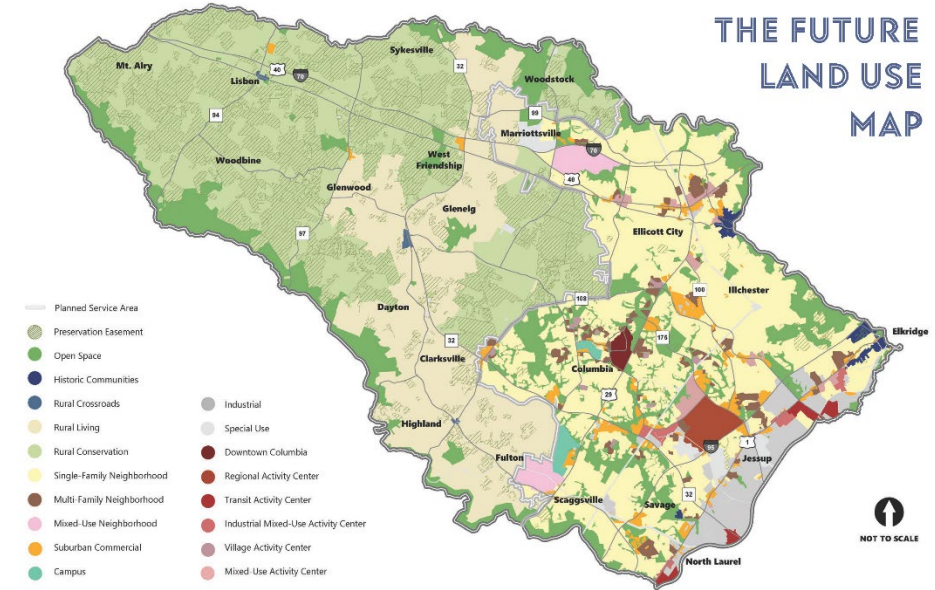
Jobs

Demand: 59,000
Existing Capacity: 28,000
Future Capacity: 35,000

Housing

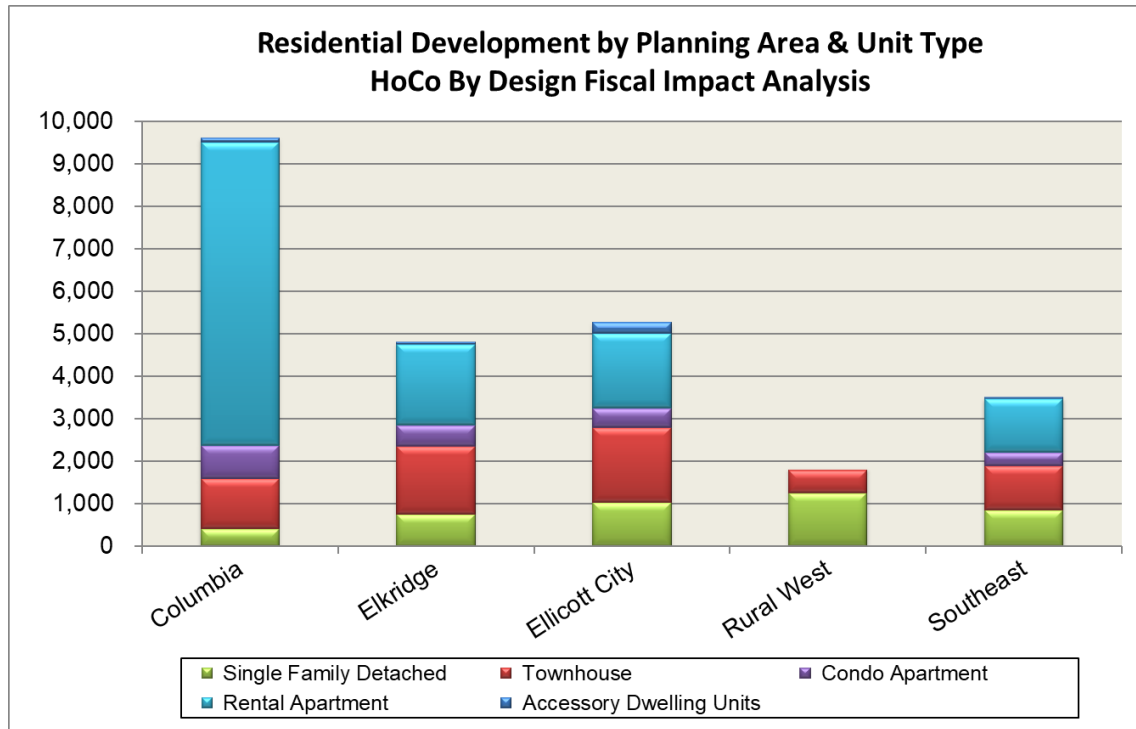


Demand: 31,000 (+20,000)
Existing Capacity: 15,200 (not inc. redevelopment potential)
Future Capacity: 27,000

