

MEMORANDUM

TO: City Council

FROM: David J. Deutsch, City Manager

SUBJECT: Annexation of the Karington Property

DATE: May 14, 2015

Staff responded to a request from the owners of the Karington property located at the southwest corner of US Highway 301 (Crain Highway) and Maryland Route 214 (Central Avenue) for annexation information. After several discussions with the property owner the details necessary to prepare an Annexation Agreement have been gathered.

The proposed Annexation Agreement will result in the property being annexed into the City. Staff is also examining the possibility of annexation of other adjacent parcels (e.g. Hall Road area) at the time the annexation resolution is introduced. The attached Annexation Agreement contains the necessary provisions to ensure the property will be in compliance with the applicable City regulations. The City Attorney has prepared the attached draft agreement.

It should be noted that this is just a first step. Once the Annexation Agreement is finalized Council will be asked to authorize the City Manager to sign that final agreement and Council will be asked to review and adopt an Annexation Resolution.

Background

The Karington project is located in the southwest quadrant of US Highway 301 and MD Route 214.

The City tax revenue generated by the Karington development at full build out (from real property taxes, hotel/motel taxes, and tax revenue from external sources) is estimated to be at least \$2,110,854 per year.

The developer has indicated that the availability of tax increment financing (TIF) from the City is an incentive to him to seek annexation. The developer may decide to request TIF assistance from the City in accordance with the City's adopted TIF Policy. A short review by staff indicates the use of tax increment financing may be possible as part of the Karington development. The City's current TIF Policy will apply should the developer decide to apply for TIF.

Annexation of the Karington Property

If the developer decides not to apply for TIF from the City, an alternate incentive to annex is the possibility of abating real property taxes. Rather than the City's current real property tax rate of \$0.40 per \$100 of assessed value the incentive rate is \$0.13 per \$100 of assessed value. As the project is developed the various land uses (e.g. building a retail property or a house) increase the assessed value of a part of Karington and that value is taxed by the City at the incentive abatement rate. The abatement begins upon the effective date of the annexation and ends fifteen (15) years after the effective date of the Annexation Agreement. During that abatement period the entirety of the Karington property may be divided into smaller parcels and lots upon which the various uses (e.g. houses or retail or offices) will be built. When the developer sells or transfers these parcels or lots to a third party the end time for the tax abatement on that transferred property may be shortened to a point sooner than the fifteen (15) years with that end-point to be measured as described in the Annexation Agreement. No matter what timeline the development of the Karington property follows any tax abatement proposed will end fifteen (15) years after the effective date of the annexation. (NOTE: the effective date is a date later than the date on which the Annexation Agreement is signed.)

The Karington project is an undeveloped 362 acre property zoned E-I-A (Employment and Institutional). Using information from County approved plans and developer provided phasing concepts, staff determined these proposed land uses: 650,000 square feet of office use; 343,000 square feet of retail use; 370 hotel rooms; and 1,239 dwelling units. The dwelling units have been further segmented using developer provided information into 629 single family detached, townhouses, and condos plus 610 multifamily including possible senior and live-work units.

Construction of this project is expected to occur over a six (6) to ten (10) year period. Market conditions may extend the full build out time further. Projects of this magnitude can take 15 or 20 years.

Staff has intentionally used lower estimates of value in fiscal impact revenue calculations. The value of the new construction at Karington will be greater than the values we have used because costs to construct, and prices to sell or rent, tend to increase over time and have done so since most comparable properties were added to Bowie's tax base.

Real Property tax revenue values are calculated using the abated tax rate of \$0.13 (not the full City tax rate of \$0.40) per \$100 of assessed value. These are the individual property/land uses:

Residential real property tax revenue values used is \$302,799 which is the average sale price of all type homes (detached, townhouse, and condo) in Bowie and vicinity zip codes from January 1, 2014 through February 24, 2015

Office real property tax revenue values is \$146 per square foot and is derived by dividing the assessable value of the eight Class A and B office buildings in Bowie by their total size in square feet

Annexation of the Karington Property

Retail real property tax revenue values is \$155 per square foot and is derived by taking the assessed value of three Bowie retail properties comparable to those to be built and dividing by their total size in square feet

Multifamily real property tax revenue values is derived by taking the assessed value of the five apartment buildings in Bowie and dividing by the total number of units

Hotel real property tax revenue values is derived by taking the assessed value of two of Bowie's hotels comparable to the type that would likely be built at Karington and dividing by the total number of rooms in those hotels.

Hotels generate additional revenue from an allocation of the County imposed hotel/motel-tax which is included in the FIA using the FY 2015 allocation of \$533 per room.

Additional revenues from State Income Taxes, Motor Vehicle Taxes, Cable Franchise Fees, and State Aid for Police Protection are calculated on a per residential unit basis.

Additional fee revenues are expected but are not used in the FIA. One time revenues include: building permit fees from all proposed construction estimated to be at least \$935,400; and street permit fees of at least \$600,000. Also not used in the FIA calculations is the \$30,500 annual housing inspection fee for the multifamily units.

Expenditures are calculated on a per capita basis for residential uses (single family detached, townhouses, and condos). One feature of the FIA is that the per capita expense methodology tends to overstate expenditures. This allows us to present a 'worst case' scenario.

Recommendation

Because the proposed Annexation Agreement will facilitate the Karington property being annexed into the City, it is recommended that Council authorize staff to send the agreement to the property owner for signature.

