
MEMORANDUM TO: Mayor and City Council
FROM: Laura Mehfoud, Long Range Planner
DATE: March 20, 2024
SUBJECT: Staff Analysis and Economic Impact Report:
Application X-9683-2023:

Request to annex the approximately 5.25 acre Casey Property, parcel P940 located on South Frederick Avenue between O'Neill Drive and I-370 into the City of Gaithersburg, and rezone from the County's CRT-.75 C-.25 R-.75 H-80 Zone to the City of Gaithersburg's CD Zone as shown on the associated annexation plan.

APPLICANT

The Eugene B. Casey Foundation

OWNERS

The Eugene B. Casey Foundation
16803 Crabbs Branch Way
Rockville, MD 20855

TAX MAP REFERENCE:

Map FS63, Parcel P940

TAX ACCOUNT NUMBER:

ID# 09-00768787

REQUEST

The Applicant, the Eugene B. Casey Foundation, has submitted Annexation Petition X-9683-2023. The petition requests the annexation of approximately 5.25 acres of land, consisting of one (1) tax parcel (Site or Annexation Area). The Annexation Area is adjacent to and contiguous to the current City limits. The tax parcel (Property) is owned by the Eugene B. Casey Foundation and identified as parcel P940 on Tax Map FS63 (currently unaddressed). As part of the annexation request, the Applicant is requesting to

rezone the Property from the County's Commercial Residential Town (CRT) Zone to the City of Gaithersburg's Corridor Development (CD) Zone. An annexation plan has also been included in the Applicant's petition. The annexation was introduced during the December 4, 2023 Mayor and City Council Meeting.



Location

PETITION AND ANNEXATION PLAN X-9683-2023

Annexation Plan X-9683-2023

The Applicant originally filed the petition for annexation of the Property into the City of Gaithersburg on October 30, 2023, including an annexation plan. The annexation plan¹ establishes the following proposed City zoning and associated density limits for the annexation area:

City of Gaithersburg Zoning Chart	
Parcel	Parcel 940
Zoning	CD
Tract Area	228,632 sf / 5.25 ac
*Density	$C = 1.5 \times 0.25 = 0.375 \text{ FAR}$ (C = 0.375 x 228,632 sf = 85,737 sf) $R = 1.5 \times 0.75 = 1.125 \text{ FAR}$ (R = 1.125 x 228,632 sf = 257,211 sf) $CR = 1.5 \times 0.75 = 1.125 \text{ FAR}$ (CR = 1.125 x 228,632 sf = 257,211 sf)
³ Development Type/Use	Residential up to 257,211 sf Commercial up to 85,737 sf
Total	257,211 sf
Existing Gross Floor Area (FAR)	0 sf
Proposed Gross Floor Area (FAR)	257,211 sf

³Combined total commercial and residential density cannot exceed 257,211 sf

The Property is proposed to be placed in the City’s CD Zone with a maximum density based on a 50% increase above the density allowed under the current County CRT zoning: up to a 1.125 FAR overall (257,211 square feet), with up to a 0.375 FAR for a commercial use (85,737 square feet), and up to a 1.125 FAR for a residential use (257,211).

Pursuant to Local Government Article of the Maryland Annotated Code, Subtitle 4-400, Subsection 4-416(b) states (emphasis added):

“Without the express approval of the ... county council of the county in which the municipality is located, for 5 years after an annexation by a municipality, the municipality may not allow development of the annexed land for land uses substantially different than the authorized use, or at a substantially higher density, not exceeding 50%, than could be granted for the proposed development, in accordance with the zoning classification of the county applicable at the time of the annexation”

The plan includes and reflects the following binding density limit, in conformance with the Maryland Annotated Code.