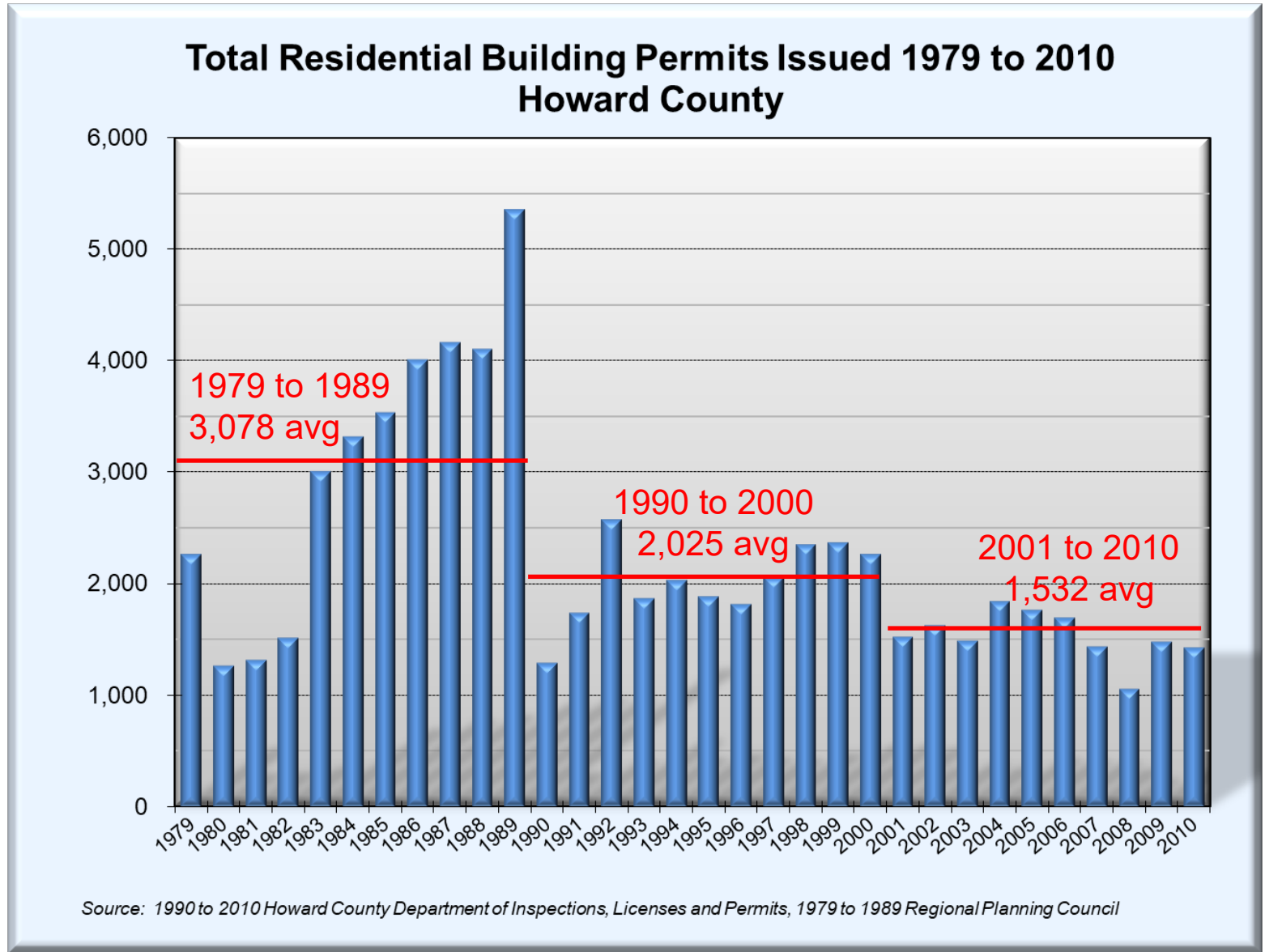


Residential Development by Planning Area & Unit Type - 18 Year Total (2022 to 2040)
HoCo By Design Fiscal Impact Analysis

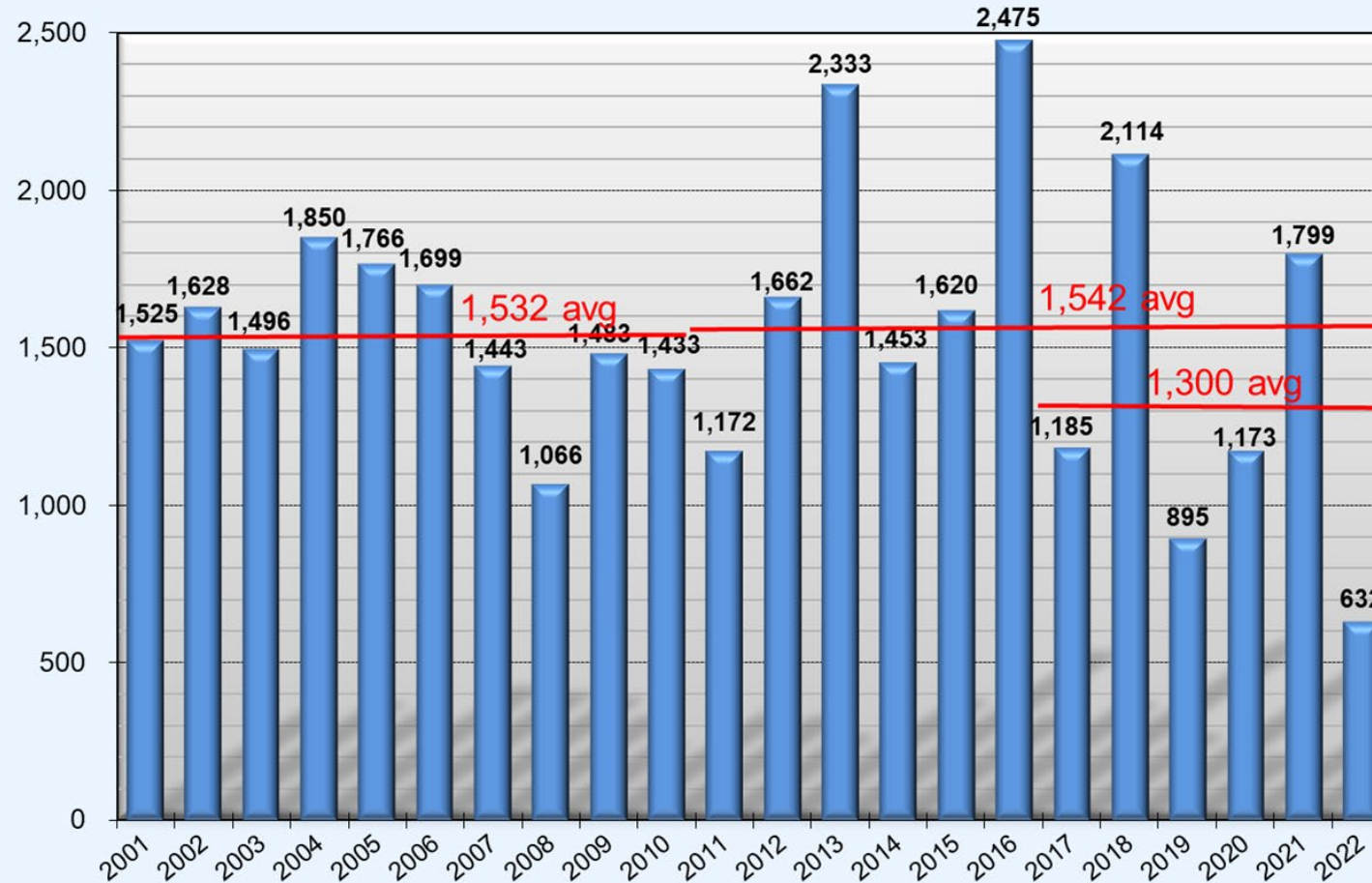
Unit Type	Columbia	Elkridge	Ellicott City	Rural West	Southeast	Total
Single Family Detached	414	756	1,026	1,254	846	4,296
Townhouse	1,170	1,602	1,764	540	1,035	6,111
Condo Apartment	792	486	450	0	324	2,052
Rental Apartment	7,133	1,908	1,764	0	1,268	12,073
Accessory Dwelling Units	108	54	270	0	36	468
TOTAL	9,617	4,806	5,274	1,794	3,509	25,000



