"Federation Corner" column
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Who gets the bill?
by Jim Humphrey, Chair, MCCF Planning and Land Use Committee

The current County Council set a goal for itself of approving revision of the master plans for six communities in the county--Twinbrook and Germantown (both of which have been approved), and Gaithersburg West, White Flint, Kensington and Takoma/Langley (which are in process of being revised). The six revised plans will increase the allowed density of development on properties in these communities, allowing tens of thousands of more housing units and millions of square feet of commercial space to be built. But all of this development will require infrastructure to support it: new schools; added roads and transit capacity; additional or enlarged water and sewer lines; and, expanded police and fire department service.

Each time a master plan is revised, the County Executive provides the Council with a fiscal analysis that calculates the costs for the infrastructure needed to accommodate the increased growth being proposed. For example, Mr. Leggett estimated the cost of needed infrastructure to accommodate the proposed 'Science City' to be built west of the city of Gaithersburg at $1.5 billion. Actually, Maryland Department of Transportation has calculated the costs of road and transit improvements at $1.5 billion. And we know that, in addition to these transportation needs, the county will likely need to build a new elementary school and a new high school in the area. So, the County Executive may have underestimated the final price tag.

In his December 4, 2006 inaugural address, County Executive Ike Leggett stated "Properly planned growth is essential for our future. But we need sufficient infrastructure to handle what we already have in place and what has been approved." What Mr. Leggett was alluding to is the fact that for decades, under previous administrations, private development projects had been approved and built for which insufficient infrastructure was provided. So, during nearly three years under Leggett's administration, the county has been in a game of catch up, trying to provide the necessary public facilities to support development that already exists. And in the fall of 2005, just before he took office, a task force reported to Council that there was a 20 year backlog for maintenance and replacement of existing infrastructure.

So, who will pay for the new infrastructure needed for the added growth being proposed in the Gaithersburg West master plan? The theory is that private developers should pay the lion's share of the cost of new infrastructure needed to accommodate their projects. But costs are exacted in varying ways. For instance, in the Gaithersburg West and White Flint plan areas, developers will be asked to contribute the land on which to build new local roads, which will cut into their profits. A concern of planners is that we not overburden them by requiring they also pay to construct the roads. But won't these public roads provide access to the new buildings these developers are constructing, making their developments more attractive to market and, thereby, more profitable?

In his fiscal analysis for the Gaithersburg West master plan, the County Executive calculated that the net revenue to the county from new growth in the area at around $43 million per year. At that rate, even if the county funds only half of the predicted $1.5 billion in infrastructure costs, it will be 15 years before the public's bill for 'Science City' is repaid. And last week, Councilmember Mike Knapp proposed a Life Sciences and Technology Economic Development Strategy that recommends giving tax incentives to attract new bioscience research and development companies to the county. So, while the County Executive is trying on one hand to figure out how to fund new infrastructure to accommodate the growth, Mr. Knapp is plotting how to give away some of the much-needed revenue that may result from that growth.

The County Executive has estimated the costs at nearly $1 billion for infrastructure needed as a result of the upzoning of properties in the White Flint master plan area, where a new network of local roads is also planned. The county (meaning "taxpayers") is predicted to foot the bill for one-third of that. Yet this upzoning is an increase in the density of development allowed on these properties, from which private developers will profit. Granted, we will all have the opportunity to use the new roads network planned for White Flint. But if taxpayers were given the choice between the use of some new local roads in White Flint or holding taxes in check, which do you think they would choose? And there would be no need for these roads if developers weren't salivating over building on large undeveloped or so-called underdeveloped parcels in the area.

I don't have to tell the readers that times are hard since the international economy nearly collapsed a year ago. The fiscal situation facing the county government is grim, with a $375 million shortfall projected for the fiscal year beginning July of next year likely to grow larger. It is mirrored by an equally grim situation facing the real estate market. A study by Deutschebank, released in August, predicted that home mortgage defaults will continue to rise with foreclosures topping off at 51% in mid-2011, from a 26% level in March of this year. And, we have not really begun to experience the full impact of a predicted commercial foreclosure crisis, with developers defaulting on commercial building loans due to loss of rental income from retail and office space as businesses close. In some areas of the country, entire shopping centers sit boarded up and unsold on the foreclosure auction block.

County Executive Leggett also stated in his 2006 inaugural address that "When it comes to development, too often in the past we have asked the wrong question. We have simply asked, 'What do we have to do to approve this project?' Instead of, 'Should we approve this development project and how will it best serve our community?' " Perhaps the appropriate question to ask, Mr. County Executive, is "how are the taxpayers going to afford to pay for all of the growth the County Council is allowing in master plan revisions?"

The views expressed in this column do not necessarily reflect formal positions adopted by the Federation. To submit an 800-1000 word column for consideration, send as an email attachment to theelms518@earthlink.net