Attachments

- Draft Annexation Agreement
- February 16, 2015 Letter From Ken Michael to City Manager
- February 10, 2015 Letter From City Manager to Ken Michael
- Karington Annexation Fiscal Impact Analysis – Basic
- Karington Annexation Fiscal Impact Analysis Overview – Tax Abatement Scenario
- Karington Annexation Fiscal Impact Analysis – Detailed Tax Abatement Scenario

ANNEXATION AGREEMENT

THIS ANNEXATION AGREEMENT is made this ____ day of _____, 2015, by and between the City of Bowie (“the City”), a municipal corporation of the State of Maryland, with its principal offices at 15901 Excalibur Road, Bowie, Maryland 20716, and Karington L.L.C. (“Owner”), a Maryland limited liability corporation with its principal offices at 8181 Professional Place, Suite 200, Landover, MD 20785.

RECITALS

WHEREAS, the Owner is the record owner of certain real property located in Prince George’s County, Maryland, commonly known as the Karington subdivision, and more particularly described in Exhibit “A” attached hereto and made a part hereof as if set forth in full in the body of this Agreement (“the Annexation Area”); and

WHEREAS, Owner and the City desire to have the Annexation Area incorporated into the corporate boundaries of the City; and

WHEREAS, pursuant to the authority contained in Md. Code Ann., Local Gov’t Art., Title 4, Subtitle 4 _____, the Owner and the City have agreed that the following conditions and circumstances will apply to the annexation proceedings and to the Annexation Area.

WITNESSETH:

1. **WARRANTIES AND REPRESENTATIONS OF CITY:**

A. The City supports the existing development approvals from the Maryland-National Capital Park and Planning Commission (“M-NCPPC”) and/or the Prince George’s County Council sitting as the District Council for Karington as well as any pending or future Applications for Karington that are consistent with the existing approved plans. Specifically, the City supports the development of Karington as a mixed-use project consisting of approximately

396 acres, zoned E-I-A, and including residential, retail, office, and hotel uses (the “Project”), with such reasonable amendments thereto to which the applicable authorities and the Applicant may agree.

B. The City will not, directly or indirectly, establish, suggest or acquiesce in any policy, take a position, pursue a course of action, require any standard or condition, make any recommendation to Prince George’s County or the M-NCPPC or other governmental or quasi-governmental authority, individuals or citizens groups, or impose any obligation that, as applied to the Annexation Area, is detrimental to the development of the Karington project as set forth in the Paragraph 1.A. above. The parties acknowledge and agree that the Project will be subject to the development review standards applicable to other developments within Prince George’s County. However, the City’s approval of development and architectural plans is not required, nor are its comments binding. The City may review or comment on M-NCPPC or other County agency referrals, provided that such comments are not inconsistent with this agreement.

C. The parties understand and agree that the City’s covenant of support herein is not intended, nor could it be construed, to prohibit the Bowie City Council from enacting such future ordinances or charter provisions or engineering standards or amendments deemed necessary to protect the public health, safety and welfare of the citizens of the City, nor from applying such ordinances or charter provisions to the development of the Annexation Area, provided such application does not operate to divest prior approvals, nor interfere with Owner’s vested rights.

D. Nevertheless and notwithstanding anything the contrary contained herein, the City will not pursue or support any zoning change for the Annexation Area, unless the Owner has requested and agreed to all of the terms and conditions of same and the Owner has obtained the City’s concurrence to rezoning in advance of any application therefor.

2. WARRANTIES AND REPRESENTATIONS OF OWNER:

A. This Agreement constitutes the Owner's formal written consent to annexation as required by Md. Code Ann., Local Gov't Art., § 4-404. The Owner acknowledges that it will receive a benefit from annexation and agrees that it waives and completely relinquishes any right to withdraw its consent to annexation from the date of execution of this Agreement by all parties. The Owner further agrees that it will not petition the Annexation Resolution to referendum and that, in the event of a referendum in which it is permitted to vote, that it shall vote in favor of the Annexation Resolution, and to that end waives any ballot confidentiality.

B. The Owner warrants and represents that it has full authority to sign this Agreement and is the sole owner of not less than Twenty-Five Percent (25%) of the assessed valuation in the Annexation Area, and that there is no action pending against it involving it which would in any way affect its right and authority to execute this Agreement.

C. The Owner warrants and represents that there are no persons residing within the Annexation Area.

2. TAX INCREMENT FINANCING (TIF)

The City will fully support the creation of a TIF district and the issuance of TIF bonds by either the City or the County, or both, if applicable, for the Karington project, subject to the City's TIF Policy in effect at the time of the effective date of the Annexation Agreement, including the provisions therein related to the City's assessment and evaluation of the propriety of the creation of a City TIF district. Karington LLC or successors will comply, if applicable, with the City and County TIF policies in effect at the time of the effective date of the Annexation Agreement.

3. TAXES.

A. In the event a TIF is not placed on the Karington property, the City agrees that the Karington property owned by Karington LLC or its successors shall be exempt from a portion of all municipal taxation by the City (“the Exemption”) for a period that begins on the effective date of the Annexation Agreement and that ends on the date that is five (5) years after each settlement with respect to the sale or transfer of any lot or parcel within the annexation area to any third party for use as a residence, ownership by a Homeowners’ Association, or for use as a place of business. With respect to lots and parcels that are retained by Karington LLC for residential or commercial use, the Exemption period will end on the date that is five (5) years after the issuance of the final Certificate of Occupancy for each such lot or parcel.