A brief segue to show historical housing unit growth in Howard County to provide some context

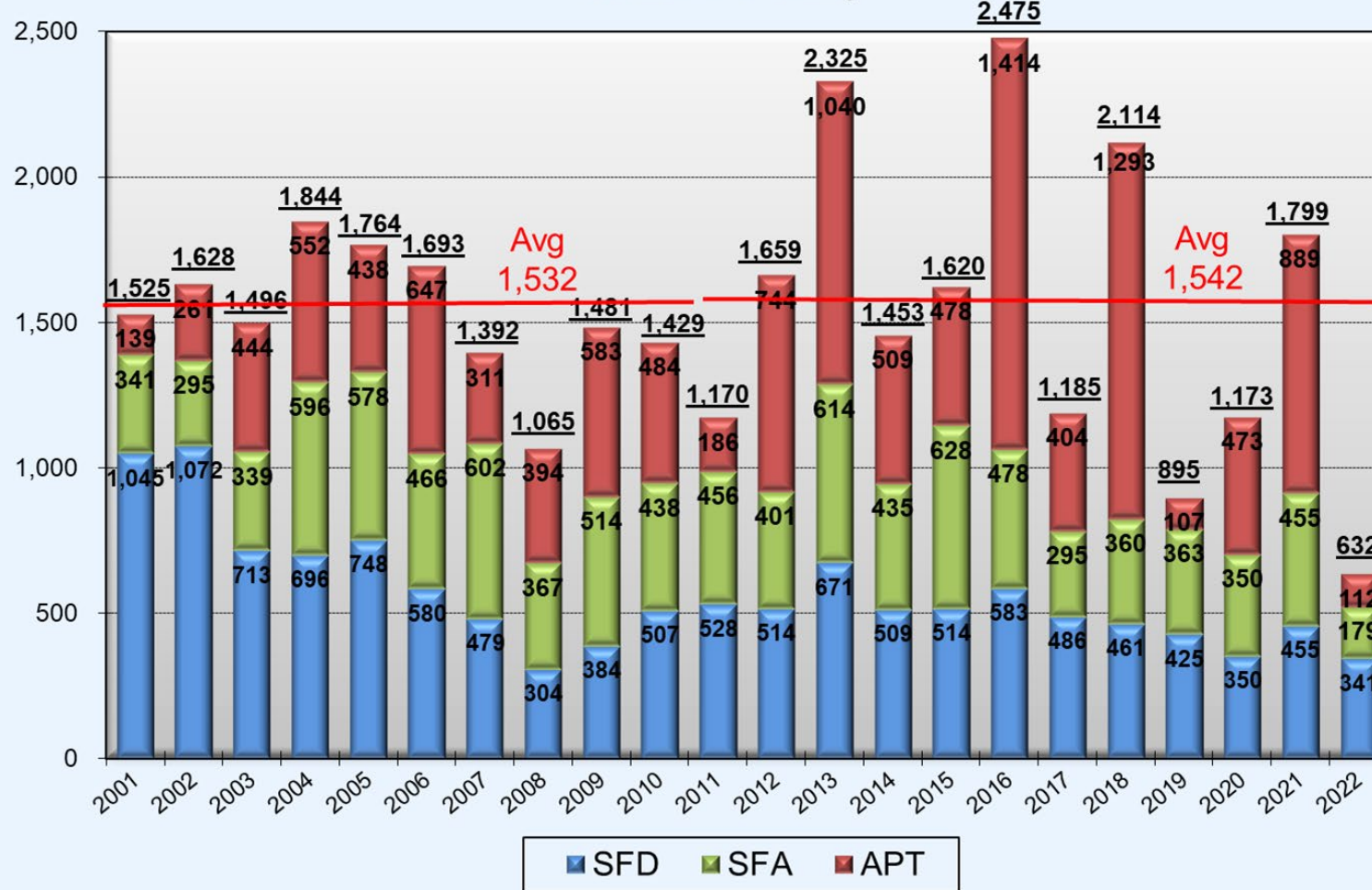


Residential Building Permits Issued 2001 through 2022 Howard County



Source: Howard County Department of Inspections, Licenses and Permits (avg. not including small number of mobile homes)

