



REAL PROPERTY **RESEARCH** GROUP

WASHINGTON/BALTIMORE ■ ATLANTA

Fiscal Impact Analysis

Town of Cheverly Parcel Annexation

Cheverly, Maryland

Prepared for:

Town of Cheverly

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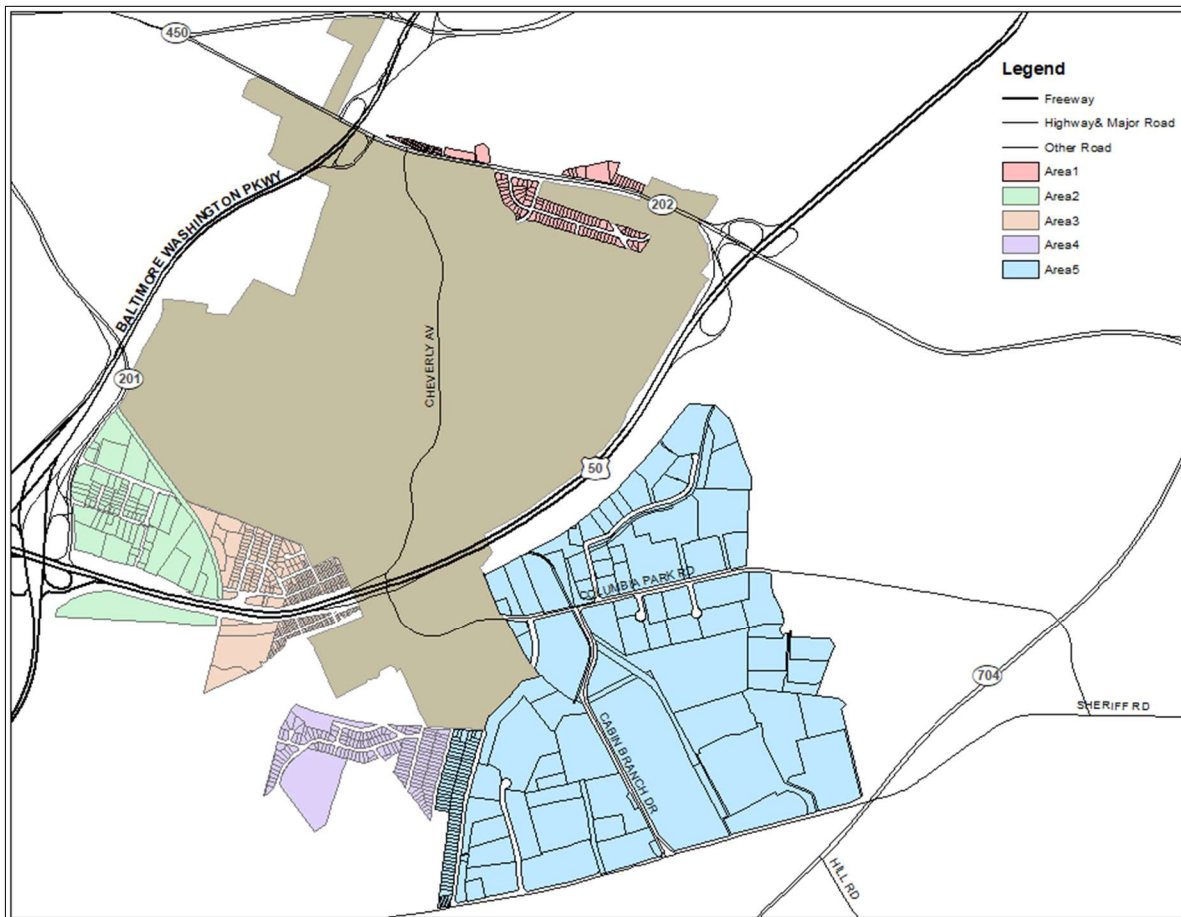
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I. OVERVIEW