B. The Exemption shall be that amount imposed on the property as a consequence of Bowie municipal taxation that would increase the real property taxes charged from what is currently imposed or that would be imposed by the State of Maryland and Prince George’s County against the real property within the Annexation Area in any year during which the Exemption is in effect. Prince George’s County collects both State and municipal real property taxes for properties located in the City. To effectuate the tax exemption the City will provide a reduced municipal tax rate to apply to the Property. If, in the future, Prince George’s County cannot accommodate differing tax rates within the same municipality, it will be necessary for each affected taxpayer to pay the entire amount of property taxes assessed against such taxpayer’s portion of the Annexation Area and to apply for a tax refund for that portion of the municipal real property tax that is exempt. If a tax refund is not available to the taxpayer for statutory reasons or otherwise (except due to a delinquency of the property owner with respect to the tax refund process), the City will make a payment to the taxpayer in an amount equivalent to

the municipal tax assessment within thirty days of receipt of notice that the denial of the tax refund is final and unappealable.

C. Notwithstanding the foregoing provisions, the Exemption period shall automatically expire on the date that is fifteen (15) years following the effective date of the Annexation Agreement.

4. ROAD MAINTENANCE.

The City will accept maintenance of all public streets and homeowners association owned access drives within Karington in accordance with established City guidelines. However, acceptance of maintenance for private roads applies to the main aisles only, not individual parking spaces. Said streets shall be constructed in accordance with County standards and will be subject to City inspections during the construction thereof. Any required road bonds shall be posted with the City. The City's acceptance of maintenance for private roads includes snow removal. The City will support the developer's requests to place eligible road improvements in the County or State CIP budgets.

5. IMPACT FEES AND SPECIAL BUSINESS TAXES.

The City recognizes that the full development of the Project may take place over ten or more years. The City does not currently have any impact fees and will not impose or levy any new taxes or fees not in existence as of the date of this Agreement or will exempt the Property from any such taxes or fees that are adopted by the City. The exemptions provided for by this Paragraph shall automatically expire on the date that is twenty (20) years following the effective date of the Annexation Agreement.

6. APPLICATION OF CITY CODE AND CHARTER:

From and after the effective date of the Annexation Resolution, all provisions of the Charter and Code of the City shall have full force and effect within the Annexation Area except as otherwise specifically provided herein.

7. MUNICIPAL SERVICES:

Upon the effective date of an Annexation accomplished pursuant to this Agreement, Karington will receive all current and future Bowie City services in accordance with the same standards, rules, and procedures as they are provided throughout the City including, but not limited to City police, residential trash removal, snow removal from City streets, and senior bus/transportation service.

8. SCHOOLS.

The City will advocate with the Board of Education and the County the position that the children of Karington residents attend Prince George's County Public Schools located in the City of Bowie.

9. ZIP CODE.

The City will assist the Owner in advocating to the US Postal Service for a Bowie Zip Code and mailing address.

10. CITY BOUNDARY MARKERS.

The Owner will fund and install City Boundary Markers at the boundary lines to the newly enlarged City boundaries.

11. RECORD PLAT.

The Owner will provide the City with a copy of the final record plat for the development in the Annexation Area.

12. MISCELLANEOUS.

A. The use of singular verb, noun and pronoun forms in this Agreement shall also include the plural forms where such usage is appropriate; the use of the pronoun “it” shall also include, where appropriate “he” or “she” and the possessive pronoun “its” shall also include, where appropriate, “his,” “hers” and “theirs.”

B. From time to time after the date of this Annexation Agreement, the parties, without charge to each other, will perform such other acts, and will execute, acknowledge and will furnish to the other such instruments, documents, materials and information which either party reasonably may request, in order to effect the consummation of the transactions provided for in this Agreement.

C. This Agreement, which includes all exhibits, schedules and addenda hereto, each of which is incorporated in this Agreement by this reference, shall be recorded among the Land Records of Prince George’s County and be binding upon and inure to the benefit of the parties, their heirs, successors and assigns, and embodies and constitutes the entire understanding between the parties with respect to the subject matter hereof, and all prior agreements, understandings, representations, and statements, whether oral or written, are merged in this Annexation Agreement. Neither this Agreement nor any provision hereof may be waived, modified or amended unless such modification is in writing and is signed by the party against whom the enforcement of such waiver, modification or amendment is sought, and then only to the extent set forth in such instrument.

D. The parties hereto acknowledge that, in entering into this Agreement, neither party has been induced by, nor has relied upon, nor included as part of the basis of the bargain herein, any representation or statement, whether express or implied, made by any agent, representative or employee, which representation or statement is not expressly set forth in this Agreement.

E. This Agreement shall be construed according to its plain meaning without giving regard to any inference or implication arising from the fact that it may have been drafted in whole or in part by or for any one of the parties hereto.

F. This Agreement, its benefit and burden, shall be assignable, in whole or in part, by Owner without the consent of the City or of its elected officials, employees or agents, to any purchasers or contract purchasers of the property or any part thereof. However, Owner will not transfer or pledge as security for any debt or obligation, any interest in all or part of the Annexation Area, without first obtaining the written consent and acknowledgment of the transferee or pledgee to the Annexation Agreement and to the complete observance hereof. Owner shall provide the City copies of all documents of transfer or assignment, including exhibits when the documents are fully executed, regardless of recordation.