Residential Building Permits Issued 2001 through 2022 Howard County

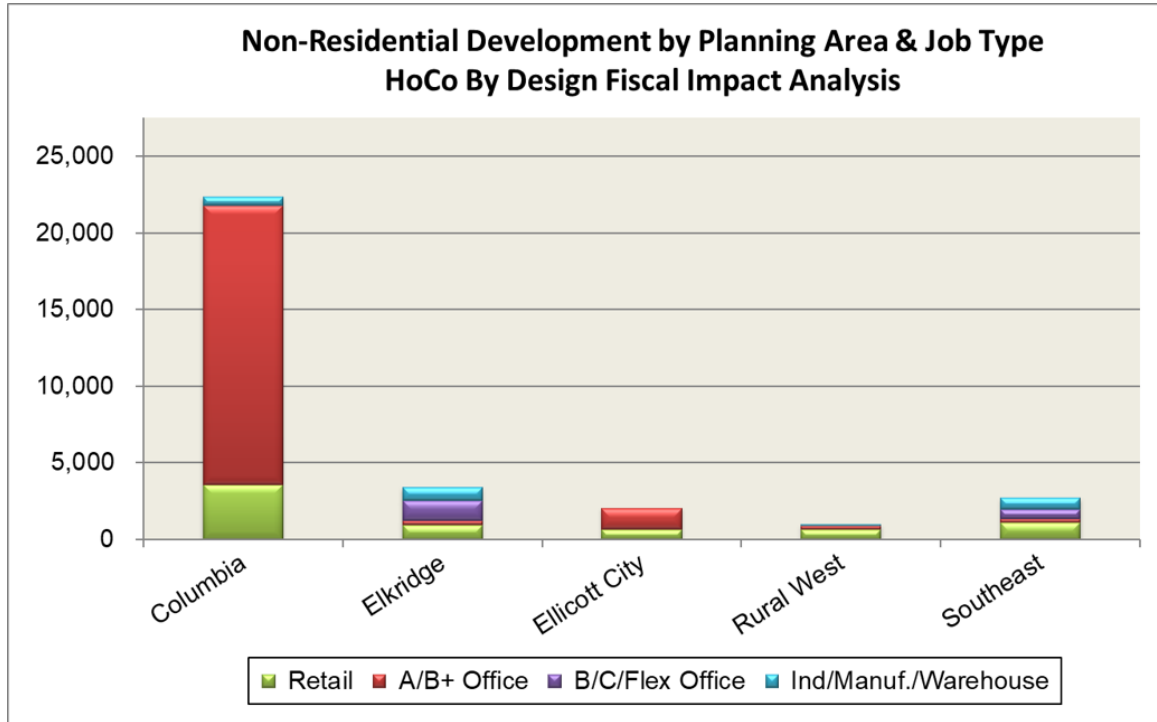


Source: Howard County Department of Inspections, Licenses and Permits (not showing small number of mobile homes)

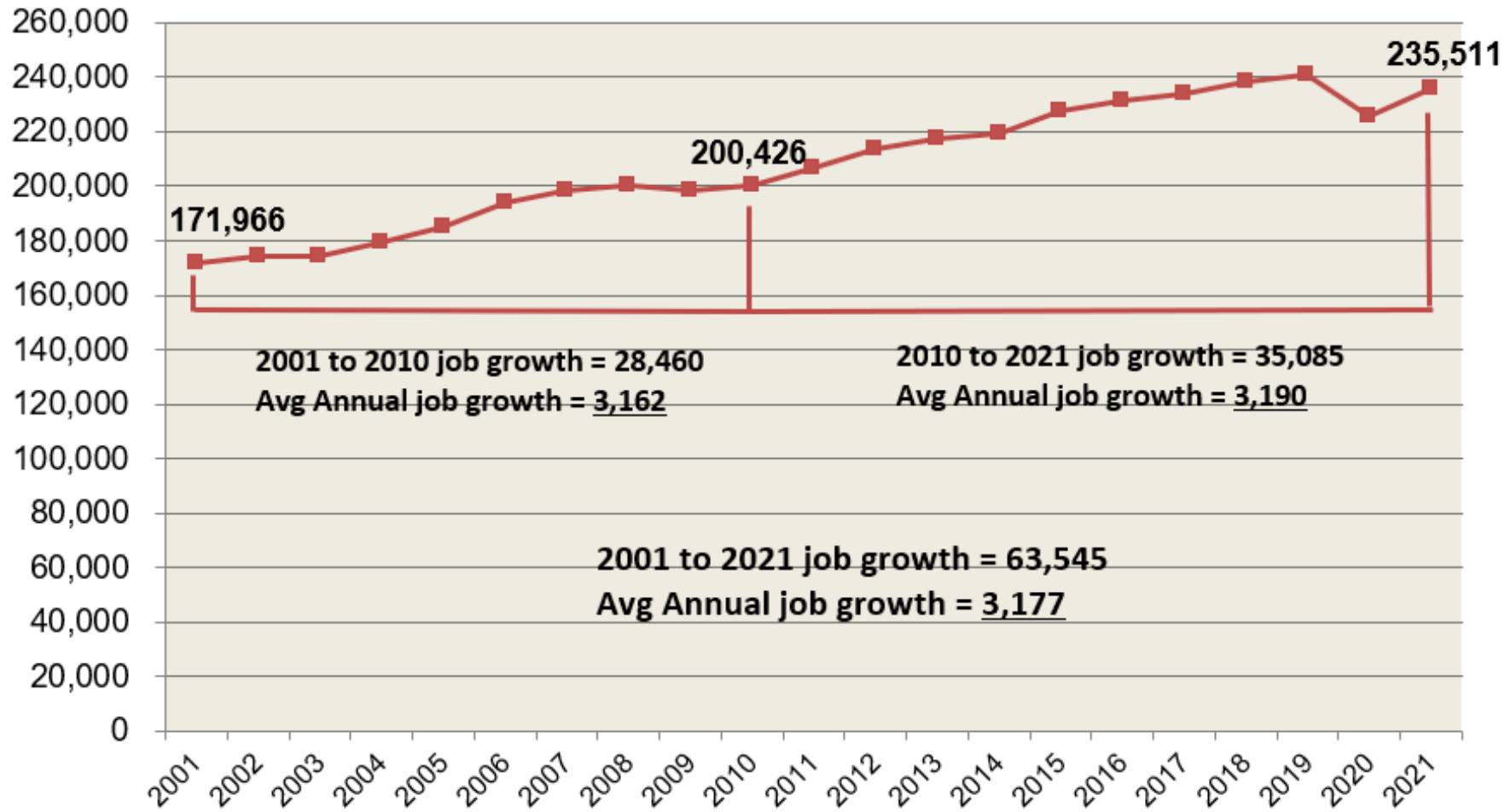
Non-Residential Development by Planning Area & Job Type - 18 Year Total (2022 to 2040)
HoCo By Design Fiscal Impact Analysis