A. Assignment

The Town of Cheverly is contemplating annexation of over 600 hundred parcels from Prince George's County. Real Property Research Group, Inc. (RPRG) has been engaged to complete a fiscal impact analysis of the parcels being considered for annexation to the Town of Cheverly, Maryland. The properties contemplated for annexation are arranged in five designated Areas (Figure 1). This analysis will derive assumptions regarding potential additions of households and jobs and apply these assumptions to estimate the potential impact on the revenue and expenses for the Town of Cheverly. As this analysis is conducted independent of an economic impact analysis, only the direct impacts will be estimated. However, as these are improved parcels developed with existing operating businesses and occupied residences, the Town is already experiencing whatever indirect or induced economic impacts are produced from these properties, and these impacts should already be reflected in the Town's current budget.

Figure 1 Overview of Parcels To Be Annexed, Cheverly Annexation



Source: Town of Cheverly

B. Subject Description and Assumptions

According to documents provided to RPRG by the Town of Cheverly and Prince George's County, the annexation parcels will include 246 residential dwelling units (Figure 2), over 600,000 square feet of commercial/transportation/utilities uses, approximately 5.5 million square feet of industrial space, and 129 acres of institutional, public, and vacant land. According to Prince George's County estimates, the annexation parcels directly support approximately 9,526 employees, though this estimate does not include indirect or induced jobs generated by the economic impact of these businesses.

RPRG assumes an average household size of 2.6 persons based on Esriⁱ estimates, and Esri data indicates households residing among the annexation parcels have a median household income of \$102,238.

Figure 2 Residential Parcels To Be Annexed, Cheverly Annexation



Source: Prince George's County

C. Report Limitations

The conclusions reached in a community impact analysis are inherently subjective and there can be no assurance that the estimates made or assumptions employed in preparing this report will in fact be realized or that other methods or assumptions might not be appropriate. The analyst relied on statements of the Client, related stakeholders, and other third parties with respect to the subject properties. RPRG made no attempt to verify the truthfulness or accuracy of such statements. The conclusions expressed in this report are as of the date of this report, and an analysis conducted as of another date may require different conclusions. The actual results achieved will depend on a variety of factors including the performance of management, the impact of changes in general and local economic conditions, and the absence of material changes in the regulatory or competitive environment. Reference is made to the statement of Underlying Assumptions and Limiting Conditions attached as Appendix I and incorporated in this report.

II. FISCAL IMPACTS

A. Methodology

The direct economic impacts, or contributions, of the development and operations of the annexation parcels will contribute to the finances of the relevant taxing jurisdiction, the Town of Cheverly. The economic impact assumptions outlined previously, namely the addition of 246 households (650 people) and 9,526 jobs, will be applied to the estimate of fiscal impact. We note that these estimates do not include potential indirect or induced economic impacts, as these additional impacts are likely already reflected in the local economy and subsequently in the Town's budget. The fiscal impact analysis involves estimating the extent to which the subject annexation parcels will affect local government revenues and expenditures. The analysis includes estimating payments made between the occupants of the subject properties and the local government, such as property taxes or operational subsidies. In addition, the analysis estimates any tax revenue, such as property or income taxes, which can be applied to the economic impact assumptions. The final piece of the fiscal impact analysis estimates the impact of the properties on miscellaneous revenue and expenditures of local government, such as parking violations and excise taxes, which cannot be directly attributed to the properties, but are assumed to be affected by the economic activity supported by the properties.



RPRG reviewed the most recent FY 2022 budget for the Town of Cheverly to identify the sources of revenue and uses of expenditures. Much of the Town's budget is funded through a combination of property taxes, charges for services, income taxes, service and permit fees, as well as intergovernmental grant funding. Local taxes are the largest source of revenue for the Town, accounting for 84 percent of the Town's revenue. The revenue sources for the Town of Cheverly as outlined in the FY 2022 budget is illustrated in Table 3.

