

Fiscal Considerations

The Comprehensive Amendment to the Germantown Master Plan calls for extensive new housing and employment opportunities to be realized at build-out. In particular, this Master Plan envisions some 17,560 more housing units at build-out along with a increase of over 69,050 jobs. This represents a 92 percent increase in housing and more than a seven-fold (742 percent) increase in jobs. Moreover, the mix of housing types will change, with single-family detached units increasing to about 30 percent of the housing stock (from 19 percent), single-family attached housing declining to 30 percent (from 51 percent), and multi-family housing units increasing to 40 percent (from 30 percent). Also, at build-out, office and research and development jobs will represent about 92 percent of all at-site employment compared to 82 percent today.

This great infusion of jobs and housing into Germantown will have a substantial impact on the revenues received by the County, chiefly in terms of property and personal income taxes, as well as the expenses incurred to build roads, schools and offer services needed by the residents and the at-place employees. This chapter discusses the revenue and cost — that is, fiscal consequences — of the overall recommendations for housing and jobs.

Fiscal considerations should not be the primary determining factor in assessing the appropriateness of the plan recommendations, because a master plan deals with a variety of worthwhile public policy goals and objectives that cannot be measured in dollars and cents. However, some indication of the magnitude of anticipated fiscal impacts is appropriate for public deliberation.

The Capital Improvements Program (CIP)

The Executive Branch of County government is responsible for planning, programming, and budgeting for the County's needs. It does this through two interrelated six-year programs, both of which are adopted by the County Council. One is the annually updated Capital Improvements Program (CIP), which funds construction of all public buildings, roads, and other facilities planned by the County. The other is the Comprehensive Six-Year Public Services Program (PSP) and the Operating Budget, which funds County programs and coordinates them with capital expenditures.

The CIP assures that the projects necessary to fulfill the needs of the community and to provide for orderly growth and development are built at the appropriate time and in the proper location. Each project's status is reviewed annually, at which time projects can be deleted, modified, or added. This procedure allows the flexibility needed to balance available resources and public priorities.

Projects recommended by this Master Plan Amendment are listed in Appendix M. This Master Plan provides guidance on the land use patterns and siting of public facilities in the Germantown area at the time of its ultimate build-out. Some of the recommended projects are programmed in the current (FY 89-94) CIP while others are not. This Plan defers to the County Council to determine the timing for construction of needed CIP projects based on recommendations from the County Executive. During annual

review of the CIP, the Executive and Council shall determine the level of fiscal commitment to a particular project for that year. Funding decisions necessarily will take place within the context of competing demand for finite resources.

Current Fiscal Situation

The population currently living in the existing housing stock of 19,200 units in the general Germantown area contributes approximately \$58.8 million annually to County budget revenues.⁹ These revenues flow from the property taxes paid by residential land owners, the personal income taxes collected by the State and provided to the County, real property transfer tax and recordation fees, and other miscellaneous fees and charges paid by residents to the County.

A rough estimate of current County expenditures to serve the area's households is \$64.5 million annually. These expenditures include operating and debt service expenditures for education, transportation, public safety, and other general government expenses.

The estimated 9,300 employees in the Germantown area, occupying about 2.6 million square feet of office, research and development and retail space, produce some \$5.1 million in annual revenues, chiefly from property taxes. The County spends an estimated \$3.1 million annually to provide roads, safety and similar services to these employees. The net fiscal impact associated with nonresidential development is a positive \$2 million per year.

The net positive fiscal impact from nonresidential development, when combined with the net negative impact associated with residential development, yields an overall net negative impact of approximately \$3.7 million per year. This situation is not unusual or unexpected considering that the area is

predominately residential in character. Moderate income residential areas do not usually generate enough revenues to balance the high costs of providing public education and other public services. What is interesting about the results is that the difference between the positive and negative impacts is relatively modest — less than 10 percent.

Possible Future Fiscal Impacts

The expected growth in both housing and employment will have a significant impact on County revenue and expenditures associated with Germantown. This will come about due to both scale and category changes. Scale changes occur because the Master Plan allows for a 92 percent increase in housing and a 742 percent increase in employment.

The category changes are expected for both residential and nonresidential development. The changing emphasis on single family detached housing is expected to be associated with a higher average household income in Germantown (net of inflationary effects) at build-out compared to today's condition. Moreover, proposed developments such as Marriott and the regional mall are expected to result in nonresidential property values in Germantown that increase faster than the Countywide averages (also net of inflation). Both of these category changes have been accounted for in the fiscal impact analysis below.

At build-out, when Germantown has some 36,783 housing units, it is estimated that the population residing in the housing stock will generate \$113 million in revenues to the County each year. Correspondingly, this population will likely place demands on the County for services that are projected to cost \$124 million per year. The net fiscal impact associated

9 The revenue and expenditure estimates are approximations of the fiscal impact of the population of the 19,200 housing units in the Germantown area. The estimates were generated using a mathematical fiscal impact model (REDI) that uses information about the households in the Germantown area obtained from a 1984 Census Update Survey conducted by the Planning Board staff.

The model, in allocating unit costs and revenues to the household population, differentiates those costs and revenues by geographic area. Thus, the total costs and revenues are reflective of the annual fiscal expenditures by the County in the Germantown area, as well as the revenues received by the County from households with income in an appropriate range for the area and with housing types and values assigned using the 1984 Census Update estimates.

Fiscal impact models, including this REDI model, cannot provide precise expenditure and revenue estimates because of the problems in modeling the real world, in posing the proper assumptions, and in obtaining reliable data for input to the model. Providing an order of magnitude of current fiscal expenditures and revenues in the Germantown area is all that is possible.

All revenue and cost data cited in this chapter are given in constant 1988 dollars.

with residential development is then estimated at negative \$11 million per year.

For nonresidential property the situation is just the opposite, as estimated revenues are projected to exceed forecasted costs. The revenues are estimated to increase to \$43.8 million per year with expenditures at \$26.7 million. The net fiscal impact is thus estimated at \$17.1 million per year.

Combining the net fiscal impacts for residential and nonresidential development in Germantown at build-out, when it has a stronger nonresidential character, the estimated overall net fiscal impact is a positive \$6.1 million annually. This compares to an overall net fiscal impact of negative \$3.7 million today when the area has a strong residential orientation.