



## MEMORANDUM

December 30, 2015

TO: Mayor and Council

FROM: Brian R. Wilson, AICP, Principal Planner

VIA: Susan Swift, AICP, Director of Community Planning and Development Services

SUBJECT: Annexation Petition ANX2015-00145, Fiscal Impact Analysis

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At the December 7, 2015 Mayor and Council meeting, questions were raised regarding the fiscal impact information provided in the staff report for the proposed annexation of 15931 Frederick Road. The questions centered on the fiscal impact analysis of the proposed development of 405 multifamily dwelling units.

### **Overview of Model**

In 2012, the City of Rockville hired a consultant team to develop a Development Fiscal Impact Analysis Report (Exhibit 1). The completed study was presented to the Mayor and Council on January 7, 2013. The work product includes a report detailing the approach and methodology (Exhibit 1 Page 1-5), as well as a spreadsheet model that allows the City to input data and assess the fiscal impact of development. It is important to keep in mind that the model is based on City-wide average costs, and is intended to provide “in the ballpark” estimates of the relative fiscal impacts of land use types.

Within the spreadsheet, data (including assessed values by land use type), demographic projections, property tax revenues and City of Rockville budgeted revenues and expenditures are utilized to generate an expected fiscal impact. It is important to note that the fiscal impact analysis only includes expenses and revenues related to services provided by the City. Services provided by the County, such as public education and libraries, and any services provided by the State were not included in the analysis because the City does not bear the fiscal responsibility for providing such services. Other assumptions and challenges associated with the model are described below:

- The model assumes an average expense per household and per employee, which is based on adopted City budgets. Each increase in residential dwelling units represents a marginal increase in expense based on the anticipated population increase. However, given that the model is based on City averages, this occurs without consideration for where the project is

located. For instance, a transit oriented development (TOD) project by the Metro is assumed to have the same costs as a non-TOD project elsewhere in the City.

- The model assumes that 1.99 persons per household (pph) will occupy multiple-family units. This was used in the study since it was the only reliable figure at the time, coming from the Census as a City-wide average for all multiple family units, regardless of size, type, number of bedrooms or location.
- The Fiscal Impact Study pointed out challenges (page 14) with the assumptions in the model and uses the Westchester at Rockville Town Center (100 First Street) as an example. In this example the pph was changed from 1.99 to 1.50 for illustration purposes, and the impact was substantial in that it was much more fiscally positive to the City. This was performed with the understanding that the pph used in the model was likely too high for some apartments closer to transit stations, but current census or other data did not exist to include in the model for the overall study.

It is important to note that the model deals with averages across the City and uses relative costs and revenues for different land uses. The model was not developed to estimate the cost revenue of specific development projects, which makes it difficult to be precise for an individual development. This is due to some of the challenges discussed regarding persons per household issues and a lack of locational sensitivity. As a result, the model may be overly conservative for certain projects, particularly with multiple family developments.

As previously mentioned, County Fees and expenditures were not included in the analysis. Below is a table detailing additional revenue (such as development fees) that would be generated by the proposed development. Some of these, such as application fees, were included in the model as per capita increases in revenue.

<b>Impact and Permit Fees For the Silverwood Development</b>	<b>Amount</b>
Transportation Fee	\$364,500
Annexation (ANX)	\$10,806
Notification Signs	\$250
Pre-Application (PAM)	\$500
Site Plan Level 2	\$11,100
DPW Fees	\$109,244
Demolition	\$500
Foundation Only	\$250
Building Permit	\$164,657
Occupancy Permit	\$16,750
<b>Total Fees</b>	<b>\$675,557</b>

### **Taxes**

The new Silverwood project is proposed to be located on a four acre site at the intersection of Frederick Road and the Shady Grove Metro Access Drive. Until recently, it housed a CarMax car sales lot, which has relocated to Shady Grove Road. The current assessed value and taxes generated are shown in the table below. If the property were annexed into the City and taxed as it is currently developed, the City would receive approximately \$12,000 in property tax revenue annually.