Table 3 Budgeted Revenues, Town of Cheverly

BUDGETED REVENUE	Total Budget	Attributable to:		Not Attributable
		Residents & Business	Residents Only	
Town of Cheverly Adopted Budget FY2022- General Fund				
Taxes	\$5,321,500	\$3,139,685	\$2,181,815	\$0
Licenses & Permits	\$212,550	\$63,765	\$148,785	\$0
Intergovernmental	\$191,900	\$191,900	\$0	\$0
Service Charges	\$3,500	\$875	\$2,625	\$0
Fines & Forfeitures	\$558,800	\$558,800	\$0	\$0
Interest & Dividends	\$5,000	\$5,000	\$0	\$0
Miscellaneous Revenue	\$29,000	\$29,000	\$0	\$0
Total Town of Cheverly General Fund Revenue	\$6,322,250	\$3,989,025	\$2,333,225	\$0

Source: Town of Cheverly Adopted Budget FY2022- General Fund

A fundamental assumption of this analysis is that demand for government services (and government revenue sources) have constant returns to scale. This means that if the quantities of units of government demand (such as the number of residents or the number of businesses) changes,

government revenue and expenditures will change on a pro-rata basis. To estimate this, government revenues and expenditures are attributed to residents or to residents and businesses. The Town's budget does not itemize revenues in a manner allowing for allocation to residents or businesses. However, when possible, resident-based expenditures are estimated and attributed to residents only. Expenditures such as general government and public safety, were attributed to both residents and businesses as each group consumes these services, while also applying national average benchmark ratios provided by IMPLANⁱⁱ.

Of the Town of Cheverly' \$6,322,250 of 2022 budgeted general fund revenue, \$2,333,225, or 37 percent, is attributed exclusively to resident consumers of services, and \$3,989,025, or 63 percent of general fund revenue is attributed to the base of both resident and non-resident/business consumers of service (Table 3). A similar analysis was completed for budgeted expenditures with 41 percent of budgeted expenditures attributed to both residents and businesses and 59 percent attributed to only residents (Table 4).

We note that the FY 2022 Budget for the Town of Cheverly indicates total revenue of \$6,322,250 and total expenditures of \$7,867,750, yielding a net deficit of approximately \$1.5 million.

Table 4 Budgeted Expenditures, Town of Cheverly

BUDGETED EXPENDITURES	Total Budget	Attributable to:	
		Residents & Business	Residents Only
Town of Cheverly Adopted Budget FY2022- General Fund			
General Government	\$2,236,950	\$1,006,628	\$1,230,323
Public Works & Services	\$3,320,300	\$1,660,150	\$1,660,150
Public Safety	\$2,310,500	\$577,625	\$1,732,875
Assigned Funds	\$0	\$0	\$0
Restricted Funds (HUR Rollover)	\$0	\$0	\$0
Total Town Expenditures	\$7,867,750	\$3,244,403	\$4,623,348

Source: Town of Cheverly Adopted Budget FY2022

RPRG used population estimates and data on industry employment from Esri to compute the base number of demand units for both residents and residents/businesses for the Town of Cheverly. As a proxy for businesses and business activity, RPRG utilized total At-Place Employment in the Town of Cheverly.

The Town of Cheverly's estimated 2021 population is 5,921. Esri data estimates total employment in Cheverly as of 2021 was 1,056 (Table 5). To avoid double counting, the number of town residents that also work in the town of Cheverly was subtracted to compute a total resident and job base of 6,956 in the town of Cheverly. Revenue per unit of government demand is computed in Table 6 and expenditures per unit are computed in Table 7. The revenue per unit was computed for each incremental job and resident. As specific property tax assessment data was provided for each parcel, incremental revenue per job was computed excluding property taxes.

