

Financial Analysis for Minor Master Plan Amendment of 8001 Newell Street

Based on 2012 Montgomery County Real Property Tax data, the current property holder contributes \$60,178 in property tax revenues, based on a 2011 assessed value of land and property of \$3,622,700. Within a one-half mile radius of the proposed amendment's location, there are 14 owner-occupied and rental properties with a current aggregate assessed value of \$548,845,000.. Over 20 independent economic studies confirm that the access and availability of "green" space – compared to "open" space – provides a significant increase in property values to "proximate users" of parks within a 2000 foot radius. One analyst, John Crompton, has noted in his conservative estimate that " the magnitude of the proximate effect [2000 feet] varied according to size, usage and design of parklands, but a positive impact of 20% on property value abutting or fronting a passive park area is a reasonable guideline as a point of departure." Applying the same methodology to the proximate users of a proposed park at 8001 Newell Street, assessed value could increase at minimum to \$658,614,600, generating an additional \$1,148,963 in property tax revenues.

By contrast, residential development at this property yields significantly less revenue potential. The revenue impact of a proposed residential building, with assessed value of land and building at \$40,000,000, would net \$526,067 (under current property tax rates). The proposed residential development assumes that the County will not offer the typical 40% property tax abatement which has been introduced to spur development in South Silver Spring. With an abatement in place, the positive economic impact would only be \$311,027. **Thus, the positive revenue impact of a park is \$837,936 greater than that of a residential development (with PILOT credits).** These economic impact analyses do NOT account for the potential financial losses faced by owners in proximate buildings from a reduction in assessed value and the subsequent tax revenue losses resulting from declining values. (An informal poll of 10 realtors, with a Silver Spring market, suggests that owners in nearby buildings will lose between 5 and 15 percent of current assessed value with new residential construction).

Further, this review does not reflect the significantly lower maintenance cost of a one-acre park compared to the increased cost for public services (e.g. police, sanitation, infrastructure) required by an influx of 300 persons (assuming 187 residential units with an average of 1.63 persons per unit) to the neighborhood. As Crompton notes, "when open space is transformed into homes, the taxes of existing residents invariably increase because while the development generates tax revenue, the cost of providing public services and infrastructure to that development is likely to exceed the tax revenue emanating from it. The results of these studies indicate that favoring residential development at the expense of open land does not alleviate the financial problems of communities. Indeed, it is likely to exacerbate them."

Tax Implications of Park vs. Commercial vs Residential Development at 8001 Newell (Current)

Property Holder	Assessed Value (1)	Property Tax Revenue (2)
Extra Space Self Storage	\$3,622,700	\$60,178
Proximate Property Owners (within 1/2 mile radius)		
8045 Newell Street	\$15,238,000	\$116,604
Eastern Village Co-Housing	\$17,395,000	\$187,798
MICA Condominiums	\$39,605,000	\$381,997
Aurora Condominiums	\$33,168,000	\$335,651
Silverton	\$53,769,000	\$562,329
Proximate Renters (3)		
Argent	N/A	N/A
1200 East West Highway	\$66,621,800	\$975,482
Gramax	N/A	N/A
Galaxy Apartments	\$34,442,000	\$318,782
Blair Plaza	\$110,894,700	\$1,634,878
Blair East	\$42,745,100	\$630,716
Spring Gardens	\$21,579,400	\$316,848
Rock Creek Springs	N/A	N/A
Veridian	\$91,219,100	\$364,876
Bennington	\$22,168,400	\$327,357
Total	\$552,468,200	\$6,213,496

(1) Source of assessed values from Montgomery County Real Property Tax Division

(2) Assumes current property tax rate structure of \$0.112 state + \$1.344 per \$100 for assessed value commercial and residential rental properties + \$20.56 solid waste surcharge per residential unit.

Galaxy, Veridian and Bennington report County PILOT property tax credit of 40 percent abatement on assessed property tax revenue

(3) Renters, of course, do not pay property tax. However, the assessed value and property tax are assigned to the owners of these rental properties.

Tax Implications of Park vs. Commercial vs Residential Development at 8001 Newell (Park)

Property Holder	Assessed Value (1)	Property Tax Revenue
MNCPPC		
Proximate Property Owners (within 1/2 mile radius)		
8045 Newell Street	\$18,285,600	\$156,131
Eastern Village Co-Housing	\$20,874,000	\$232,920
MICA Condominiums	\$47,526,000	\$511,070
Aurora Condominiums	\$39,801,600	\$421,689
Silverton	\$64,522,800	\$701,806
Proximate Renters (3)		
Argent	N/A	N/A
1200 East West Highway	\$79,946,160	\$1,169,485
Gramax	N/A	N/A
Galaxy Apartments	\$41,330,400	\$382,045
Blair Plaza	\$133,073,640	\$1,957,803
Blair East	\$51,294,120	\$755,190
Spring Gardens	\$25,895,280	\$379,687
Rock Creek Springs	N/A	N/A
Veridian	\$109,462,920	\$437,852
Bennington	\$26,602,080	\$256,781
Total	\$658,614,600	\$7,362,459

Total property tax gain of park over current use	\$1,148,963
Total gain in assessed property values in neighborhood with park	\$106,146,400

(1) Assessed values reflect a 20% increase from current property assessment, based on methodology used in J.C. Weicher and R. H. Zerbst (1973), "The Externalities of Neighborhood Parks: An Empirical Investigation", Land Economics, 99-105 and John L. Crompton (2001), Perceptions of How the Presence of Greenway Trails Affects the Value of Proximate Properties, 114-132. "The magnitude of the proximate effect [2000 feet] varied according to size, usage and design of parklands, but a positive impact of 20% on property value abutting or fronting a passive park area is a *reasonable* guideline as a point of departure." (p 116).

Tax Implications of Park vs. Commercial vs Residential Development at 8001 Newell (Comstock)

Property Holder	Assessed Value (1)	Property Tax Revenue (2)
Comstock	\$40,000,000	\$586,245
Comstock with PILOT credit	\$40,000,000	\$371,205
Proximate Property Owners (within 1/2 mile radius)		
8045 Newell Street	\$15,238,000	\$116,604
Eastern Village Co-Housing	\$17,395,000	\$187,798
MICA Condominiums	\$39,605,000	\$381,997
Aurora Condominiums	\$33,168,000	\$335,651
Silverton	\$53,769,000	\$562,329
Proximate Renters (3)		
Argent	N/A	N/A
1200 East West Highway	\$66,621,800	\$975,482
Gramax	N/A	N/A
Galaxy Apartments	\$34,442,000	\$318,782
Blair Plaza	\$110,894,700	\$1,634,878
Blair East	\$42,745,100	\$630,716
Spring Gardens	\$21,579,400	\$316,848
Rock Creek Springs	N/A	N/A
Veridian	\$91,219,100	\$364,876
Bennington	\$22,168,400	\$327,357
Total	\$588,845,500	\$6,739,563
Total with PILOT	\$588,845,500	\$6,524,523

Total property tax gain of Comstock over current use	\$526,067
Total property tax gain of Comstock over current use with PILOT - 40% of assessed value	\$311,027
Total gain in assessed property values in neighborhood with Comstock	\$36,377,300

Difference in total property tax revenue of park over Comstock	\$622,896
Difference in total property tax revenue of park over Comstock (with PILOT)	\$837,936

Assumes No Loss in Property Valuation by Proximate Users with Comstock

