

Climate Assessment

Office of Legislative Oversight

Expedited Taxation – Collection of Development Impact Taxes Bill 22-24:

SUMMARY

The Office of Legislative Oversight (OLO) anticipates Expedited Bill 22-24 could have a minimal impact on the County's contribution to climate change and community resilience as the intention of the proposed bill is to reduce the overall cost of housing construction through changing the timing of when impact taxes are charged. Affordable housing is a component of community resilience; therefore the increased availability of affordable housing could increase community resilience. However, if the proposed changes led to increased development, there would be an increase in the County's greenhouse gas emissions from increased construction.

BACKGROUND AND PURPOSE OF EXPEDITED BILL 22-24

Development impact taxes – also referred to as development impact fees or impact fees – are fees that local governments impose on new development. Localities charge impact fees to developers to help cover infrastructure and public service needs related to population growth.¹

The County collects development impact taxes for transportation and schools. The Transportation Development Impact Tax is assessed on both residential and commercial projects and is used to fund improvements to enhance local transportation capacity. The School Development Impact Tax is assessed on residential projects only and is used to fund improvements to enhance the capacity of the public school system.²

Under current County law, development impact taxes and other related payments are due “6 or 12 months after the building permit is issued (depending on the type of building), or the final inspection of the building by the Department of Permitting Services (DPS), whichever is earlier.”³ If enacted, Bill 22-24 would require these payments only at final inspection of the building by DPS, regardless of building type.⁴ According to the sponsoring Councilmember, the intent of Bill 22-24 is to “reduce[] the overall cost of housing construction” by reducing “higher upfront housing construction costs” associated with paying impact taxes towards the beginning of a project.⁵

The Council introduced Expedited Bill 22-24, Taxation – Collection of Development Impact Taxes, on October 15, 2024.

ANTICIPATED IMPACTS

According to OLO’s Economic Impact Statement, the bill would extend the time developers have before payments are due and “the additional time would likely reduce financing costs for certain development projects, which would potentially increase developers’ business incomes.”⁶ The increased income could incentivize increased development, which could lead to more houses constructed in the County. In turn, more housing stock could lead to more availability of affordable housing and increased emissions from construction in the County.

The availability and quantity of affordable housing has a direct correlation to the overall resilience of a community, and on its ability to prepare for current and future risks. Affordable housing can improve community resilience through two ways: increasing housing stability and alleviating cost-burdened households.⁷ Housing stability can enhance social cohesion by building community ties and enabling residents to stay better connected during emergencies, which increases community resilience. Cost-burdened households, which are households that spend more than 30% of income on housing, generally have less cash on hand to weather shocks, such as extreme weather events, compared to households that are not cost burdened.⁸ Decreasing the amount of cost-burdened households through increasing the amount of affordable housing can improve community resilience as well.⁹

The decreased costs of development may also lead to increased construction activity. In Montgomery County, commercial and residential buildings accounted for 50% of total County emissions in 2018.¹⁰ Most of these emissions came from heating, cooling, and lighting buildings but the construction of new buildings also contributes to total building emissions.¹¹ However, steps can be taken by developers and builders to decrease and offset the emissions associated with construction, such as choosing more less carbon intensive materials and construction methods as well as building energy efficient buildings.¹²

The bill proposes changes that are intended to reduce the overall costs of housing construction and ultimately, reduce the cost of housing in the County. However, it cannot be predicted how much the overall costs of construction will be reduced by and how much affordable housing will be created by this policy. Further, OLO cannot predict how much the proposed changes would increase construction in the County and associated greenhouse gas emissions with the construction. OLO anticipates Expedited Bill 22-24 will have a minimal impact on the County’s contribution to climate change, including greenhouse gas emissions and climate community resilience.

RECOMMENDED AMENDMENTS

The Climate Assessment Act requires OLO to offer recommendations, such as amendments or other measures to mitigate any anticipated negative climate impacts.¹³ OLO does not offer recommendations or amendments as Expedited Bill 22-24 is likely to have minimal impact on the County’s contribution to addressing climate change, including the reduction and/or sequestration of greenhouse gas emissions, community resilience, and adaptative capacity.

CAVEATS

OLO notes two caveats to this climate assessment. First, predicting the impacts of legislation upon climate change is a challenging analytical endeavor due to data limitations, uncertainty, and the broad, global nature of climate change. Second, the analysis performed here is intended to inform the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO’s endorsement of, or objection to, the bill under consideration.

PURPOSE OF CLIMATE ASSESSMENTS

The purpose of the Climate Assessments is to evaluate the anticipated impact of legislation on the County’s contribution to addressing climate change. These climate assessments will provide the Council with a more thorough understanding of the potential climate impacts and implications of proposed legislation, at the County level. The scope of the Climate Assessments is limited to the County’s contribution to addressing climate change, specifically upon the County’s contribution to greenhouse gas emissions and how actions suggested by legislation could help improve the County’s adaptative capacity to climate change, and therefore, increase community resilience.

While co-benefits such as health and cost savings may be discussed, the focus is on how proposed County bills may impact GHG emissions and community resilience.

CONTRIBUTIONS

OLO staffer Kaitlyn Simmons drafted this assessment.

¹ [“Fact Sheets: Development Impact Fees,”](#) Federal Highway Administration, U.S. Department of Transportation.

² [“Development Impact Taxes,”](#) Montgomery County Department of Permitting Services.

³ [Introduction Staff Report for Bill 22-24,](#) Montgomery County Council, Introduced October 15, 2024, PDF pg. 2.

⁴ Ibid.

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- ⁵ Memorandum from Councilmember Evan Glass to Government Operations Committee, Introduction Staff Report for Bill 22-24, circle 4
- ⁶ Office of Legislative Oversight, Economic Impact Statement for Bill 22-24, November 12, 2024.
- ⁷ U.S. Department of Housing and Urban Development, "[Building More Resilient, Equitable, and Inclusive Communities](#)", September 13, 2022.
- ⁸ U.S. Census Bureau, "[Nearly Half of Renter Households Are Cost-Burdened, Proportions Differ by Race](#)", September 12, 2024.
- ⁹ U.S. Department of Housing and Urban Development, "[JCHS State of the Nation's Housing Report](#)", September 17, 2024.
- ¹⁰ Montgomery County Government, "[Montgomery County Climate Action Plan](#)", June 2021.
- ¹¹ United Nations Environment Program, "[Building Materials And The Climate: Constructing A New Future](#)", September 12, 2023.; U.S. Department of Energy, "[New Residential Construction Carbon Emissions](#)", February 2023.
- ¹² U.S. Department of Energy, "[New Residential Construction Carbon Emissions](#)", February 2023.
- ¹³ Bill 3-22, Legislative Branch – Climate Assessments – Required, Montgomery County Council, Effective date October 24, 2022