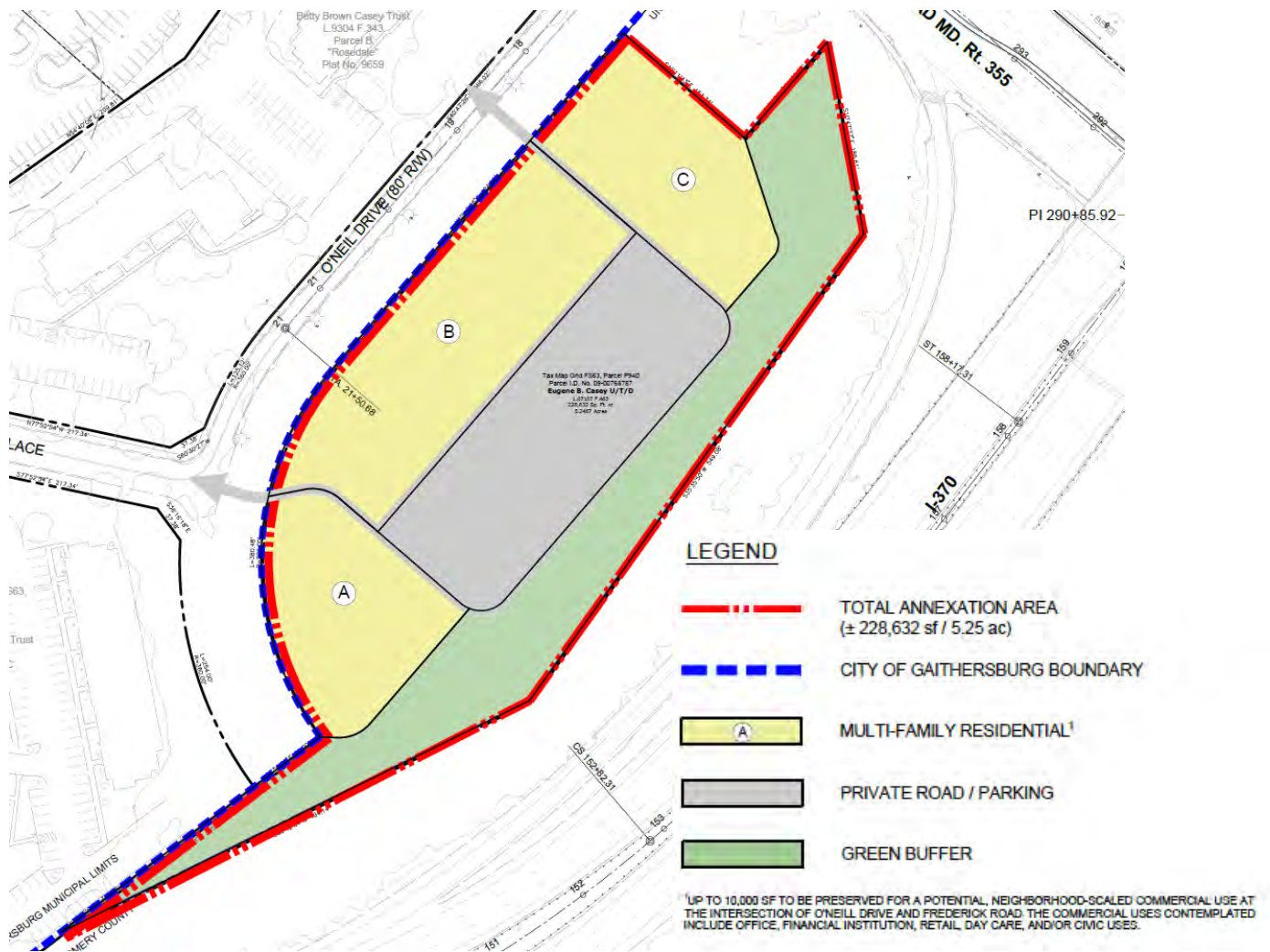
¹ Exhibit 16

DENSITY NOTES:

*THE FUTURE DENSITY OF THE SITE SHALL NOT EXCEED 1.5 TIMES THE AMOUNT OF THE DENSITY CURRENTLY PERMITTED BY THE EXISTING MONTGOMERY COUNTY COMMERCIAL RESIDENTIAL TOWN (CRT-0.75, C-0.25, R-0.75 H-80) ZONING, OR AN OVERALL:

- **MAXIMUM DENSITY OF 1.5 x 171,474 SF = 257,211 SF**

The annexation plan² shown below reflects future residential uses for the Property.