G. The captions in any Agreement are inserted for convenience only, and in no way define, describe or limit the scope of intent of this Agreement or any of the provisions hereof.

H. The laws of the State of Maryland shall govern the interpretation, validity and construction of the terms and provisions of this Agreement. If any term or provision of this Agreement is declared illegal or invalid for any reason by a court of competent jurisdiction, the remaining terms and provisions of this Agreement shall, nevertheless, remain in full force and effect.

I. All notices and other communications under this Agreement shall be in writing and shall be sent either by first class mail, postage prepaid, or by personal delivery, addressed to the parties as provided below. Notice shall be deemed given on the date delivered or attempted to be delivered during normal working hours on business days.

If to the City: David J. Deutsch, City Manager
The City of Bowie
15901 Excalibur Road
Bowie, Maryland 20716

With a copy to: Elissa D. Levan, Esquire
Funk & Bolton, P.A.
36 S. Charles Street, 12th Floor
Baltimore, Maryland 21201

If to the Owner: Mr. Kenneth H. Michael
NAI Michael
4640 Forbes Boulevard Suite 300
Lanham, Maryland 20706

With a copy to: [INSERT]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

WITNESS: THE CITY OF BOWIE

_____ By: _____

WITNESS/ATTEST: KARINGTON, L.L.C.:

_____ By: _____

STATE OF MARYLAND
COUNTY OF PRINCE GEORGE'S, to wit:

I HEREBY CERTIFY, that on this ____ day of _____, 2015, before me, a Notary Public in and for the State aforesaid, personally appeared David J. Deutsch who has been satisfactorily proven to be the person whose name is subscribed to the within instrument, who acknowledged himself to be the City Manager of the City of Bowie, a municipal corporation of the State of Maryland, and that said City Manager, being duly authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the municipal corporation as such City Manager.

WITNESS my hand and notarial seal.

_____(SEAL)
Notary Public

My Commission Expires: _____

STATE OF MARYLAND,
COUNTY OF PRINCE GEORGE'S, to wit:

I HEREBY CERTIFY, that on this ____ day of _____, 2015, before me, a Notary Public in and for the State aforesaid, personally appeared _____, Managing Partner of Karington L.L.C., acknowledged that, being authorized by his principal to do so, he executed the foregoing instrument on behalf of Karington L.L.C. for the purposes therein contained, by signing the name of such limited liability corporation as such Managing Partner.

WITNESS my hand and notarial seal.

_____(SEAL)
Notary Public

My Commission Expires: _____

I HEREBY CERTIFY that the foregoing instrument was prepared by or under the supervision of an attorney duly admitted to practice before the Court of Appeals of Maryland.

Elissa D. Levan, City Attorney

February 16, 2015

Mr. David Deutsch
City of Bowie
15901 Excalibur Road
Bowie, MD 20719

Re: Karington/Annexation

Dear Mr. Deutsch,

Thank you for your letter of February 10, 2015 pertaining to the annexation provisions, which we have been discussing for many months.

On behalf of Karington, LLC, we are happy to advise that these basic provisions are acceptable and we would now appreciate your pursuing the matter with the City Council.

We will be happy to provide any additional information you need in preparing an agreement, including overall survey, etc.

As you are painfully aware, this is a major decision for us, and we certainly appreciate the efforts, and particularly the patience of Mayor Robinson, John King and Joe Meinert in working out the many details with us.

We look forward to being a part of the great City of Bowie!

With Kindest Regards,



Kenneth H. Michael

KHM9350/ad

c: Mayor Fred Robinson
John King
Joe Meinert
Gary Michael
Kevin Kennedy



City of Bowie

15901 Excalibur Road
Bowie, Maryland 20716

February 10, 2015

Mr. Kenneth H. Michael
NAI Michael
4640 Forbes Boulevard Suite 300
Lanham, Maryland 20706

RE: City of Bowie Annexation of Karington

Dear Mr. Michael:

The eleven points below represent the parameters of the agreement for annexation of the Karington property into the City of Bowie. I believe they are a resolution of all of the outstanding issues and represent the understanding of things that you and I have reached.

Once the annexation parameters are accepted by you for Karington LLC and that acceptance is communicated in writing to us, we will brief the City Council and, upon their instruction, prepare a draft written annexation agreement that incorporates all of the points. The written annexation agreement must be discussed and acted upon by the City Council in a public session.

1. Taxes – In the event a TIF is not placed on the Karington property, the City agrees that the Karington property owned by Karington LLC or its successors shall be exempt from a portion of all municipal taxation by the City (“Exemption”) for a period that begins on the effective date of the Annexation Agreement and that ends on the date that is five (5) years after each settlement with respect to the sale or transfer of any lot or parcel within the annexation area to any third party for use as a residence, ownership by a Homeowners’ Association, or for use as a place of business. With respect to lots and parcels that are retained by Karington LLC for residential or commercial use, the Exemption period will end on the date that is five (5) years after the issuance of the final Certificate of Occupancy for each such lot or parcel.