Table 5 Units of Government Demand

	Town of Cheverly
2021 Estimated Population	5,921
2021 Estimated Employment	1,056
Estimated % of Resident Workers	2.0%
Less Estimated Resident Workers	-21
2021 Resident and Job Base	6,956
2021 Resident Base	5,921

Sources: US Census Bureau; Esri; US BLS; RPRG, Inc

Table 6 Budgeted Revenue per Unit of Government Demand

Revenue per Unit	Total	Residents & Business	Residents Only
Town of Cheverly Unit Base		6,956	5,921
Total Town of Cheverly General Fund Revenue Excluding Property Taxes	\$2,486,050	\$ 1,568,574	\$ 917,476
Per Job (Not including Property taxes)	\$ 225	\$ 225	
Per Resident (Not Including Property taxes)	\$ 380	\$ 225	\$ 155

Sources: RPRG; Town of Cheverly

Table 7 Budgeted Expenditures per Unit of Government Demand

Expenditures per Unit	Total	Residents & Business	Residents Only
Town of Cheverly Unit Base		6,956	5,921
Total Town Expenditures	\$7,867,750	\$3,244,403	\$4,623,348
Per Job	\$ 466	\$ 466	
Per Resident	\$ 1,247	\$ 466	\$ 781

Sources: RPRG; Town of Cheverly

B. Fiscal Impact Analysis

When an economic impact analysis is performed, the fiscal impacts of a new development or annexation such as the Cheverly Parcel Annexation on the Town of Cheverly are measured as both direct and indirect. Direct fiscal impacts include payments made between the occupants of the properties and/or users and the local government jurisdictions. Direct fiscal impacts consist of the revenue and expenditures per job/resident applied to total direct resident and/or employment contributions. Indirect fiscal impacts include the revenue and expenditures per job applied to the total indirect and induced employment contributions. In the absence of an economic impact analysis, we will only measure the direct fiscal impacts for the Cheverly Parcel Annexation. Analyzing only the direct impacts is also appropriate as the annexation parcels are largely improved with existing uses that are already providing indirect and induced impacts to the Town.

Fiscal impacts are estimated for the ongoing operation of the existing commercial properties as well as use of residence, referencing current demographics, tax rates, and Town budget as of May 2022. For the purpose of this analysis, we assume continuation of all current uses of all annexation parcels.

DIRECT PROPERTY TAX

The designated annexation parcels are estimated to include 246 dwelling units, over 600,000 square feet of commercial/transportation/utilities uses, approximately 5.5 million square feet of industrial space, and 129 acres of institutional, public, and vacant land. To estimate assessed values for calculating property taxes, RPRG used assessment data provided by Prince George's County. The total assessed values include \$68.5 million for the residential component, no apartment properties, \$51.8 million for the commercial component, \$492.7 million for the industrial component, \$11.8 million for vacant land, and \$140,400 for exempt properties. Applying the current residential and commercial property tax rate of 0.4899 per \$100 of assessed value results in a total tax levy for the properties of \$3,061,176 (Table 8). We note that both business personal property tax, as well as additional potential taxes and fees, may also be levied and will contribute to the Town's revenues. However, data regarding commercial tenants and projected business or sales information was unavailable. These estimated impacts will be reflected in the attribution of budgeted revenue line items for residents and businesses.

Table 8 Calculation of Property Tax, Cheverly Annexation Parcels

2022 Assessment per Appraised Value	246 Dwelling Units	Apartments	Commercial	Industrial	Vacant	Exempt	Total
Estimated Assessment	\$68,536,119		\$51,805,702	\$492,679,323	\$11,836,167	\$140,400	\$624,857,311
Tax Rate per \$100 of Assessed Value	0.4899	0.6600	0.4899	0.4899	0.4899		
Real Property Tax Revenue	\$335,758	\$0	\$253,796	\$2,413,636	\$57,985		\$3,061,176

Source: Prince George's County; RPRG, Inc.

Ongoing Annual Impacts

Ongoing annual direct revenue contributions following the parcels' annexation include the prorated increase in revenue for each onsite job and resident as well as collected property taxes. To estimate the count of residents that reside among the designated residential parcels, RPRG applies an average household size of 2.6 persons per household to the designated 246 dwelling units resulting in a total of 650 new residents to the town of Cheverly. Combined, the total direct revenue generated by the properties' operations and inclusion in the Town is \$5,456,601 (Table 9).

