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**Maryland National Capital Building Industry Association (MNCBIA)  
 Testimony Before the Montgomery County Council  
 On  
 Expedited Bill 4-09: Development Impact Tax – Deferral  
 Expedited Bill 5-09: Permit Fees – New Construction - Deferral**

**March 3, 2009**

Good afternoon. My name is Tom Farasy.

I am the 2009 President of Maryland-National Capital Building Industry Association. The BIA represents builders and developers in Prince George's, Montgomery, St. Mary's, Charles and Calvert counties. We have 600 + members today.

The MNCBIA supports the County Executive's Emergency Bill Nos. 4-09 and 5-09, with amendments.

Bills 4-09 and 5-09 as drafted creates a bureaucracy that is costly to the County, cumbersome to the applicant, and burdensome to both; it provides under the *most optimum* of circumstances, eight months breathing room to an industry underwater and struggling to stay afloat.

Given the national regional and local forecasting, eight months is clearly not enough.

I do not need to brief the Council on the severity of the recession that we are all experiencing. It is in the news everyday and none of us have ever experienced this type of recession. The County's drop in revenues mirrors the precipitous drop in the housing market. Unfortunately, the forecast by industry experts does not offer any relief until well beyond 2009.

As you may remember, sales and building starts in 2008 were dramatically reduced as compared to 2007. Hanley Wood, the research company that tracks new home sales in residential projects over 10 units, reports for Montgomery County:

- \* Net sales were 894 in 2008 vs. 1159 in 2007 vs. 2621 in 2006;
- \* The average new home sales in 2008 vs. 2006 were as follows:

Type	2008	2007	2006
Single Family	\$792,120	\$888,850	\$905,795
Townhouse	\$437,806	\$513,764	\$507,692
Condominium	\$339,113	\$506,130	\$473,736

- \* The vacant lot inventory has grown to a 12.2 month supply as of December 31, 2008 vs. an average of 2.2 months supply in calendar 2006; the normal lot inventory is 2 months, so we are six (6) times the norm.

**BUILDING HOMES, CREATING NEIGHBORHOODS**

Two recent reports by Zelman & Associates affirm that this recession will not recede anytime soon; to highlight a few details:

Hope Now: Delinquency and Foreclosure Report, January 2009

- This month's foreclosure rate marks the highest level since July 2007
- In December 2008, 203,000 homes entered the foreclosure process, up from 169,000 in November 2008

Foreclosures Presenting Unprecedented Conditions, January 26, 2009

- 2009 new sales to decrease 40%
- Due to unprecedented competition from foreclosures, Zelman projects ***new home sales to be less than 7% of real estate home sales*** vs. an historical median of 16%
- Zelman is lowering new housing starts from 750,000 to 575,000 for 2009
- ***No increase in housing starts until 2011***

(The Hanley Wood and the Zelman Reports are attached to my testimony for your convenience)

Many of our suppliers, builders and developers have had 4, 5 or more rounds of layoffs. Last week alone, a concrete supplier reported he went from 100 employees a year ago to 30 today; one of our builders reported to me, his payroll has gone from 72 employees a year ago to 17 today. Such stories go on and on.

While we anticipate a recovery, and anticipate that the President's Stimulus Bill will have an effect, what we know is that this recovery will not be traditional, and there is no ***guaranteed*** trigger date. This is the reality that frames the industry's comments today.

Bills 4-09 and 5-09 are well intentioned; however:

1. The legislation requires a lien on the property. A lien will require lender consent. Unfortunately, many lenders are not available for such conversations; when available, they are not making decisions. This process requires asking lenders to agree to an action that increases their risk; we believe that lenders would not respond to this request, nor agree to the placing of a lien, thereby negating the deferral provided by the legislation.
2. The legislation sunsets on April 01, 2010 providing less than 1 year window for applicants who have dared, or who dare, to initiate any development or construction.
3. The legislation requires an agreement between the applicant and the Department of Permitting Services. This is an expensive, onerous and lengthy proposition; in addition there is no certainty ... by the time the agreement is drafted, negotiated amongst the parties, agreed to by the parties, consent obtained from the lender any period of benefit if one ever gets to the finish line might be 3 months of relief at best. We are in a recession cycle that is going to last for years, not 3 months.

**Maryland National Capital Building Industry Association (MNCBIA)**  
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**On**  
**Expedited Bill 4-09: Development Impact Tax – Deferral**  
**Expedited Bill 5-09: Permit Fees – New Construction – Deferral**  
**March 3, 2009**  
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Our amendments are simple:

- Utilizing DPS's current system of inspections, require that all deferred fees and taxes be paid before an Occupancy Permit can be issued; when an Occupancy Permit is not required, require that fees and taxes be paid prior to final inspection.
- Given the unpredictability in the current economy to guarantee any significant recovery in the next 36 months, provide a sunset date of April 01, 2013.

The industry needs relief, quickly, simply, Not a lien, not an agreement, not for less than one year. Our proposal assures that the County will be paid its impact taxes, as well as its permit, inspection, license, and engineering fees.

Our members look forward to participating in the Council's worksessions on these Bills. Thank you for the opportunity to present the industry's perspective today.