<b>Tax Description</b>	<b>Assessment</b>	<b>Rate</b>	<b>Tax/Charge</b>
State Property Tax	\$4,263,900	0.1120	\$4,775
County Property Tax	\$4,263,900	0.9992	\$42,604
City Property Tax			\$0
Solid Waste Charge			\$1,430
Water Quality Protection Charge			\$5,272
<b>Total</b>			<b>\$54,083</b>

If developed as proposed with 405 units, the estimated annual property tax revenue is approximately \$1,175,248. Of this total, the City of Rockville share of these property taxes would be approximately \$260,032 per year. The table below provides an estimate of property tax revenue after development.

<b>Projected 2018 Tax Summary</b>	<b>Assessment</b>	<b>Rate</b>	<b>Tax/Charge</b>
<b>Tax Description</b>			
State Property Tax	\$89,051,901	0.1120	\$99,738
County Property Tax	\$89,051,901	0.9992	\$801,467
<b>Rockville Property Tax</b>	<b>\$89,051,901</b>	<b>0.2920</b>	<b>\$260,032</b>
<b>Solid Waste Charge</b>			<b>\$6,472</b>
<b>Water Quality Protection Charge</b>			<b>\$7,539</b>
<b>Total</b>			<b>\$1,175,248</b>

### **Proposed Silverwood Annexation – Fiscal Impact Analysis**

In regards to the specific calculations of the fiscal impact of the proposed Silverwood development, staff utilized existing assessment data from comparable development within the City. For the purposes of this analysis, Westchester at Rockville Town Center and Residences at Congressional Village were selected as comparable developments. Based on the specific statistics of the proposed development, as well as the comparable development projects, the initial results reported in the Annexation Plan showed a fiscal benefit over twenty years of between \$2,505 and \$14,633 per year. This range is based on the estimated initial assessed value of the project being between \$83,360,398 on the low side and \$86,402,183 on the high side. As expressed above, this result represented a very conservative estimate and one that potentially overstates the costs given to the higher-assumed pph rate.

However, we also re-ran the fiscal model with different assumptions, which we feel are reasonable to include. One involves an adjustment to the Persons Per Household (pph) assumed for multi-family units. The model originally anticipated 1.99 persons per household and a new estimate of 1.54 was utilized. The pph at 1.54 is supported by a recent study dated October 21, 2015 by Urban Analytics

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in Alexandria, VA for the Urban Land Institute entitled, "Understanding the Fiscal Impacts of Transit-Oriented Development Projects in Virginia and Maryland." This study reviewed data from over 45 TOD projects in the DC metro area including Montgomery County. The average household size for TOD projects in Montgomery County, MD is 1.6. The average household size for the Alaire, a new TOD project in Rockville, is 1.54. The average household size for the TOD Projects in Arlington is 1.24.

Another adjustment was to use the value of the project at completion and occupancy in FY18/19. With this adjustment, the estimated assessed value of the project increases from a range of between \$83 million and \$86 million to a range of between approximately \$86 million and \$89 million. Utilizing the more refined assumptions explained above, the net fiscal impact of the proposed development increases to a positive amount of between \$36,311 and \$47,659 per year projected over a 15 year period.

	<b>Previous Model</b>	<b>Revised Model</b>
<b>Persons Per Household</b>	1.99	1.54
<b>Assessed Value</b>	\$83,360,398 - \$86,402,183	\$85,891,995 - \$89,026,290
<b>Net Fiscal Benefit Per Year</b>	\$2,500 - \$14,633	\$36,311 - \$47,659

We hope this information provides greater insight into the results of the City's fiscal impact analysis. If you have further questions, please do not hesitate to ask.

**Attachments:**

Exhibit 1 - City of Rockville Development Fiscal Impact Analysis Report, December 12, 2012

Cc: Susan Swift, AICP, Director of Community Planning and Development Services