Ongoing annual direct expenditures expected to result from the annexation include the pro rata increase in local government expenditures attributable to each direct job and resident among the subject properties. The combined properties are expected to generate \$5,253,892 in direct expenditures. We note that this estimate is conservative in that it does not factor possible economies of scale as many expenditure items such as fixed contracts and equipment will not necessarily increase on a 1:1 ratio with every increase in residents or employment.

Netting out expenditures and revenues indicates that the annexation of the properties is expected to generate a net fiscal surplus to the Town totaling \$202,709 with the assumption that all properties continue operating with the current use, occupancy, and operations.

Table 9 Fiscal Contributions to the Town of Cheverly, Operation Period

Source	per Unit Amount	Basis	Annual Contribution
REVENUE			
Direct Revenue Contributions			
Property Tax	see calc	to Cheverly	--
Revenue contribution per direct job	\$ 225	x Direct jobs	9,526
Revenue contribution per resident	\$ 380	x New Residents	650
Total Direct Revenue contribution			\$5,456,601
EXPENDITURES			
Direct Expenditures Contributions			
Expenditure per direct job	\$ 466	x Direct jobs	9,526
Expenditures per resident	\$ 1,247	x New Residents	650
Total Expenditures			\$5,253,892
Total Surplus / (Deficit) to Local Government			\$202,709

The conclusion is that the annexation of the designated parcels will have a positive fiscal impact on the Town of Cheverly. This fiscal impact analysis is narrowly defined and considers only the costs and revenues associated with the new residents, employment, and operations of the designated annexation parcels. Again, we note that these estimates of both revenue and surplus may be understated due to several factors.

- This analysis applies incremental contributions from the annexation parcels to the current FY 2022 budget for the Town of Cheverly. This budget represents a net deficit of \$1.5 million. Therefore, additional contributions to the budgeted revenues and expenditures are inherently weighted toward expenses, skewing the estimated net surplus downward.
- This analysis does not factor possible economies of scale.
- Specific business operation information was not provided for the annexation parcels; if the town does not have precedent for certain business types and operations of the annexation parcels, the specific impacts relevant to those unique operations may not fully be represented in the fiscal impact methodology.
- A broader fiscal impact analysis (beyond the scope of this study) could also consider the potential for specific fees, business property and sales tax, and related expenses for the specific individual uses and operations on each parcel, as well as indirect and induced economic impact generated by the subject development. However, we again note that as these are improved parcels developed with existing operating businesses and occupied residences, the Town is already experiencing whatever indirect or induced economic impacts are produced from these properties. The only potential additional indirect or induced economic impacts would be from future development/improvement of vacant parcels, from which additional direct impacts would be generated as well.

APPENDIX 1 UNDERLYING ASSUMPTIONS AND LIMITING CONDITIONS

In conducting the analysis, we will make the following assumptions, except as otherwise noted in our report:

1. There are no zoning, building, safety, environmental or other federal, state or local laws, regulations or codes which would prohibit or impair the operation and continued use of the subject properties in the manner contemplated in our report, and the subject properties will be maintained and operated in compliance with all applicable laws, regulations and codes.
2. No material changes will occur in (a) any federal, state or local law, regulation or code (including, without limitation, the Internal Revenue Code) affecting the subject properties, or (b) any federal, state or local grant, financing or other program which is to be utilized in connection with the subject properties.
3. The local, national and international economies will not deteriorate, and there will be no significant changes in interest rates or in rates of inflation or deflation.
4. The subject properties will be served by adequate transportation, utilities and governmental facilities.
5. The subject properties will not be subjected to any war, energy crisis, embargo, strike, earthquake, flood, fire or other casualty or act of God.
6. The subject properties will continue current use outlined in our report.
7. The subject properties will be maintained and operated in a highly professional manner.
8. There are neither existing judgments nor any pending or threatened litigation, which could hinder the use, marketing or operation of the subject properties.