The exempt tax shall be that portion of Bowie municipal taxation which would increase the tax charged from what is currently charged or which would be charged in any year during which this Exemption is in effect by the State of Maryland and Prince George’s County against the real property within the Karington property. Prince George’s County collects both State and municipal real property taxes for properties

located in the City. To effectuate the tax exemption the City will provide a reduced municipal tax rate to apply to the Karington properties. If, in the future, Prince George's County cannot accommodate differing tax rates within the same municipality, it will be necessary for each taxpayer to pay the entire amount of property taxes and apply for a tax refund for that portion of the municipal real property tax that is exempt.

Notwithstanding the foregoing provisions, the Exemption period shall automatically expire on the date that is fifteen (15) years following the effective date of the Annexation Agreement.

2. Tax Increment Financing (TIF) - The City will fully support the creation of a TIF district and the issuance of TIF bonds by either the City or the County, or both, if applicable, for the Karington project, subject to the City's TIF Policy in effect at the time of the effective date of the Annexation Agreement. Karington LLC or successors will comply, if applicable, with the City and County TIF policies in effect at the time of the effective date of the Annexation Agreement.
3. Road Maintenance – The City will accept maintenance of all public streets and homeowners association owned access drives within Karington in accordance with established City guidelines. However, acceptance of maintenance for private roads applies to the main aisles only, not individual parking spaces. Said streets shall be constructed in accordance with County standards and will be subject to City inspections during the construction thereof. Any required road bonds shall be with the City. The City's acceptance of maintenance for private roads includes snow removal. Also, the City will support the developer's requests to place eligible road improvements in the County or State CIP budgets.
4. Plans and Permits - The City supports the existing approvals as well as any pending or future Applications for the Karington project that are consistent with the existing approved plans and represents that it agrees to and supports the development of Karington as a mixed-use project consisting of approximately 396 acres zoned E-I-A and including residential, retail, office, and hotel uses (the "Project"), with such reasonable amendments thereto as the applicable authorities and the Applicant may agree to.

The City will not, directly or indirectly, establish, suggest or acquiesce in any policy, take a position, pursue a course of action, require any standard or condition, make any recommendation to Prince George's County or the Maryland-National Capital Park and Planning Commission or other governmental or quasi-governmental authority,

individuals or citizens groups, or impose any obligation, which, as applied to the Annexation Area, is detrimental to the development of the Karington project as set forth in the paragraph above.

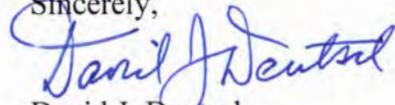
The City represents and agrees that it favors the development of the Karington Project as represented in the Applications, subject to reasonable conditions of approval of same, and will support the development of the Project.

5. Zoning – The city will not pursue or support any zoning change for the Karington property, unless the developer has requested and agreed to all of the terms and conditions of same. In addition, the Karington developer will seek the City’s concurrence prior to pursuing any zoning change.
6. Impact Fees and Special Business Taxes – The City recognizes that the full development of the project may take place over ten or more years. The City does not currently have any impact fees and will not impose or levy any new taxes or fees not in existence as of the date of this agreement. The exemptions provided for by this paragraph shall automatically expire on the date that is twenty (20) years following the effective date of the Annexation Agreement
7. Design Standards – Karington will be subject to the development review standards applicable to other developments within Prince George’s County. However, the Parties agree that the City’s approval on development and architectural plans is not required, nor are its comments binding. The City may review or comment on MNCPPC or other County agency referrals, provided that such comments are not inconsistent with this agreement.
8. Annexation Agreement – The City and Developer agree to comply with the terms of the Annexation Agreement. In the event of either party’s violation of the Annexation Agreement, legal remedies shall be in accordance with the laws of the State of Maryland.
9. Services – Karington will receive all current and future Bowie City services in accordance with the same standards, rules, and procedures as they are provided throughout the City including, but not limited to: City police, residential trash removal, snow removal from City streets, and senior bus/transportation service.
10. Schools – The City will advocate with the Board of Education and the County the position that the children of Karington residents attend Prince George’s County Public Schools located in the City of Bowie.

11. Zip Code – The City will assist the Karington developer in advocating to the US Postal Service to obtain a Bowie Zip Code and mailing address.

Please contact me if you have any questions or desire further information. I look forward to hearing from you.

Sincerely,



David J. Deutsch
City Manager

3-Karington Annexation Impact Analysis-Basic

Name of annexation area: Karington

Input data

No. of homes annexing into City	468
Estimated assessed values of annexing homes	\$302,799
Total number of City households	21,490
Police Protection:	
Per capita allocation	\$2.50
Average household size (2010 Census data)	2.64
City tax rate (per \$100 of assessed value)	\$0.400

Office(sq ft x value psf)	600,000	\$146
Retail(sq ft x value psf)	300,000	\$155
Multi-family(#units x value)	832	\$161,617
Hotel (# Rooms x value per room)	370	\$97,317

NOTE: Value is Assessed Value

Revenues

Real Property Taxes				
Residential Value	(\$141,709,932	X	\$0.400)	<u>\$566,840</u>
Office Value	(\$87,600,000	X	\$0.400)	<u>\$350,400</u>
Retail Value	(\$46,500,000	X	\$0.400)	<u>\$186,000</u>
Multifamily Value	(\$134,465,344	X	\$0.400)	<u>\$537,861</u>
Hotel Value	(\$36,007,290	X	\$0.400)	<u>\$144,029</u>
Total Assessed Value	\$446,282,566			
Total Real Property Taxes				<u>\$1,785,130</u>
 Hotel/Motel Tax	\$533 per room			<u>\$197,210</u>