Annexation Plan

The Applicant also owns the adjacent Rosedale Apartments, which are currently within the City limits and serve as “market-rate affordable” or “naturally-occurring affordable” housing. As noted in the Applicant’s Statement in Support of Annexation³ (Statement), these units need substantial improvements. The Applicant is requesting to annex the

² Exhibit 16

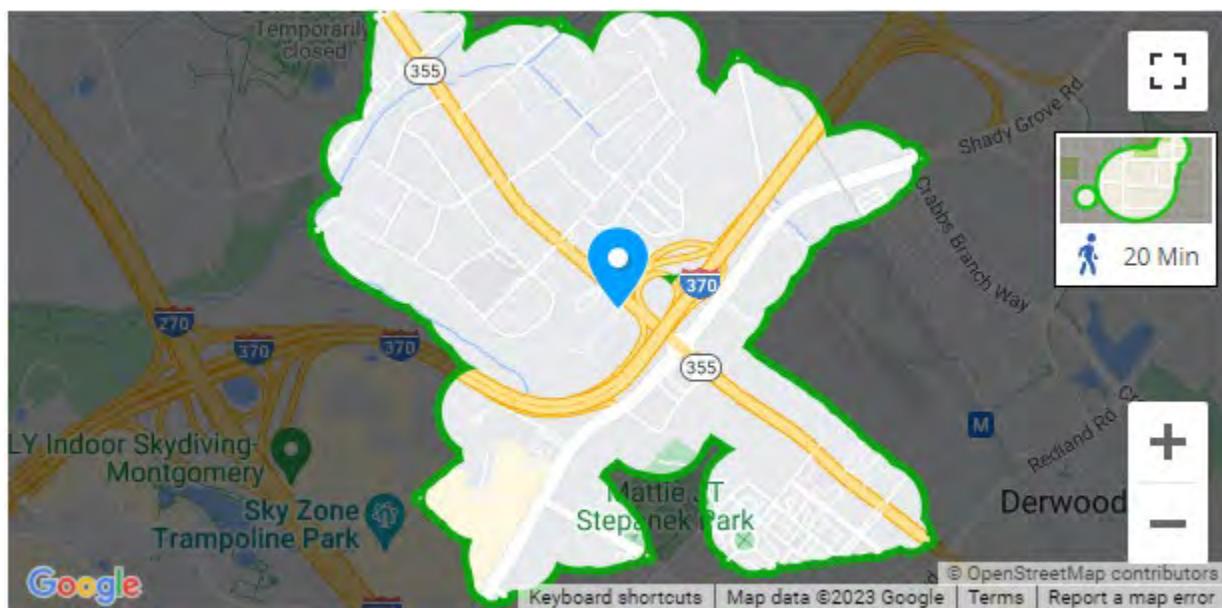
³ Exhibit 3

subject Property into the City in order to facilitate a phased redevelopment⁴ of the existing apartments, constructing new units on the subject Property for the current residents, and then updating or replacing the existing Rosedale Apartments while also adding a small commercial component. This phased redevelopment of the subject Property and existing Rosedale Apartments enables the Applicant to improve the existing units and provide upgraded recreational amenities without displacing current residents. The continued provision of and addition of new “market-rate affordable” or “naturally-occurring affordable” housing aligns with the Applicant’s philanthropic mission. As noted in the Applicant’s Statement, achieving this redevelopment in the most efficient, timely manner requires the entire project area to be subject to one uniform review process under a single jurisdiction. As such, the Applicant is seeking annexation to facilitate the project under the City’s review and approval process.

Subsequent to the annexation, the Applicant plans to submit a schematic development plan and zoning map amendment application to CD for the R-20 and R-18 properties (the existing apartments) to accommodate these changes.