Job Type	Columbia	Elkridge	Ellicott City	Rural West	Southeast	Total
Retail	3,596	956	667	675	1,109	7,003
A/B+ Office	18,197	273	1,341	225	248	20,283
B/C/Flex Office	0	1,294	0	0	617	1,911
Ind/Manuf./Warehouse	572	879	0	90	762	2,303
TOTAL	22,365	3,402	2,008	990	2,735	31,500

Average Annual ==> 1,750



Total Jobs in Howard County - 2001 to 2021



Source: U.S. Bureau of Economic Analysis

What Drives Growth in a Community?



Willing Property Owners

Property owners decide if and when land becomes available for future development, or if land might become available for permanent conservation.



Market Demand

The demand for different development types, patterns, and intensities is established by future buyers or renters attracted to the area (and their purchasing power) that will fill new products or pay different price points.



Government

Government ordinances, including zoning and subdivision regulations, manage development in line with the community vision established in the general plan.



Developers

The private sector helps decide who builds, what they build, where they build, and why they build in a community, which is driven primarily by when a developer is confident about the other growth factors and decides to 'take the chance' to start a new project.



Lending Community

Banks and other institutions establish minimum lending criteria and set interest rates for borrowing money needed to fund new development.

Net Fiscal Impact Results

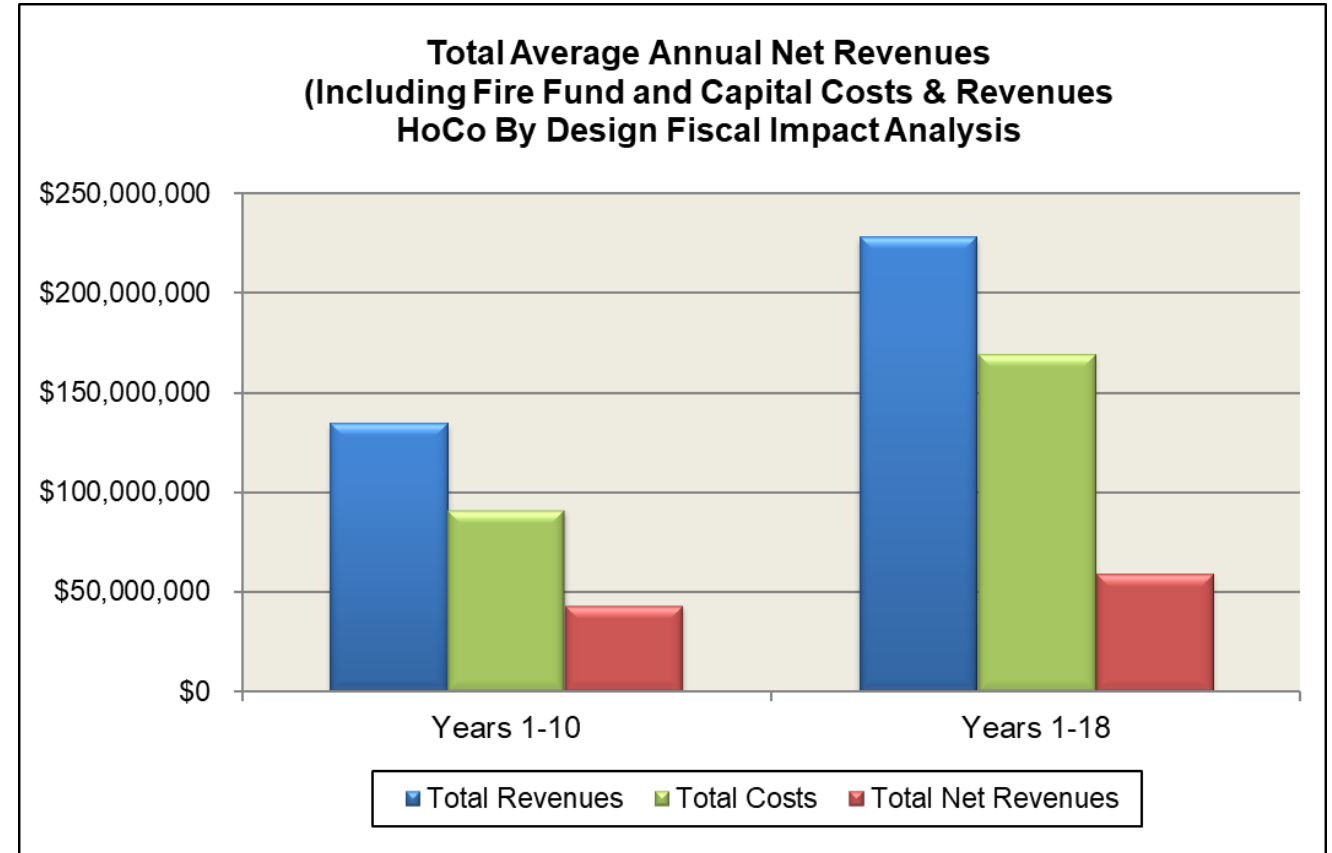


**HoCo By Design Fiscal Impact Analysis WITH 2.5% ANNUAL INFLATION - Final Draft Plan
18 Year Average Annual Results and Annual Results in Year 1 & Year 18 (X 1,000)**