Source	FY15 Budget	Per Household*	Houses Annexing	Projected Revenue	
State Income Taxes	\$8,564,300	\$398.52	468	\$186,507	
Motor Vehicle Taxes	1,461,900	68.03	468	31,838	
Cable Franchise Fees	1,970,200	91.68	468	42,906	
Police Protection	492,200	**		3,089	
Total	<u>\$12,488,600</u>			<u>\$264,340</u>	<u>\$264,340</u>

*FY15 Budget appropriation divided by 21,490 households.
 **State allocates funds to municipalities at a rate of \$2.50 per capita;
 468 households X 2.64 average household size equals 1236 people X \$2.50 per capita = \$3,089

Total Annual Revenues equals \$566,840 plus \$264,340 \$2,246,680

Expenditures

Services	FY15 Budget	Cost per Household*	Houses Annexing	Additional Cost for Services	
Solid Waste	\$4,990,100	\$232.21	468	\$108,672	
Street Maintenance	5,703,000	265.38	468	124,197	
Equipment Charges	1,806,700	84.07	468	39,346	(FY15 Transfer to EARF)
Parks & Grounds	2,664,300	123.98	468	58,022	
Stormwater Management	451,900	21.03	468	9,841	
Code Compliance	684,300	31.84	468	14,902	
Senior Services	1,094,500	50.93	468	23,836	
Youth Services Bureau	909,100	42.30	468	19,798	
Animal Control	273,900	12.75	468	5,965	
Police Department	8,606,900	400.51	468	187,437	
Emergency Mgmt.	260,200	12.11	468	5,667	
Total	<u>\$27,444,900</u>			<u>\$597,683</u>	<u>\$597,683</u>

Projected Revenue \$ 2,246,680
 Projected Expenditures (597,683)
Net Impact \$ 1,648,997

Karington Fiscal Impact Analysis Overview – Tax Abatement Scenario

The Karington annexation is a significant revenue generator for the City.

	2015	2017	2018	2019	2021	2022	2023	2024	2026	2031*
Projected Revenue	\$13,652	\$276,472	\$522,077	\$552,301	\$697,813	\$1,207,894	\$1,248,372	\$1,575,918	\$1,878,136	\$2,110,854
Projected Expenses	\$0	(\$208,800)	(\$535,050)	(\$535,050)	(\$820,845)	(\$820,845)	(\$820,845)	(\$820,845)	(\$820,845)	(\$820,845)
Net	\$13,652	\$67,672	(\$12,973)	\$17,251	(\$123,032)	\$387,049	\$427,527	\$755,073	\$1,057,291	\$1,290,009
Total Value Added**	\$13,652	\$94,976	\$82,303	\$99,554	\$62,124	\$449,173	\$876,700	\$1,631,773	\$3,444,137	\$5,863,310

*All tax abatement ends fifteen years after the annexation agreement is signed.

**Includes Net for years not shown in table: 2016=\$13,652; 2020=\$85,602; 2025=\$755,073; 2027, 2028, 2029, and 2030=\$1,057,291 each year

2015 is the beginning year for calculating the fiscal impacts of annexation. In that first year there is only the raw, undeveloped land which has a current assessed value of \$10,501,200.

A City tax rate of \$0.13 is used per the terms of the abatement incentive for annexation. This tax rate is the difference between the County tax rate of \$0.96 and the County tax rate in Bowie of \$0.83.

The estimate of assessed value for one home is \$302,799. This is the average selling price of all type homes in and around Bowie since 2010. This value is intentionally lower than what the actual; market price for new residential units will likely be.

We used \$566 per household annexing to calculate the value of revenue received from other sources (e.g. State Income taxes or Motor Vehicle taxes)

CITY SERVICE EXPENSES

Based on the FY 15 budget the City’s cost to serve one household is \$1,305.

PHASING OF CONSTRUCTION

The Karington project can be built with a variety of unit counts and mixes. Staff derived these numbers based upon County approved conceptual plans and developer provided ‘current thinking’:

- 629 single family/townhouse/condo units
- 610 apartment units
(1,239 residential units total)
- 660,000 square feet of office
- 343,000 square feet of retail
- 370 hotel rooms

We assume it will take two years for construction to begin (e.g. start in 2017) which allows time for final plans and infrastructure construction.