The analysis will be subject to the following limiting conditions, except as otherwise noted in our report:

1. The analysis contained in this report necessarily incorporates numerous estimates and assumptions with respect to property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material.
2. Our estimates are based on the assumption that the product details set forth in our report will be followed without material deviation.
3. All estimates of future dollar amounts are based on the current value of the dollar, without any allowance for inflation or deflation.
4. We have no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal matters, environmental matters, architectural matters, geologic considerations, such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering matters.
5. Information, estimates and opinions contained in or referred to in our report, which we have obtained from sources outside of this office, are assumed to be reliable and have not been independently verified.
6. The conclusions and recommendations in our report are subject to these Underlying Assumptions and Limiting Conditions and to any additional assumptions or conditions set forth in the body of our report.

APPENDIX 2 ANALYST RESUMES

TAD SCEPANIAK **Managing Principal**

Tad Scepianiak assumed the role of Real Property Research Group's Managing Principal in November 2017 following more than 15 years with the firm. Tad has extensive experience conducting market feasibility studies on a wide range of residential and mixed-use developments for developers, lenders, and government entities. Tad directs the firm's research and production of feasibility studies including large-scale housing assessments to detailed reports for a specific project on a specific site. He has extensive experience analyzing affordable rental communities developed under the Low Income Housing Tax Credit (LIHTC) program and market-rate apartments developed under the HUD 221(d)(4) program and conventional financing. Tad is the key contact for research contracts many state housing finance agencies, including several that commission market studies for LIHTC applications.

Tad is Immediate Past Chair of the National Council of Housing Market Analysts (NCHMA) and previously served as Nation Chair and Co-Chair of Standards Committee. He has taken a lead role in the development of the organization's Standard Definitions and Recommended Market Study Content, and he has authored and co-authored white papers on market areas, derivation of market rents, and selection of comparable properties. Tad is also a founding member of the Atlanta chapter of the Lambda Alpha Land Economics Society.

Areas of Concentration:

- Low Income Tax Credit Rental Housing: Mr. Scepianiak has worked extensively with the Low Income Tax Credit program throughout the United States, with special emphasis on the Southeast and Mid-Atlantic regions.
- Senior Housing: Mr. Scepianiak has conducted feasibility analysis for a variety of senior oriented rental housing. The majority of this work has been under the Low Income Tax Credit program; however his experience includes assisted living facilities and market rate senior rental communities.
- Market Rate Rental Housing: Mr. Scepianiak has conducted various projects for developers of market rate rental housing. The studies produced for these developers are generally used to determine the rental housing needs of a specific submarket and to obtain financing.
- Public Housing Authority Consultation: Tad has worked with Housing Authorities throughout the United States to document trends rental and for sale housing market trends to better understand redevelopment opportunities. He has completed studies examining development opportunities for housing authorities through the Choice Neighborhood Initiative or other programs in Florida, Georgia, North Carolina, South Carolina, Texas, and Tennessee.

Education:

Bachelor of Science – Marketing; Berry College – Rome, Georgia

ROBERT M. LEFENFELD

Founding Principal

Mr. Lefenfeld, Founding Principal of the firm, with over 30 years of experience in the field of residential market research. Before founding Real Property Research Group in 2001, Bob served as an officer of research subsidiaries of Reznick Fedder & Silverman and Legg Mason. Between 1998 and 2001, Bob was Managing Director of RF&S Realty Advisors, conducting residential market studies throughout the United States. From 1987 to 1995, Bob served as Senior Vice President of Legg Mason Realty Group, managing the firm's consulting practice and serving as publisher of a Mid-Atlantic residential data service, Housing Market Profiles. Prior to joining Legg Mason, Bob spent ten years with the Baltimore Metropolitan Council as a housing economist. Bob also served as Research Director for Regency Homes between 1995 and 1998, analyzing markets throughout the Eastern United States and evaluating the company's active building operation.