Years ==>	Avg. Annual	Year 1 (2023)	Year 18 (2040)
Operating Revenues			
Property Tax	\$98,883	\$7,830	\$214,156
Fire Tax	\$21,907	\$1,734	\$47,445
Income Tax	\$49,681	\$3,933	\$107,610
Other Local Taxes	\$8,827	\$4,054	\$14,756
Other Revenues	\$2,380	\$188	\$5,156
Total Operating Revenues	\$181,678	\$17,740	\$389,123
Capital Revenues			
Transfer Tax	\$7,925	\$3,960	\$12,827
Road Excise Tax	\$8,177	\$6,585	\$9,988
School Surcharge	\$30,455	\$24,522	\$37,202
Total Capital Revenues	\$46,557	\$35,067	\$60,017
TOTAL REVENUES	\$228,235	\$52,807	\$449,140
Operating Costs			
HCPSS	\$57,828	\$4,584	\$125,113
Community College & Libraries	\$8,031	\$636	\$17,396
Public Safety	\$36,639	\$2,902	\$79,345
Public Facilities	\$9,157	\$725	\$19,833
Community Services	\$10,047	\$795	\$21,763
Other General Government	\$8,616	\$682	\$18,662
Total Operating Costs	\$130,317	\$10,324	\$282,112
Capital Costs - PayGo and Debt Service			
HCPSS	\$21,114	\$9,608	\$34,578
Comm College & Libraraires	\$1,986	\$157	\$4,302
Roads	\$6,014	\$548	\$12,241
Fire Stations	\$2,192	\$1,765	\$2,678
Parks and Recreation	\$907	\$72	\$1,964
Other County	\$6,833	\$541	\$14,800
Total Capital Costs	\$39,046	\$12,692	\$70,564
TOTAL COSTS	\$169,364	\$23,016	\$352,676
NET FISCAL IMPACT	\$58,872	\$29,791	\$96,464

Source: Howard County Department of Planning and Zoning, Research Division

Net positive impact of \$1.06 billion over 18 years



Methodologies for All Cost and Revenue Assumptions:



HoCo By Design Fiscal Impact Analysis

Methodology and Assumptions Document

January 23, 2023

Prepared by:
Howard County Department of Planning and Zoning
Division of Research
in Consultation with the Howard County Budget Office

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Howard County Department of Planning and Zoning
HoCo By Design Fiscal Impact Analysis – Methodology and Assumptions

Division of Research
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HoCo By Design Fiscal Impact Analysis

- Methodologies are described in the *Methodology and Assumptions Document*
- Each General Fund cost and revenue line item is evaluated.

**FY23 Approved General Fund Operating Revenues
HOCO By Design Fiscal Impact Analysis**

Category	FY23 Budget	% of Total
Property Taxes	\$620,513,000	48.1%
Income Taxes	\$540,869,664	41.9%
Recordation Tax	\$30,000,000	2.3%
Other Local Taxes	\$6,600,000	0.5%
State Shared Taxes	\$3,874,000	0.3%
Licenses and Permits	\$7,695,000	0.6%
Revenues Other Agencies	\$11,333,000	0.9%
Charges for Services	\$10,574,000	0.8%
Use of Money and Property	\$1,785,001	0.1%
Fines and Forfeitures	\$2,190,000	0.2%
Interfund Reimbursements	\$55,550,059	4.3%
TOTAL (1)	\$1,290,983,724	100.0%

Source: Howard County, MD, FY23 Approved Operating Budget
(1) Does not include Use of Prior Year Funds (one-time revenues)

**FY23 Approved General Fund Operating Expenditures
HOCO By Design Fiscal Impact Analysis**

Category	FY23 Budget	% of Total
Education	\$810,221,356	62.8%
Public Safety	\$158,238,317	12.3%
Public Facilities	\$93,286,011	7.2%
Community Services	\$81,853,937	6.3%
General Government	\$33,496,004	2.6%
Legislative and Judicial	\$36,613,635	2.8%
Capital/Debt Service/Reserves	\$77,274,464	6.0%
TOTAL (1)	\$1,290,983,724	100.0%

Source: Howard County, MD, FY23 Approved Operating Budget
(1) Does not include Use of Prior Year Funds (one-time revenues)

FY2023 Operating Revenues

- Largest revenue source to the County is Property Tax (48% of GF)
- This is followed by Income Tax (42% of GF)
- These two revenue sources at 90% of GF revenues are largest driver of fiscal results.

FY23 Approved General Fund Operating Revenues HOCO By Design Fiscal Impact Analysis

Category	FY23 Budget	% of Total
Property Taxes	\$620,513,000	48.1%
Income Taxes	\$540,869,664	41.9%
Recordation Tax	\$30,000,000	2.3%
Other Local Taxes	\$6,600,000	0.5%
State Shared Taxes	\$3,874,000	0.3%
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TOTAL (1)	\$1,290,983,724	100.0%

Source: Howard County, MD, FY23 Approved Operating Budget
(1) Does not include Use of Prior Year Funds (one-time revenues)

FY23 Approved Fire and Rescue Reserve Fund Operating Revenues HOCO By Design Fiscal Impact Analysis

Category	FY23 Budget	% of Total
Property Taxes		
Fire Assessment	\$152,085,000	100.00%

