

## MEMORANDUM

TO: Laura Mehfoud, Planner II

CC: Tom Lonergan-Seeger, Assistant City Manager

FROM: Sharon Disque, Economic Development Manager

DATE: March 19, 2024

RE: Casey Annexation – Estimated Economic Impact

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The attached estimated economic impact of the Casey Annexation is based on the project described by the applicant, construction of new multifamily buildings with a mix of affordable and market rate units.

Typically, annexations that are exclusively or primarily residential generate a negative value, and such is the case with this project.

- Real property tax revenue from commercial accounts subsidizes the cost of government functions that serve residents.
  - Whether living in newly annexed areas or long-established City neighborhoods, all City residents benefit from the additional real property taxes paid by commercial property owners.
- The negative value generated here is not a direct cost to the City. In actuality, the services represented by the estimate are absorbed throughout various functions of local government.

# Casey Annexation

## Revenue/Expense Summary - Impact upon Annual Operating Budget

### Phase 1

Date: March 18, 2024

Prepared by: S. Disque, Economic Development Manager

#### Revenue

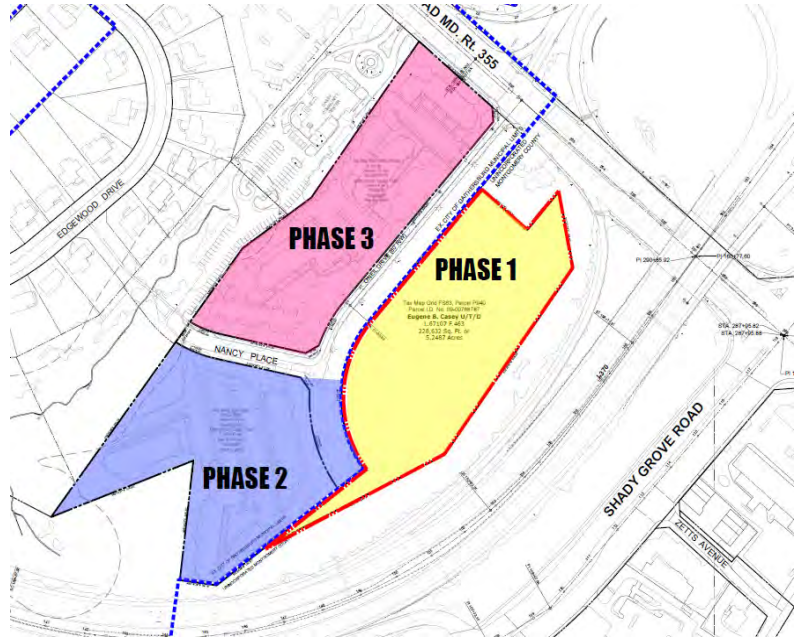
City Real Property	\$62,591
City Business Personal Property	\$0
Personal Income	\$2,913
<b>TOTAL Revenue</b>	<b>\$65,504</b>

#### Revenue Adjustment

Real Property Tax Contribution Rate	65.4%
Adjusted Revenue	\$95,704
Personal Income	\$2,913
<b>TOTAL Adjusted Revenue</b>	<b>\$98,618</b>

#### Expenses

Expenses (net) - current total	\$43,463,436
City Population	71,760
Per Capita Net Expenses	\$606
Population (subject property)	374
<b>TOTAL Net Expense</b>	<b>\$226,766</b>



#### Net Annual Revenue

**-\$128,148**

**Estimated Real & Personal Property Tax Revenue: \$62,590.64**

Prepared: March 18, 2024

Multifamily units: 160  
 Commercial: 10,000 sq. ft. (not included in estimate)

\*Low probability that space will be constructed

\*Statement in Support of Annexation acknowledges that Phase III is better suited to commercial uses.

\*If commercial space is included in the same structure as one of the multifamily buildings in Phase I, the estimated value and tax revenue is accounted for via the method used here

Tax exemptions/credits: none

Tax Rate (FY 2024)	
City	0.262

Market Segment	Percent of Units
Affordable at 60% AMI	75%
Market Rate	25%

Values	
Existing (Before)	\$2,332,100
Developed (After)	\$23,889,558

New Construction Value	Units	Value per Unit	Total
<b>Residential: Multifamily Rental</b>			
Phase 1			
Affordable	120	\$125,325	\$15,038,955
Market Rate	40	\$221,265	\$8,850,604
<b>TOTAL</b>	<b>160</b>		<b>\$23,889,558</b>
<b>Commercial</b>	10,000 sq. ft.	excluded	\$0
		<b>TOTAL:</b>	<b>\$23,889,558</b>

**Existing Land (not currently taxed by City)**

CURRENT COUNTY REVENUE (FY 2016)					
Address	Parcel	Amount	Value	Improvements	Land Area (SDAT)
South Frederick Ave	09-00768787	\$24,258.51	\$2,332,100	none	229,997 sq. ft.
<b>TOTAL:</b>		<b>\$24,258.51</b>	<b>\$2,332,100</b>	sq. ft.	229,997 sq. ft.