Access to the Site is provided along O’Neill Drive, with a signal at the intersection of O’Neill Drive and South Frederick Avenue. Transit access is provided along South Frederick Avenue; Ride On bus routes 55 and 59 have a stop at the intersection of O’Neill Drive and South Frederick Avenue, and the proposed MD 355 bus rapid transit (BRT) route will have a stop nearby at South Westland Drive.

The area has a Walk Score of 59, “Somewhat Walkable”, indicating that some errands can be accomplished on foot, and a Transit Score of 48, “Some Transit”, with a few nearby transportation options. The following illustrates the 20 minute (or one mile) walkshed using Walk Score:



⁴ See Phasing Plan, Exhibit 6

Residential development is appropriate for this Site given the surrounding supportive uses within the above walkshed, including retail and service uses as well as a future grocer at the Walnut Hill Shopping Center, religious uses with preschools, the Casey Community Center, and Rosemont Elementary School. The future BRT station proposed for South Westland Drive will further connect residents with jobs and needed services.

Montgomery County Planning Board Review

The Montgomery County Planning Board reviewed the proposed annexation on January 25, 2024, and voted unanimously to support the proposed annexation and transmit the following comments⁵:

- The proposed annexation is consistent with the Annotated Code of Maryland municipal annexation provisions.
- The annexation petition substantially complies with uses authorized in the County's Commercial Residential Town (CRT) zone and the 2021 *Shady Grove Sector Plan* recommendations.
- The proposed density in the City of Gaithersburg's Corridor Development (CD) zone are not substantially higher than the current zone, and the property is within the City of Gaithersburg's Maximum Expansion Limits (MEL).

Montgomery County Council Review

The Montgomery County Council passed a resolution approving the annexation and reclassification of the zoning from the CRT Zone to the CD Zone at their March 5, 2024 meeting.⁶

City Planning Commission Review

The City of Gaithersburg Planning Commission is required to review the proposed annexation and plan and provide a recommendation to the Mayor and City Council at least 15 days prior to the required Mayor and City Council public hearing. The Planning Commission reviewed the X-9683-2023 annexation petition and plan during their February 7, 2024 meeting and made their recommendation to the Mayor and City Council. This followed a presentation on the petition received during their January 17th meeting and a 14 day period to receive public comment. The recommendation addresses the following:

- Does the annexation plan comply with the City's Master Plan and goals;
- Is the proposed zoning appropriate; and
- Can the annexation plan be served by public facilities?

⁵ Exhibit 24

⁶ Exhibit 29

The Commission was supportive of the annexation and made a motion recommending the following⁷ to the Council:

Based upon the findings presented in the preliminary report and the evidence in the record:

1. The proposed zoning of CD (Corridor Development) Zone for annexation X-9683-2023 is appropriate; and
2. The proposed X-9683-2023 annexation and associated plan are in compliance with the City's Master Plan and 2022 Strategic Plan; and
3. The proposed X-9683-2023 annexation and associated plan can be served by both existing and future public facilities.

The Planning Commission also noted that the proposed annexation and the Applicant's intent to develop with affordable residential units would be a great addition to the City, that the future redevelopment would be supported well by existing infrastructure in the area, and that the annexation will serve as an impetus to improve neighboring properties.

Summary

The annexation plan proposes zoning and maximum density limits that comply with the Maryland Annotated Code provisions, as confirmed by the Montgomery County Planning Board and County Council, and provides a broad overview of future uses envisioned for the Property. The City Planning Commission was very supportive of the annexation and associated plan. Future redevelopment plans will be reviewed at the next stage with the submittal of a schematic development plan should the annexation be approved.

PUBLIC FACILITIES AND ECONOMIC IMPACT ANALYSIS

A summary of existing public facilities is provided below. A formal evaluation of the City's Adequate Public Facilities Ordinance (APFO), Article XV of Chapter 24, will be performed as part of a future schematic development plan or preliminary site plan application.

Water and Sewer Services and Public Utilities

The Property is currently developed with or adjacent to both public water and public sewer service and has Washington Suburban Sanitary Commission (WSSC) categories of S-1 and W-1. These category designations indicate that the Property is currently served by both public water and public sewer service and any development could utilize and expand those services.