Source: Howard County, MD, FY23 Approved Operating Budget

FISCAL IMPACTS FROM NEW GROWTH – HoCo By Design Draft Plan

**Average Annual General Fund Operating Revenues
HOCO By Design Fiscal Impact Analysis**

Category	Years 1-5		Years 1-10		Years 1-18	
	Amount	Percent	Amount	Percent	Amount	Percent
Real Property Tax	\$23,890,068	55.2%	\$47,615,090	57.6%	\$94,124,307	58.9%
Personal/Merchants Property Tax	\$1,180,121	2.7%	\$2,351,032	2.8%	\$4,644,171	2.9%
Penalties/Interest Property Taxes	\$29,095	0.1%	\$57,989	0.1%	\$114,630	0.1%
Income Taxes	\$12,607,639	29.1%	\$25,129,406	30.4%	\$49,680,983	31.1%
Local Recordation Tax	\$4,659,852	10.8%	\$5,658,296	6.8%	\$7,567,919	4.7%
Hotel/Motel Tax	\$128,187	0.3%	\$255,455	0.3%	\$504,901	0.3%
Admission and Amusement Tax	\$69,336	0.2%	\$138,199	0.2%	\$273,228	0.2%
Highway Users' Tax	\$122,094	0.3%	\$243,356	0.3%	\$481,129	0.3%
Licenses and Permits	\$22,320	0.1%	\$44,477	0.1%	\$87,901	0.1%
Revenues from Other Agencies	\$335,744	0.8%	\$669,197	0.8%	\$1,323,044	0.8%
Charges for Service	\$181,345	0.4%	\$361,453	0.4%	\$714,615	0.4%
Fines and Forfeitures	\$64,660	0.1%	\$128,861	0.2%	\$254,703	0.2%
TOTAL	\$43,290,461	100%	\$82,652,811	100%	\$159,771,531	100%

FY2023 Operating Costs

- Largest cost to the County is Education (63% of GF)
- HCPSS is 57% of GF
- This is followed by Public Safety (12.3% of GF)

FY23 Approved General Fund Operating Expenditures HOCO By Design Fiscal Impact Analysis

Category	FY23 Budget	% of Total
Education	\$810,221,356	62.8%
Public Safety	\$158,238,317	12.3%
Public Facilities	\$93,286,011	7.2%
Community Services	\$81,853,937	6.3%
General Government	\$33,496,004	2.6%
Legislative and Judicial	\$36,613,635	2.8%
Capital/Debt Service/Reserves	\$77,274,464	6.0%
TOTAL (1)	\$1,290,983,724	100.0%

Source: Howard County, MD, FY23 Approved Operating Budget
(1) Does not include Use of Prior Year Funds (one-time revenues)

FY23 Approved General Fund Operating Expenditures HOCO By Design Fiscal Impact Analysis

Category	FY23 Budget	% of Total General Fund
EDUCATION		
Board of Education		
Howard County Public School System	\$673,300,000	52.15%
County Debt Service Share for HCPSS	\$48,747,588	3.78%
OPEB Trust Fund	\$7,518,907	0.58%
Subtotal	\$729,566,495	56.51%
Community College		
Howard Community College	\$40,361,000	3.13%
County Debt Service Share for HCC	\$12,431,993	0.96%
OPEB Trust Fund	\$243,511	0.02%
Subtotal	\$53,036,504	4.11%
Library		
Library	\$24,020,324	1.86%
County Debt Service Share for Library	\$3,560,451	0.28%
OPEB Trust Fund	\$37,582	0.00%
Subtotal	\$27,618,357	2.14%
TOTAL EDUCATION	\$810,221,356	62.76%

Fire and Rescue Reserve Fund FY23 Approved Operating Budget Costs HOCO By Design Fiscal Impact Analysis

Fire and Rescue Services	FY23 Budget	% of Total
Administration Bureau	\$16,397,603	10.78%
Community Outreach	\$678,011	0.45%
Emergency Services Management Bureau	\$2,511,465	1.65%
Emergency Services Operation Bureau	\$89,938,157	59.14%
Fire Administrative Services Bureau	\$2,149,575	1.41%
Information & Technology Bureau	\$5,416,496	3.56%
Logistics Bureau	\$16,975,036	11.16%
Occupational Health and Safety	\$3,436,253	2.26%
Office of Emergency Management	\$1,068,378	0.70%
Office of Fire Marshall	\$3,069,391	2.02%
Training Bureau	\$5,911,779	3.89%
Volunteer Support	\$4,532,856	2.98%
TOTAL FIRE AND RESCUE RESERVE FUND	\$152,085,000	100.00%

FISCAL IMPACTS FROM NEW GROWTH – HoCo By Design Draft Plan

Average Annual General Fund Operating Costs HOCO By Design Fiscal Impact Analysis

Category	Years 1-5		Years 1-10		Years 1-18	
	Amount	Percent	Amount	Percent	Amount	Percent
Board of Education - HCPSS (not inc. debt serv.)	\$14,695,958	51.5%	\$29,287,306	51.5%	\$57,827,993	51.5%
Community College	\$1,279,707	4.5%	\$2,550,681	4.5%	\$5,042,857	4.5%
Libraries	\$758,218	2.7%	\$1,511,262	2.7%	\$2,987,860	2.7%
Police	\$4,039,532	14.2%	\$8,050,532	14.2%	\$15,909,940	14.2%
Corrections	\$685,272	2.4%	\$1,365,868	2.4%	\$2,700,406	2.4%
Public Works	\$2,289,178	8.0%	\$4,562,308	8.0%	\$9,018,508	8.0%
Soil Conservation	\$35,043	0.1%	\$69,835	0.1%	\$138,027	0.1%
Recreation and Parks	\$852,662	3.0%	\$1,699,507	3.0%	\$3,360,031	3.0%
Community Resources & Services	\$488,738	1.7%	\$974,141	1.7%	\$1,925,938	1.7%
Transportation Services	\$399,199	1.4%	\$795,674	1.4%	\$1,573,097	1.4%
Health Department	\$384,796	1.3%	\$766,967	1.3%	\$1,516,342	1.4%
Social Services	\$23,751	0.1%	\$47,340	0.1%	\$93,594	0.1%
Other Community Services	\$400,331	1.4%	\$797,930	1.4%	\$1,577,557	1.4%
County Council	\$128,162	0.4%	\$255,406	0.4%	\$504,803	0.4%
Other Legislative and Judicial	\$953,993	3.3%	\$1,901,475	3.3%	\$3,759,336	3.3%
Office of County Executive	\$68,469	0.2%	\$136,448	0.2%	\$269,685	0.2%
County Administration	\$395,202	1.4%	\$787,571	1.4%	\$1,556,611	1.4%
Finance	\$269,695	0.9%	\$537,457	0.9%	\$1,062,269	0.9%
Technology & Comm. Services	\$11,261	0.0%	\$22,445	0.0%	\$44,375	0.0%
Other General Government & Non-Depart.	\$360,265	1.3%	\$717,949	1.3%	\$1,419,005	1.3%
TOTAL	\$28,519,433	100.0%	\$56,838,101	100.0%	\$112,288,236	100.0%

