



## Takoma Park City Council Meeting – March 20, 2019

### Agenda Item 2

#### Work Session

NDC Update on Takoma Junction Project

#### Recommended Council Action

Discussion only.

#### Context with Key Issues

The Takoma Junction redevelopment project has been the focus of a great deal of planning, discussion and community interest over several years. Neighborhood Development Company, the selected partner on the project, submitted the plans for the Montgomery County Development Review process. The plans were accepted for review on February 14, 2019. The plans submitted to the County differ somewhat from the plans approved by the City Council in July, 2018 in that floor area from the rear of the main and second levels was reduced to meet County floor area ratio requirements. NDC will give Council an update on the status of the project and the comments made at the March 19 Development Review Committee meeting.

#### Council Priority

Community Development for an Improved and Equitable Quality of Life

#### Environmental Considerations

An impermeable surface parking lot with untreated stormwater runoff largely covers the front portion of the Takoma Junction redevelopment site. The back portion of the property is largely wooded. Environmental Site Assessments conducted by Rummel, Klepper & Kahl, LLP (RKK) on behalf of the City in November 2012 ([Phase I](#)) and May 2013 ([Phase 2](#)), determined that the property had served as a dumping site for many years.

Environmental elements of the plan include:

- 1) Remediation: Any necessary environmental cleanup of the site will be addressed by NDC during the redevelopment of the site.
- 2) Preservation of green space: The retention of the southern slope of the property along Columbia Avenue for green space with a Forest Conservation Easement to be established upon completion of the project. Given the topography and the strong likelihood that a portion of the slope is largely fill and potentially unstable, as indicated in the Environmental Site Assessment, a portion of the property may need to be stabilized. During development, the vegetated area would have litter and invasives removed to promote the health of existing trees, additional trees would be planted, and the area would be maintained by NDC for the passive enjoyment of the community.
- 3) Stormwater management: Compliance with the City's stormwater requirements with a bio-retention storm water facility located at the rear of the building and a vegetative "green" roof.

- 4) Environmentally sustainable building design and site features: NDC has committed to meeting and exceeding the sustainability goals identified in the Development Agreement. Qualifying building and site features that will advance this goal include the elimination of the asphalt parking lot, the addition of operable windows on the second floor, the incorporation of openings into the below-grade parking facility and on both the first and second floors of the rear elevation of the building, and the introduction of trees and other plantings in the public realm along Carroll Avenue.

The site plan also provides for the construction of a below grade parking facility with 79 paid public parking spaces and the development of a more attractive and walkable commercial area, intended to encourage patrons to use alternative modes of transportation, to walk, bike, or use the bus to access the area and to visit multiple businesses on a single trip. National research on parking has shown that providing free or inexpensive parking correlates with more driving, more single driver commute trips, worse traffic, and more general reliance on driving.

There would be some negative environmental impacts of the project, including the impacts related to the removal of the soil and asphalt and the construction of the building; however, appropriate demolition, disposal and construction methods are all part of the sustainability standards for the project. The proposed building would use energy and would attract some new patrons driving vehicles to the site.

### **Fiscal Considerations**

The project site has been tax exempt since the City purchased the property and did not generate any local, County or State property tax revenue. The project is privately financed with an estimated \$22.3 million invested in the development. The City is not providing any public financing, tax incentives or other financial subsidies to facilitate the development. NDC will pay ground lease payments and real property tax payments.

- 1) In the past, a portion of the property was controlled by a Land License Agreement executed by the City of Takoma Park and the Takoma Park Silver Spring Co-op (TPSS Co-op). The agreement gave the TPSS Co-op exclusive access to dedicated parking for its employees, the right to place containerized storage structures and trash receptacles on the property, and an area to unload deliveries. In FY18, the City received \$22,128 from TPSS Co-op in consideration for the License Agreement. These payments ended when the Agreement ended on August 31, 2018. The City will receive other revenue from the following sources as the project develops: 1) Ground Lease Fees, 2) Property Taxes, and, to a lesser extent, 3) Stormwater Fees and 4) Income Taxes.
- 2) Ground Lease Payments: The City receives revenues from the lease of the property for a period of 99 years. The lease rate escalates over time though the base rent will remain flat at \$10,000 per year for the first five years of the lease. This base rent is scheduled to increase at a rate of 3% per year beginning Year 6. The base rent will be increased by 25% in Year 33 and by another 25% in Year 66. Over the course of the 99-year lease agreement, the City will receive a total of roughly \$20 million in lease payments. The Ground Lease commenced on September 1, 2018.
- 3) Property Tax: Upon commencement of the Ground Lease on September 1, 2018, the property will lose its tax exempt status and will begin generating real property tax revenue.

The assessed value of the property as of July 1, 2018, is \$2.2 million. Based on the current tax rate of 52.91 cents per \$100 value, the City would begin to collect an estimated \$11,700 per year. Rough estimates indicate that the City would receive in excess of \$100,000 per year in real property taxes once construction is completed and the property is fully leased. Additional real property taxes will be paid to Montgomery County and the State of Maryland.