⁷ Exhibit 27

Fire and Emergency Services

The City's APFO requires that any development project be served by at least two (2) fire stations with a ten (10) minute response time. The Property is within the ten (10) minute response area of Montgomery County Department of Fire and Rescue Services Stations 3 (Rockville), 8 (Gaithersburg-Washington Grove), 28 (Gaithersburg-Washington Grove/Redland), and 32 (Travilah).

Schools

The Site is located in the Gaithersburg Cluster and is currently served by Rosemont Elementary School, Forest Oak Middle School, and Gaithersburg High School. No residential development moratoriums are currently in place according to the City's 2024 Schools Capacity Memo. Staff notes that Gaithersburg High School is currently subject to a Tier 1 Gaithersburg Utilization Premium Payment (GUPP) fee, based on the FY 2024 Adequate Public Facilities School Test. Further revised review of school adequacy will occur with subsequent applications should the annexation move forward.

Traffic Impacts

The existing public facilities, including roads, entrance drives, and sidewalks, will be evaluated for adequacy at the time of schematic development plan application, but the Property is currently served by a public road and accessed by a signalized intersection. Bus service through Ride-On is available along the Property's proximate MD 355 frontage and provides for safe and efficient connections to the Shady Grove Metro Station. The nearby bus stops include a stop at the intersection of O'Neill Drive and MD 355, which provides service for Ride-on Routes 55 and 59. The Property will also be served by BRT along MD 355 in the future. A detailed traffic impact study will occur with subsequent applications should the annexation move forward.

Economic Impact Analysis

The City's FY 22 Strategic Plan has as the following Objective:

- Pursue financially sustainable strategies to meet operational and community needs.

Planning staff approached Economic Development staff to assist in conducting an economic impact analysis on the proposed X-9683-2023 annexation plan in order to judge whether the petition may realistically fulfill the cited Objective. As with many projection analyses, the economic impact analysis is based upon numerous assumptions and data that may change from year to year. The analysis provides an educated realistic outcome based upon commonly utilized methodologies that can be used to guide policy. The estimated figures included in the analysis should not be taken as definitive and used for future budgeting. Additionally, these figures are using dwelling unit numbers from a conceptual design that is not currently under review. Future redevelopment of the Site will

be part of a separate review process after the annexation, and the development assumptions made here may not be what is ultimately approved. The complete analysis as well as a brief memo by Economic Development is included in the record as Exhibit 30.

The following is the economic impact analysis summary that illustrates, based upon the analysis conducted, Annexation X-9683-2023 and its associated plan could lead to a net decline in City revenue, as shown by the projected revenue increase and cost to extend City services summarized below:

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

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

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

Net Annual Revenue	-\$128,148
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As noted above, residential property taxes account for only 65.4% of the City’s property tax base, with the remaining 34.6% coming from commercial development; as such, the projected property tax revenue was adjusted to give a more comprehensive view of how this could potentially impact net revenue.

As noted in Economic Development staff’s memo, “typically, annexations that are exclusively or primarily residential generate a negative value.” Property tax revenue from commercial properties subsidizes the cost of government services for residents. The Applicant’s vision for an affordable housing project results in lower projected property tax revenue because the State assesses the value of affordable residential properties lower than market-rate residential properties. The analysis assumes the future redevelopment would be affordable to households earning approximately \$60,000 to \$80,000; incomes typical of occupations such as social workers, paralegals, firefighters, mechanics, and teachers.⁸

Household Income for Tax Calculation: HUD Adjusted Home Income Limits

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

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

Tax Rate (FY 2024)	
City	0.262

Annual City Revenue After Construction	
Tax Revenue from New Construction	\$62,591
TOTAL:	\$62,591

⁸ Source: Occupational Employment and Wage Statistics (OEWS) Survey May 2022 Estimates, Bureau of Labor Statistics

The expenses are estimated using figures from the Annual Comprehensive Financial Report and are shown below.

