Office of the County Auditor
Auditor's Analysis

Council Bill No. 28-2023

Introduced: June 5, 2023
Auditor: Owen Clark

Fiscal Impact:

The fiscal impact of the proposed legislation is indeterminable. We are unable to estimate the County's future development activities. These activities are dependent on prevailing market conditions and will be subject to the outcome of the future Comprehensive Rezoning and Adequate Public Facilities Ordinance processes, which may result in changes to projected development growth. We believe the results of this fiscal analysis may be more accurately projected in conjunction with those processes.

However, the Administration has published a fiscal analysis[1] for the HoCo By Design General Plan that relies on certain assumptions and methodologies[2] to estimate the fiscal impact of future County development activities through Fiscal Year 2040. Please see **Attachment A** for a summary we have prepared that shows the Administration's estimated fiscal impact results allocated by the type of development.

We have reviewed the Administration's fiscal analysis that accompanied this legislation, as well as its methodologies and assumptions. We generally agree with the methodologies used to prepare its fiscal analysis, however the fiscal analysis assumes one scenario for both the projected growth associated with land use and the projected assessed values of future residential and non-residential development. This approach does not convey how potential fluctuations in future land use trends and market conditions, including those caused by a period of economic recession, would impact the County. We believe a presentation of scenarios in the Administration's analysis would have been beneficial to the decision makers. See more notes on this in "Other Comments.'

We submitted inquiries to the Administration about certain assumptions that were used in its fiscal impact analysis. Please see **Attachment B** for an overview of notable observations from those responses.

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[1] Source: https://www hocobydesign.com/19071/widgets/60286/documents/39877
[2] Source: https://www hocobydesign.com/19071/widgets/60286/documents/40427

Purpose:

This legislation proposes to adopt the General Plan, referred to as “HoCo By Design,” for the purpose of planning for land use and land conservation, as well as multiyear development planning in Howard County, MD.

Other Comments:

The methodology for determining the fiscal analysis of HoCo By Design contrasts with the analysis prepared as a companion to the previous General Plan (“PlanHoward 2030”) as follows:

- Projected growth associated with land use in the previous General Plan’s analysis included scenarios based on (1) a trend using current development patterns and (2) using a “Maximum Development” scenario that could only be achieved with future zoning changes. The fiscal analysis prepared for this legislation assumes the full development (Maximum Development) of all currently undeveloped residential land capacity, as well as the development of approximately 5,000 additional residential units based on Future Land Use Map (“FLUM”) assumptions.

- Projected assessed values of future development in the previous General Plan’s analysis included scenarios based on (1) an “Average Market Values” scenario and (2) a “Lower Market Values” scenario. The fiscal analysis prepared for this legislation uses only the “Average Market Values” scenario.

Attachment A
Supplemental Information
The Administration's Estimated Fiscal Impact
Itemized by Type of Development

(Rounded by 000's)

Type of Development	Avg. Annual	Year 1 (2023)	Year 18 (2040)
Rental	$24,380	$9,050	$43,956
Single Family Detached	20,345	11,869	31,148
Single Family Attached	11,161	6,552	17,284
Condo	5,023	1,892	9,000
AB+ Office	1,571	329	3,293
Accessory Dwelling Unit	776	122	1,608
Ind/Manuf./Warehouse	471	88	973
B/C/Flex Office	64	50	95
Retail*	(4,919)	(161)	(10,892)
Totals	**$58,872**	**$29,791**	**$96,464**

* The Administration's fiscal impact of retail development is showing as a net loss. This is largely due to its estimated Public Safety costs.

Attachment B
Supplemental Information
Based on responses from the Administration

- The estimated elementary school capital cost factor per student used in the Administration's fiscal analysis (based on the costs for the new Talbot Springs Elementary School) may be understated. An incorrect student enrollment number was used which resulted in a lower cost-per-student rate. Calculating the capital cost factor based on the actual student capacity would decrease the Administration's calculation of average annual net revenues over the 18-year reporting period by $5.2 million (8.8 percent) and by $8.0 million (8.4 percent) in the final year of its model (FY 2040).

- An outdated population value was used to calculate road capital costs. This resulted in understating the per capita factor used for estimating road capital costs. Based on our review of the Administration's fiscal analysis model, applying the corrected per capita factor to this estimate would decrease the Administration's calculation of average annual net revenues over the 18-year reporting period by $2.8 million (4.9 percent) and by $5.8 million (6.0 percent) in the final year of its model (FY 2040).

- Two different student enrollment numbers were used to estimate (1) the systemic capital maintenance cost factor per student and (2) the operating cost factor per student associated with new development in the County.

    - The estimated FY 2023 enrollment of 59,367 students was used to calculate the operating cost per student, as compared to actual FY 2023 enrollment. This resulted in a lower cost factor per student and understated expenses.

    - The actual enrollment for school year 2021-2022 of 57,325 students was used to calculate the estimated cost for systemic capital maintenance costs, as compared to FY 2023 enrollment. This resulted in a higher cost factor and overstated expenses.

    - Based on our review of the Administration's fiscal analysis model, using the May 2023 enrollment value of 58,082 students for the above-noted estimates would decrease the Administration's calculation of average annual net revenues over the 18-year reporting period by $1.2 million (2.1 percent) and by $2.7 million (2.8 percent) in the final year of its model (FY 2040).

- Non-residential operating costs for Public Safety were based on estimates from "Trip Generation, Institute of Transportation Engineers, 7th Edition," which was published in 2003. However, the most current edition of this source document was published in 2021. **NOTE:** We have requested a review of each edition to better understand how the newer edition would impact the Administration's fiscal analysis.