Revenue Assumptions & Methodologies



Revenue Methodologies Used

- Detailed Marginal Approach for Property and Income Taxes (90% of GF)
- Per Capita and Employee Approach for More Minor Revenues
- Marginal Approach also used for One-Time Capital Revenues (road excise tax, school surcharge, transfer & recordation taxes)



Cost Assumptions & Methodology



Cost Methodologies Used

- Marginal Approach for Schools (both operating and capital)
- Calls for Service Used for Public Safety (Police and Fire)
- Per Capita and Employee Approach for Other Costs



SAAC Scenario Testing

With No inflation (2023 Dollar)

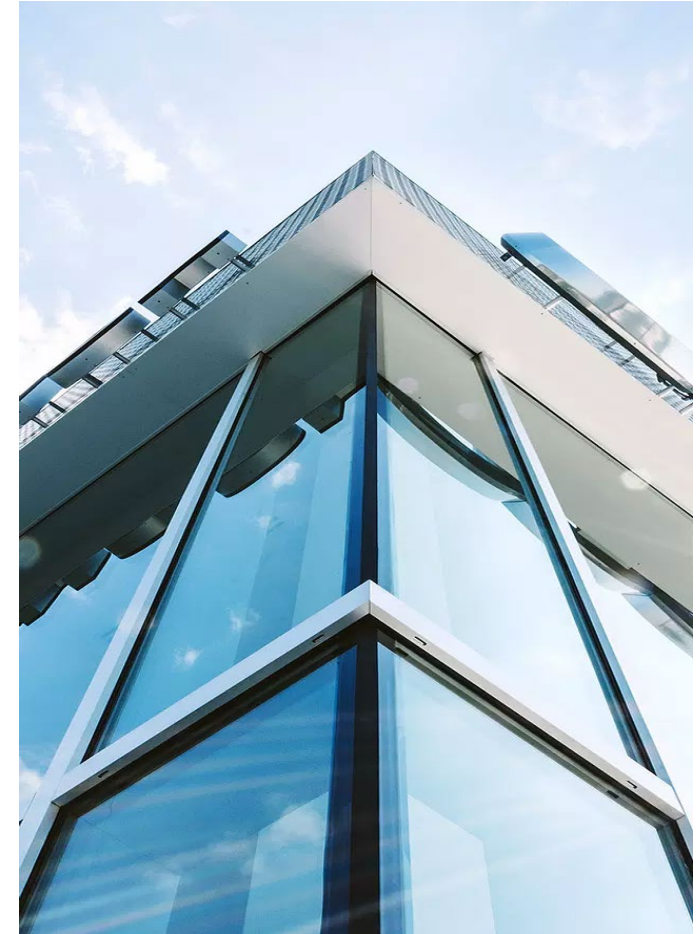
Scenario Testing	18 Year Average Annual Net Revenues (X 1,000)	Percent Difference From Original
Original Assumptions	\$52,466	
Increase Mortgage Interest Rates to 6.5% (from 5%)	\$55,376	5.5%
Increase Cap Rate to 6.5% (from 5.23%)	\$46,589	-11.2%
Increase Affordability Ratio from 28% to 32% for purchased homes and remains at 32% for rental apartments	\$48,250	-8.0%
Non-Residential values reduced by 10% to reflect remote work trend	\$51,244	-2.3%
Above 4 Combined	\$43,485	-17.1%

With 2.5% Annual Inflation (Nominal Value)

Scenario Testing	18 Year Average Annual Net Revenues (X 1,000)	Percent Difference From Original
Original Assumptions	\$71,094	
Increase Mortgage Interest Rates to 6.5% (from 5%)	\$75,061	5.6%
Increase Cap Rate to 6.5% (from 5.23%)	\$63,101	-11.2%
Increase Affordability Ratio from 28% to 32% for purchased homes and remains at 32% for rental apartments	\$65,345	-8.1%
Non-Residential values reduced by 10% to reflect remote work trend	\$69,421	-2.4%
Above 4 Combined	\$58,872	-17.2%

Why Does New Growth Generate Net Positive Revenues?

- New homes are larger and more expensive (for all home types). Assessed values and incomes grow higher relative to existing base.
- New construction pays a significant amount in **one-time revenues** when built. For example, 2,800sf, \$500K home pays \$21,000 for School Surcharge, \$4,676 for Road Excise Tax, \$6,250 for Transfer Tax, and \$2,500 for Recordation Tax = **\$34,426**.
- Non-residential also contributes to property tax revenues and one-time Road Excise, Transfer and Recordation taxes. Service levels are lower for non-residential.
- All assumptions used in fiscal analysis are detailed in [HoCo By Design FIA Assumptions Document](#)



Conclusions and Considerations

- New growth generates positive fiscal results based on current levels of service.
- Largest revenue sources come from property and income taxes (about 90%). *Local income tax* is unique.
- One-time revenues from new growth also important – school surcharge, road excise tax, transfer & recordation taxes.
- Schools (capital and operating) are the most significant costs.
- Challenges ahead: Increasing need to maintain and rebuild *existing* infrastructure.
- Growth is *built into fiscal structure* of the County budget.
- Changing pace of growth will require budget and/or level of service adjustments.



Questions &
Comments