SOURCE: Annual Comprehensive Financial Report FY 2023

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

Net Expenses by Categories: History	FY 2023
Public Safety	\$7,532,993
Public Works	\$8,260,975
Parks, Recreation & Culture	\$7,346,317
Community Services & Development	\$2,884,457
Non-departmental (General Gov't, Interest)	\$17,438,694
TOTAL:	\$43,463,436
Population	71,760
Per Capita	\$606
Net Cost (subject property)	\$226,766

ANNEXATION AGREEMENT

The X-9683-2023 petition will also have an associated annexation agreement, anticipated to be presented at Policy Discussion.

The broad terms discussed by the Applicant and the City for the Property include:

- Exemption from the City’s Affordable Housing Ordinance in exchange for provision of 75% of units as affordable to income levels of 50%-60% AML.
- Permitting the Property to develop under the current Forest Conservation Law in place as of the effective date of the agreement.
- Permitting the Property to develop with a building height of up to 5 stories.
- Requiring the Applicant to provide publicly accessible open space should they request City right-of-way abandonment.⁹
- Prohibiting the Applicant from seeking a Payment in Lieu of City Taxes.

CONCLUSION

Staff notes that the proposed X-9683-2023 Annexation Petition has been reviewed by the Maryland Department of Planning (MDP)¹⁰, the Montgomery County Planning Board¹¹, the Montgomery County Council¹², and the City Planning Commission.¹³ The annexation plan was revised to address MDP comments and is in compliance with State law. The County Planning Board found the annexation to be consistent with State law and the County Council approved the annexation without invoking the 5-year moratorium on future zoning changes. The City Planning Commission found that the annexation petition complies with the City’s Master Plan and Strategic Plan, found that the zoning is appropriate, and found that public facilities are adequate to serve the Annexation Area. Staff supports the approval of Annexation Petition X-9683-2023 and is of the opinion that the annexation plan reflects sound planning principles and presents a unique opportunity to address goals from the adopted Housing Element. As noted in the Preliminary Background Report¹⁴, the annexation and associated plan align with the following goals and recommendations in the Housing Element¹⁵, adopted in 2023:

Goals:

- Promote or create opportunities for a variety of housing types for current and future City residents of all income levels with costs that reflect the range of incomes.
- Preserve existing affordable homes (both market rate affordable and regulated affordable).

Recommendations:

- Study underutilized commercial sites, where appropriate, along transportation corridors such as MD 355 for potential residential conversions or infill redevelopments.

⁹ A portion of O’Neill Drive was never constructed, but it is still City right-of-way. The Applicant may request abandonment of that right-of-way as part of a future redevelopment. The Annexation Agreement term would require publicly accessible open space encompassing the former right-of-way area.

¹⁰ Exhibits 15 and 25

¹¹ Exhibit 24

¹² Exhibit 29

¹³ Exhibit 27

¹⁴ See Preliminary Background Report, Exhibit 20, for further analysis of Master Plan compliance.

¹⁵ Exhibit 18

- Identify opportunities for owners to redevelop, acquire, and/or complete upgrades of aging, underutilized or functionally obsolete properties.
- Help priority populations and people living in equity emphasis/focus areas obtain an affordable home in Gaithersburg (rental or ownership).¹⁶

This annexation is the first step in facilitating a unique project that the market typically will not produce. This is an underutilized site in an equity emphasis area with adequate existing infrastructure and surrounding supportive uses. The Applicant's vision for the Site and adjacent properties would replace aging affordable units with new, modern affordable units and enhanced amenities. Should the annexation be approved, the Applicant's intent for a phased redevelopment would ensure existing residents are not displaced while adding to the City's supply of housing for incomes typical of teachers, mechanics, and firefighters.

Staff recommends that the Mayor and City Council hold their record open until 5:00 p.m. on Wednesday, May 1, 2024, with anticipated Policy Discussion and Final Action conducted during their May 20, 2024 meeting.

¹⁶ The subject Property and adjacent Rosedale Apartments are located in an equity emphasis area, as defined by the Metropolitan Washington Council of Governments, meaning they have high concentrations of low-income individuals and/or traditionally disadvantaged racial and ethnic population groups.