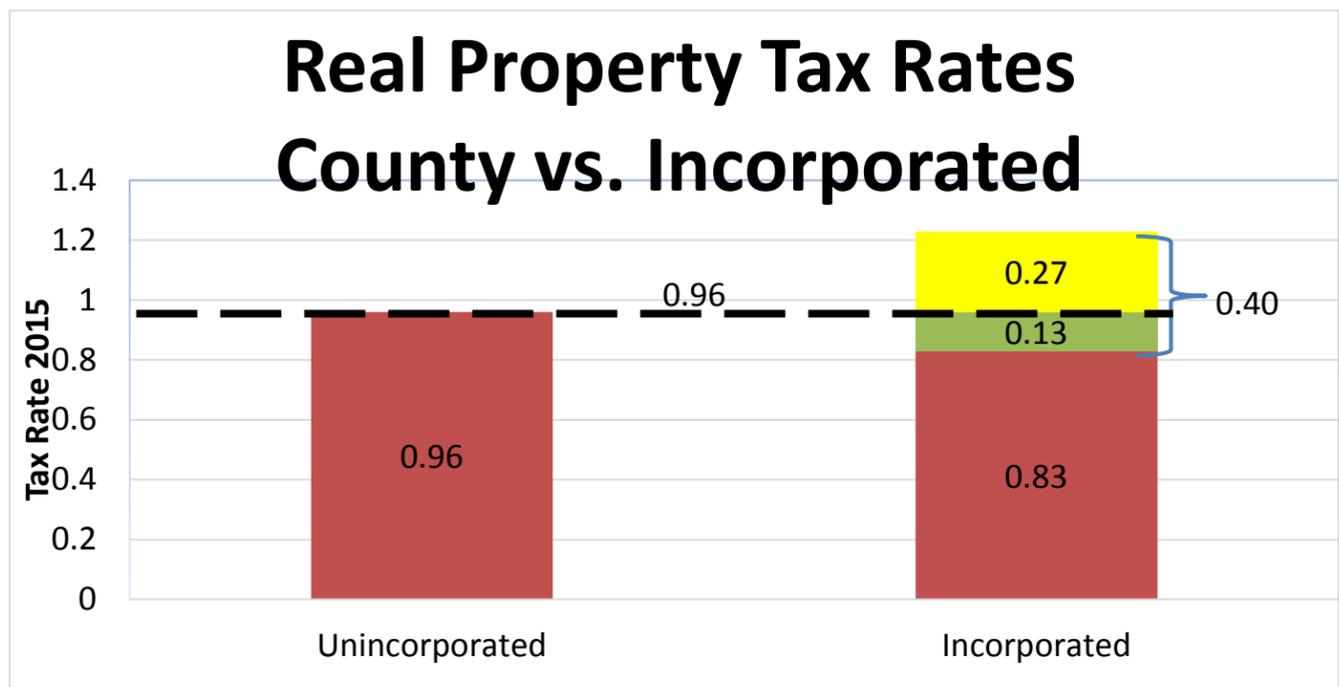
We assume for this calculation that ALL units of a particular phase come into inventory in the same year.

Construction phasing is:

Residential	2017=160	2018=+250 [410]	2021=+219 [629]
Office		2018=30,000	2021=+80,000 [110,000] 2031 or beyond=+550,000 [660,000]
Retail	2017=193,000	2019=+150,000 [343,000]	
Multifamily (Apartments)	2017=400		2021=+210 [610]
Hotel			2024=135 2031=+135 [270] beyond=+100 [370]

Real property is returned to full taxation five (5) years after entering the tax abatement. Simply add five (5) years to the years shown above for the year in which those units/square feet are returned to full city taxation of \$0.40.

No matter when the tax abatement begins, ALL tax abatement ends fifteen (15) years after the date of the annexation agreement.



5-Karington Annexation Impact Analysis- Detailed Tax Abatement Scenario

Name of annexation area: Karington

Input data

	2015	2017
No. of homes built total	1 [2015 is raw land]	160
No. of homes built this year	0	160
No. homes off abatement this year	0	0
No. homes abated	0	160
No. homes full tax	0	0
Estimated assessed values of annexing homes	\$10,501,200	\$302,799
Total number of City households	21,490	21,490
Police Protection:		
Per capita allocation	\$2.50	\$2.50
Average household size (2010 Census data)	2.64	2.64
City full tax rate (per \$100 of assessed value)	\$0.400	\$0.400
City tax rate with abatement	\$0.130	\$0.130

	TOTAL UNITS	Value Per Unit*
Office(sq ft)	660,000	\$146
Retail(sq ft)	343,000	\$155
Multi-family(#units)	610	\$161,617
Hotel (# Rooms)	370	\$97,317

*NOTE: Value is Per Unit and is calculated from Assessed Values

Revenues

Real Property Taxes		
Residential Value	\$0	\$62,982
Office Value	\$0	\$0
Retail Value	\$0	\$38,890
Multifamily Value	\$0	\$84,041
Hotel Value	\$0	\$0
Total Assessed Value		
Total Real Property Taxes	\$13,652	\$185,912
Hotel/Motel Tax \$533 per room	\$0	\$0

Source	FY15 Budget	Per Household*	Houses Annexing	Projected Revenue
State Income Taxes	\$8,564,300	\$398.52	1	\$399
Motor Vehicle Taxes	1,461,900	68.03	1	68
Cable Franchise Fees	1,970,200	91.68	1	92
Police Protection	492,200	**	1	7
Total	\$12,488,600			\$566

*FY15 Budget appropriation divided by 21,490 households.