In addition to real property taxes, certain businesses would also be subject to personal property taxes on equipment and furnishings.

- 4) Stormwater Fees: A stormwater fee would be assessed to offset the costs of stormwater management facilities and services throughout the community. The annual fee would be established once the site is developed and the impervious area calculated.
- 5) Income Tax: Additional economic benefits would come from the employment of any residents who would earn income and pay income tax. Based on the projected square footage of retail, restaurant and office space identified in the plan, an estimated 62 jobs would be created by tenants occupying the proposed development (Office: 40, Restaurant: 15 and Retail: 7) according to information provided by the [Energy Information Administration](#). These numbers are conservative based on data gathered by the City annually for required financial reports. For example, in 2017 two local restaurateurs – Roscoe’s Pizzeria and Republic - reported a combined total of 75 employees.

Questions have been raised about the economic impact of the development on businesses and residential properties in the Takoma Junction area of the development. The number of leased spaces in the Takoma Junction area is small, with over half (52%) of the commercial properties owned by the businesses that occupy the space. The rents for the remaining commercial spaces range from \$27 to \$38 per square foot of leased space. These buildings are, on average, 80 years old with many having been constructed between 1920 and 1940. Commercial rents in new and newly renovated buildings in the Old Takoma area currently range from \$45 to \$50 per square foot of occupied space, based on information provided by CoStar, a national commercial real estate firm specializing in providing analytic services to both property owners and brokers, and Main Street Takoma.

The project may help reduce the City’s reliance on property tax revenue that comes from single-family homeowners. As the project moves forward, in addition to the real property tax generated by the project, the project can help attract those who may be instrumental in redeveloping the New Hampshire Avenue Corridor and areas along the Purple Line transit line. Redevelopment of these areas will allow for a much larger commercial base in the city as well as opportunities for new affordable housing and other housing options and new jobs. Currently, only nine percent of the City’s real property tax revenue comes from commercial property, while 82% comes from single-family residential properties.

### **Racial Equity Considerations**

Based on the latest Census data, 57% of residents in the City are people of color and 30% of businesses in the city are minority-owned. For the two wards closest to the Takoma Junction project

-- Ward 2 and Ward 3 -- the racial composition of the wards are 38% and 34% people of color respectively.

Racial equity questions raised by this project include:

- 1) Would the project create new barriers or hardships for communities of color? Would it provide new opportunities for communities of color?
- 2) Who would be drawn to shop, eat, relax, and/or work in this development? How does that compare with the current situation? Could the project lead to greater inclusivity in the City?
- 3) Is this location accessible to people who do not have cars, through public transit and/or safe walking/biking infrastructure? How might traffic or pedestrian impacts affect people of color?
- 4) Does this project displace residents or create hardships for them? Who is impacted by any potential displacement or hardships? How would it affect existing local minority-owned business and property owners?
- 5) Could the City provide opportunities through policy, programming, or other actions to expand potential positive opportunities and/or mitigate negative impacts?

As the project moves forward, in the coming months, the Council would consider program, policy, and budget steps to expand positive opportunities and/or mitigate negative effects. The following are examples of possible ways the City could address racial equity at Takoma Junction and in the City as a whole:

- 1) Encourage economic opportunity:
  - Encourage minority-owned businesses: Are there policies or programs the City can put greater emphasis on or create to support minority-owned businesses?
  - Create jobs available to local residents on an equitable basis: How can the City partner with local businesses to expand the City's summer employment program for young people and expand the program to year round? Are there other steps the City could take regarding equitable job opportunities? Can local jobs be created during construction?
- 2) Promote inclusivity:
  - How can the City provide opportunities for community engagement, for example, building on successful public arts projects such as the mural project on Holton Lane? What opportunities are there to encourage inclusive events and activities?
  - How can the City encourage services, products, restaurants and other types of businesses at Takoma Junction that would be desired by a variety of residents in Takoma Park? For example, City could ask for that information in community surveys.
- 3) Accessibility: Continue discussions with SHA and the County about the reconfiguration of the intersection, location of bus stops, and sufficient parking, and ensure we are considering racial equity impacts in assessments.
- 4) Expand opportunity:
  - How can the City best use additional revenue from the development to advance racial equity in the City? For example, Council could allocate a percentage of the property tax or ground lease revenue to go directly to the affordable housing reserve or to fund local recreation programs that serve low-income families and children, such as the free Lunch and Learn summer camp or the ACES afterschool program at Essex House.
- 5) Commitment to racial equity overall:
  - Explore potential ways to assist low-income homeowners through property tax

assistance programs, and build on and improve affordable housing policies and programs, including rent stabilization, the housing reserve fund, tenant advocacy and assistance, and more.

- Consider the questions posed above and others related to racial equity at each step of the process and look for opportunities to create more racially equitable outcomes.

## **Attachments and Links**

[Takoma Junction Development Review](#)