Annual City Revenue After Construction	
Tax Revenue from New Construction	\$62,591
<b>TOTAL:</b>	<b>\$62,591</b>

Business Personal Property Estimate	
Not applicable	\$0

Threshold for Residential Contribution to General Fund	
Percent of Real Property Assessable Base (from County RealPropertyReportProduction2)	
Residential	65.4%
Commercial, Industrial, Mixed	34.6%

**NOTE:** State of Maryland requires that the assessed value of affordable housing, as defined under Section 42 of the Internal Revenue code, be determined via Maryland Tax Property Article Section 8-105(3)

**Estimated Personal Income Tax Revenue: \$2,913**

Prepared February 29, 2024

**Household Income for Tax Calculation: HUD Adjusted Home Income Limits**

AMI (2023)		
2-person	\$120,600.0	
3-person	\$135,700.0	
<b>60% AMI</b>		
		Units: 60
2-person	\$72,360	Income: \$76,890
3-person	\$81,420	
<b>Very Low Income</b>		
		Units: 60
2-person	\$60,300	Income: \$64,075
3-person	\$67,850	
<b>80% AMI (for Market Rate)</b>		
		Units: 40
2-person	\$96,480	Income: \$102,520
3-person	\$108,560	

**Annual City Personal Income Tax Revenue**

**Assumptions**

County income tax rate	0.032
Percent of County to City	0.7%
Percent gross income subject to tax:	75%

	<u>60% AMI</u>	<u>Very Low Income</u>	<u>Market Rate</u>
<b>Units</b>	60	60	40
<b>Household Income</b>	\$76,890	\$64,075	\$102,520
<b>Subtotal</b>	\$4,613,400	\$3,844,500	\$8,457,900
<b>Income (all households)</b>	\$16,915,800		
<b>Estimated Income Tax:</b>	<b>\$2,913.16</b>		

**County Income Tax:**

		<u>Percent of County</u>
City - Actual (2023), from ACFR	\$16,034,839	0.72%
City - Budgeted (2023), from ACFR	\$15,450,000	0.83%
County - Actual (2023), from ACFR	\$2,234,621,799	
County - Budgeted (2023)	\$1,870,513,719	

## Estimated Cost of City Services:

Prepared March 18, 2024

### Residential:

**\$226,766**

#### Per Capita Cost - Residential

SOURCE: Annual Comprehensive Financial Report FY 2023

<b>Total City Expenditures (actual):</b>	\$67,685,933
<b>Total City Population (2023):</b>	71,760
<b>Total City Housing Units Completed (adjusted for vacancy, 2022 ACS 5-year):</b>	25,671
<b>Residents per Multifamily Unit, Rental (2022 ACS 5-year):</b>	2.34
	<b>Estimated Residents (multifamily):</b>
	374

Net Expenses by Categories: History	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
Public Safety	\$7,532,993	\$11,969,028	\$2,769,666	\$7,714,906	\$8,062,576
Public Works	\$8,260,975	\$8,819,663	\$8,529,733	\$7,074,385	\$7,288,074
Parks, Recreation & Culture	\$7,346,317	\$6,936,342	\$5,327,480	\$4,917,534	\$6,178,852
Community Services & Development	\$2,884,457	\$2,674,317	\$2,157,659	\$2,510,794	\$2,481,635
Non-departmental (General Gov't, Interest)	\$17,438,694	\$11,971,555	\$14,012,703	\$17,516,124	\$16,003,891
<b>TOTAL:</b>	<b>\$43,463,436</b>	<b>\$42,370,905</b>	<b>\$32,797,241</b>	<b>\$39,733,743</b>	<b>\$40,015,028</b>
Population	71,760	71,499	70,415	70,223	70,010
Per Capita	\$606	\$593	\$466	\$566	\$572
Net Cost (subject property)	<b>\$226,766</b>				

**Residential Comps: Multifamily**

Prepared February 27, 2024

Location: North Rockville, Gaithersburg, Germantown

Search Criteria: multifamily; affordable, market rate; existing, under construction; built 2015 or later