**State allocates funds to municipalities at a rate of \$2.50 per capita;
 1 households X 2.64 average household size equals
 3 people X \$2.50 per capita = \$7

Total Annual Revenues equals \$0 plus \$0 = \$13,652 = \$276,472

Expenditures

Services	FY15 Budget	Cost per Household*	Houses Annexing	Additional Cost for Services
Solid Waste	\$4,990,100	\$232.21	1	\$232
Street Maintenance	5,703,000	265.38	1	265
Equipment Charges	1,806,700	84.07	1	84
Parks & Grounds	2,664,300	123.98	1	124
Stormwater				
Management	451,900	21.03	1	21
Code Compliance	684,300	31.84	1	32
Senior Services	1,094,500	50.93	1	51
Youth Services				
Bureau	909,100	42.30	1	42
Animal Control	273,900	12.75	1	13
Gymnasium	609,500	28.36	1	28
Police Department	8,606,900	400.51	1	401
Emergency Mgmt.	260,200	12.11	1	12
Total	\$28,054,400			\$1,305

Houses Annexing	Additional Cost for Services
160	
	\$208,800
	\$208,800

Projected Revenue \$ 13,652 \$ 276,472
 Projected Expenditures 0 \$ (208,800)
Net Impact \$ 13,652 \$ 67,672

5-Karington Annexation Impact Analysis- Detailed Tax Abatement Scenario

2018	2019	2021	2022
410	410	629	629
250	0	219	0
0	0	0	160
410	410	629	469
0	0	0	160
\$302,799	\$302,799	\$302,799	\$302,799
21,490	21,490	21,490	21,490
\$2.50	\$2.50	\$2.50	\$2.50
2.64	2.64	2.64	2.64
\$0.400	\$0.400	\$0.400	\$0.400
\$0.130	\$0.130	\$0.130	\$0.130

30,000	150,000	80,000	80,000
		210	

			ABATED	FULL	
\$161,392	\$161,392	\$247,599	\$184,617	\$193,791	
\$5,694	\$5,694	\$20,878	\$20,878	\$0	
\$38,890	\$69,114	\$69,114	\$30,225	\$119,660	
\$84,041	\$84,041	\$128,162	\$44,121	\$258,587	
\$0	\$0	\$0	\$0	\$0	
			\$279,841	\$572,039	
	\$290,017	\$320,241	\$465,753		\$851,880
	\$0	\$0	\$0		\$0
	\$232,060	\$232,060	\$232,060		\$356,014
	\$522,077	\$552,301	\$697,813		\$1,207,894

Houses Annexing	Additional Cost for Services						
410		410		629		629	

\$535,050	\$535,050	\$535,050	\$535,050	\$820,845	\$820,845	\$820,845	\$820,845
	\$ 522,077		\$ 552,301		\$ 697,813		\$ 1,207,894
	(535,050)		(535,050)		(820,845)		(820,845)
	\$ (12,973)		\$ 17,251		\$ (123,032)		\$ 387,049

5-Karington Annexation Impact Analysis- Detailed Tax Abatement Scenario

2023	2024	2026	2031	
629	629	629	629	1239 a\\629
0	0	0	0	
250	0	219	0	
219	219	0	0	
410	410	629	629	
\$302,799	\$302,799	\$302,799	\$302,799	
21,490	21,490	21,490	21,490	
\$2.50	\$2.50	\$2.50	\$2.50	Tax abatement ends after 15 years
2.64	2.64	2.64	2.64	
\$0.400	\$0.400	\$0.400	\$0.400	
\$0.130	\$0.130	\$0.130	\$0.130	

550,000

135

135 [another 100 units might be built beyond 2031]

ABATED		FULL		ABATED		FULL		ABATED		FULL		FULL	
\$86,207	\$496,590	\$86,207	\$496,590	\$0	\$761,842	\$0	\$761,842	\$0	\$761,842	\$0	\$761,842	\$761,842	\$761,842
\$15,184	\$17,520	\$15,184	\$17,520	\$0	\$64,240	\$0	\$64,240	\$0	\$64,240	\$0	\$64,240	\$385,440	\$385,440
\$30,225	\$119,660	\$0	\$212,660	\$0	\$212,660	\$0	\$212,660	\$0	\$212,660	\$0	\$212,660	\$212,660	\$212,660
\$44,121	\$258,587	\$44,121	\$258,587	\$0	\$394,345	\$0	\$394,345	\$0	\$394,345	\$0	\$394,345	\$394,345	\$394,345
\$0	\$0	\$17,079	\$0	\$17,079	\$0	\$0	\$0	\$17,079	\$0	\$0	\$0	\$52,551	\$52,551
\$175,737	\$892,358	\$162,591	\$985,358	\$17,079	\$1,433,088	\$17,079	\$1,433,088	\$17,079	\$1,433,088	\$17,079	\$1,433,088		

\$892,358	\$1,147,949	\$1,450,167	\$1,806,839
\$0	\$71,955	\$71,955	\$71,955

\$356,014	\$356,014	\$356,014	\$232,060
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<u>\$1,248,372</u>	<u>\$1,575,918</u>	<u>\$1,878,136</u>	<u>\$2,110,854</u>
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Houses Annexing	Additional Cost for Services
629	

Houses Annexing	Additional Cost for Services
629	

Houses Annexing	Additional Cost for Services
629	

Houses Annexing	Additional Cost for Services
629	

<u>\$820,845</u>	<u>\$820,845</u>	<u>\$820,845</u>	<u>\$821,136</u>	<u>\$820,845</u>	<u>\$821,136</u>	<u>\$820,845</u>	<u>\$820,845</u>
	\$ 1,248,372		\$ 1,575,918		\$ 1,878,136		\$ 2,110,854
	(820,845)		(820,845)		(820,845)		(820,845)
	<u>\$ 427,527</u>		<u>\$ 755,073</u>		<u>\$ 1,057,291</u>		<u>\$ 1,290,009</u>