Bob provides input and guidance for the completion of the firm's research and analysis products. He combines extensive experience in the real estate industry with capabilities in database development and information management. Over the years, he has developed a series of information products and proprietary databases serving real estate professionals.

Bob has lectured and written extensively about residential real estate market analysis. Bob has created and teaches the market study module for the MBA HUD Underwriting course and has served as an adjunct professor for the Graduate Programs in Real Estate Development, School of Architecture, Planning and Preservation, University of Maryland College Park. He is the past National Chair of the National Council of Housing Market Analysts (NCHMA) and currently chairs its FHA Committee.

Areas of Concentration:

- Strategic Assessments: Mr. Lefenfeld has conducted numerous corridor analyses throughout the United States to assist building and real estate companies in evaluating development opportunities. Such analyses document demographic, economic, competitive, and proposed development activity by submarket and discuss opportunities for development.
- Feasibility Analysis: Mr. Lefenfeld has conducted feasibility studies for various types of residential developments for builders and developers. Subjects for these analyses have included for-sale single-family and townhouse developments, age-restricted rental and for-sale developments, large multi-product PUDs, urban renovations and continuing care facilities for the elderly.
- Information Products: Bob has developed a series of proprietary databases to assist clients in monitoring growth trends. Subjects of these databases have included for sale housing, pipeline information, and rental communities.

Education:

Master of Urban and Regional Planning; The George Washington University.
Bachelor of Arts - Political Science; Northeastern University.

ETHAN REED Sr. Analyst

Ethan Reed joined RPRG in 2016 where he focuses on rental market studies and community and economic analyses for development projects. Throughout his extensive career, Ethan has served in various analysis and advisory capacities in the residential and commercial real estate industry. Ethan's experience includes advising lenders, developers, homebuilders, investors, nonprofit organizations and government agencies through market and property analysis, economic analysis, site selection and marketing strategy.

Prior to joining RPRG, Ethan served as Senior Research Manager with CoStar Group, leading market research & analysis efforts as well as developing new research and analysis products & services for the commercial real estate industry. Ethan's additional experience includes directing regional research and marketing efforts for CBRE as well as providing valuation, analysis and advisory services for commercial and residential clients throughout Texas. Appraisal and consulting assignments have included, but are not limited to apartment complexes, for sale subdivisions, agricultural land, shopping centers, office and industrial buildings. Valuations have been prepared on proposed, renovated, and existing structures.

Areas of Concentration:

- **New Market Tax Credits:** Ethan conducts community development and economic impact analyses to illustrate the impacts of development projects that utilize federally-regulated New Market Tax Credits. Components of these reports include employment projections, local and regional economic impacts, and fiscal impacts on local governments
- **Low Income Housing Tax Credits:** Ethan prepares rental market studies for submission to lenders and state agencies for nine percent and four percent Low Income Housing Tax Credit allocations.
- **FHA Section 221(d)(4):** Ethan prepares comprehensive feasibility studies for submission to HUD regional offices as part of a lender's application for Section 221(d)(4) mortgage insurance. These reports strictly adhere to HUD's Multi-family Accelerated Processing (MAP) guidelines for market studies
- **Market and Product Advisory Analysis:** Ethan provides detailed analysis of existing markets, product and pricing recommendations, and targeted marketing suggestions for developers and land owners in the preliminary stages of development.
- **Commercial Feasibility:** Ethan conducts comprehensive feasibility analyses of proposed commercial uses in the context of the existing marketplace.

Education:

Masters of Business Administration; Liberty University

Bachelor of Science – Business Administration; University of Texas at Dallas

APPENDIX 3 WORKS CITED AND NOTES

ⁱ Esri is a national vendor of demographic data

ⁱⁱ IMPLAN is an economic analysis platform that combines a set of extensive databases, economic factors, multipliers, and demographic statistics with a refined modeling system.