Property Name	Property Address	Assessed Value (Levy Year 2023)	Tax Exemptions, Credits	Assessed Value per Unit	Star Rating	Building Class	Building Status	Number of Units	Style	RBA (SF)	Affordable Type	Market Segment	Year Built	City	State	Number of Stories	Vacancy %	Avg Unit SF	Avg Asking/Unit	Avg Asking/SF	Rent Type
Aventon Crown	800 Rockwell Ave	\$63,884,700	none	\$165,934	4	A	Existing	385	Mid-Rise	385,641		All	2022	Gaithersburg	MD	7	3.9	908	\$2,503	\$2.75	Market
Fairchild Apartments	20013 Century Blvd	\$55,350,733	none	\$261,088	4	A	Existing	212	Mid-Rise	243,210		All	2023	Germantown	MD	6	22.1	777	\$1,755	\$2.25	Market
Axis at Shady Grove	9305 Corporate Blvd	\$48,600,300	none	\$132,788	4	A	Existing	366	Mid-Rise	313,000	Affordable Units	All	2016	Rockville	MD	5	2.4	991	\$2,197	\$2.22	Market/Affordable
The Elms at Century	12815 Fairchild Dr	\$67,944,467	Brownfields Tax Credit	\$226,482	4	A	Existing	300	Mid-Rise	216,400		All	2019	Germantown	MD	5	7.0	1201	\$2,330	\$1.94	Market
Bainbridge Shady Grove	15955 Frederick Rd	\$75,000,000	none	\$179,856	4	B	Existing	417	Mid-Rise	363,000		All	2015	Rockville	MD	6	6.2	891	\$2,086	\$2.34	Market
The Laureate	8005 Gramercy Blvd	\$104,123,900	Exempt	\$388,522	4	A	Existing	268	Mid-Rise	185,005	Affordable Units	All	2023	Rockville	MD	6	12.1	831	\$2,361	\$2.84	Market/Affordable
The Daley	8010 Gramercy Blvd	\$91,716,400	none	\$275,425	4	A	Existing	333	Mid-Rise	407,130	Affordable Units	All	2017	Rockville	MD	5	6.3	838	\$2,288	\$2.73	Market/Affordable
Camden Shady Grove	9705 Key West Ave	\$127,484,700	none	\$278,960	4	A	Existing	457	Mid-Rise	498,072	Rent Restricted	All	2017	Rockville	MD	6	3.7	879	\$2,217	\$2.52	Market/Affordable
Crossings at Olde Towne	200 Olde Towne Ave	\$24,939,600	PILOT	\$125,325	4	A	Existing	199	Mid-Rise	170,000	Rent Restricted	All	2016	Gaithersburg	MD	5	4.9	1032	\$1,707	\$1.65	Affordable
Spectrum Majestic	116 (100) Paramount Park Dr	\$58,469,000	none	\$240,613	4	A	Existing	243	Mid-Rise	269,308		All	2016	Gaithersburg	MD	4	0.7	943	\$2,112	\$2.24	Market
The Flats at Shady Grove	1380 Piccard Dr	\$26,558,300	none	\$131,477	3	B	Existing	202	Low-Rise	147,236	Affordable Units	All	2016	Rockville	MD	3	5.1	518	\$1,574	\$3.04	Market/Affordable
Bell Shady Grove	15250 Siesta Key Way	\$95,875,500	Brownfields Tax Credit	\$304,367	4	A	Existing	315	Mid-Rise	315,000	Rent Restricted	All	2019	Rockville	MD	4	5.1	892	\$2,416	\$2.71	Market/Affordable
Mallory Square	15251 Siesta Key Way	\$96,709,900	none	\$264,959	4	A	Existing	365	Mid-Rise	434,440	Affordable Units	All	2015	Rockville	MD	4	7.6	941	\$2,263	\$2.41	Market/Affordable
Camden Washingtonian	10201 Washingtonian Blvd	\$78,209,600	none	\$216,049	4	A	Existing	362	Mid-Rise	365,000		All	2018	Gaithersburg	MD	5	5.3	887	\$2,306	\$2.60	Market
Alta Liberty Mill	19520 Waters Rd	\$45,054,067	none	\$148,204	4	A	Existing	304	Mid-Rise	377,469	Rent Controlled	All	2015	Germantown	MD	5	1.3	920	\$2,008	\$2.18	Market/Affordable
Seneca Creek Senior Living*	19105 Frederick Rd	\$1,434,600	PILOT	\$12,924	3	B	Existing	111	Mid-Rise	111,000	Rent Subsidized	Senior	2024	Gaithersburg	MD	4	6.2	724	\$1,817	\$2.51	Affordable
Seneca Heights Apartments	18715 N Frederick Ave	\$6,281,700	Exempt	\$93,757	3	B	Existing	67	Low-Rise	40,000	Rent Subsidized	All	2023	Gaithersburg	MD	2	3.8				Affordable

DIAN (all completed): \$221,265

\*Assessed value does not include completed improvements

MEDIAN (affordable; completed): \$125,325