

- Submission Created
Dec 25, 2018 10:37 PM EST

- Full Name
Bruce Levin

- Address
7001 Carroll Avenue Takoma park MD 20011

- Email

- Comment Subject
Property Taxes

- Comment Text (The number of lines is not limited. Your complete comment will be submitted.)
I am very concerned about real estate tax increases in the City of Takoma Park. Property taxes are the largest percentage of operating expenses at our property and have been increasing at double digit rates since I purchased the property over 10 years ago. Property taxes are now over 50% of operating expenses. In theory my tenants such as ACE Hardware and Air Show Mastering bear most of these increases but this is a reckless perspective. In an ever more competitive environment growing operating expenses and rising rents are another threat to LOCAL businesses that Takoma Park residents repeatedly state that they want to retain. These small local businesses dont have the internet sales and national\global scale to absorb these costs. We believe that controlling City operating costs and spreading any absolutely required costs across both residential and commercial property owners is the responsible thing to do.

- Submission Created
Dec 11, 2018 3:27 PM EST

- Full Name
Nilia Cortes

- Address
1009 University Blvd. E. Silver Spring 20903

- Email

- Comment Subject
I would like for someone to get back to me re. my bldg. at 1009 Univ. Blvd.? The last time I met with the CDA people was 11/8/18.

- Submission Created
Dec 5, 2018 11:28 AM EST

- Full Name
Laura Barclay

- Ward (if known)
ward 1

- Address
6909 Laurel Ave, Suite A Takoma Park MD 20912

- Email

- Comment Subject
Commercial Property Tax Meeting Feedback

- Comment Text (The number of lines is not limited. Your complete comment will be submitted.)
Dear Mayor and City Council: The Old Takoma Business Association hosted a meeting on Wednesday, November 14, 2018 with City of Takoma Park staff and commercial property owners and businesses, from both Old Town and Takoma Junction, to discuss the proposal of a new commercial property tax. 23 people in were in attendance which included 9 business owners, 7 business owners who also own their properties and 7 property owners. There was significant concern over a proposed commercial property tax expressed at the meeting by both businesses and property owners. Comments at the meeting and subsequent correspondence included: This tax negates the benefits of the Inventory Tax elimination Small businesses will continue to bear the brunt of a tax through lease terms A new tax will be a disincentive to small businesses to locate in Takoma Park The City of Takoma Park needs to prioritize the small businesses that make Takoma Park a desirable location to live The City does not provide services to businesses - commercial district gardening is absent, there is not a commercial trash pick up, and road maintenance for Carroll Avenue is done through the SHA Residents benefit from a vibrant commercial district - through quality of life and increased property value. If a new tax is required, it is fair to share the tax with everyone Commercial real property taxes have gone up considerably each year already Burdening the property owners with the entire deficit is unfair What other sources of revenue can the City could use to offset this tax deficit? The Old Takoma Business Association asks that the City Council consider this feedback in its discussion this evening. Respectfully submitted by: Laura Barclay Executive Director Old Takoma Business Association

- Submission Created
Dec 3, 2018 2:56 PM EST

- Full Name
David Cohen

- Address
Meisel & Cohen Properties 6000 Executive Blvd, Suite 700 Rockville MD 20852

- Email

- Comment Subject
Proposed commercial property tax rates; Comment on behalf of Hampshire Place, 7505 New Hampshire Ave

- Comment Text (The number of lines is not limited. Your complete comment will be submitted.)
A commercial property tax rate higher than the residential rate will have a significant chilling effect on retaining and attracting much needed commercial businesses in the area. Any increase will be passed onto small business and, eventually, onto the local resident customers they serve. This would be a significant negative for the local economy and, therefore, should not be implemented. If implemented, however, it should be applied to all commercial properties regardless of their size.

- Submission Created
Dec 2, 2018 5:11 PM EST

- Full Name
Daniel Robinson

- Ward (if known)
3

- Address
6411 Orchard Avenue Takoma Park MD 20912

- Email

- Comment Subject
Proposed Commercial Property Tax

- Comment Text (The number of lines is not limited. Your complete comment will be submitted.)
I would appreciate it if you would ensure that the two-page letter attached is available to staff and Council for Wednesday night's meeting.

To: Takoma Park City Council
From: Dan Robinson
12/2/2018

Answers to questions regarding raising of property taxes on owners of commercial buildings.

Q: How do you think commercial properties should be defined by the City Council?

A: The city should define commercial properties according to their assessed value to ensure promotion of small businesses.

Residential tenants in apartment buildings use a city service mix similar to residential owners, and tenants benefit from rent stabilization laws in Takoma Park. Retail and office buildings use fewer city services. Omitting apartments from taxation does not make fiscal sense.

Promoting the many small businesses in Takoma Park, especially startups, is important. Additional taxes on small businesses will not help them.

Properties assessed at lower valuations, whether apartment or office/retail, are more likely to be owned by small businesspeople. Smaller office/retail buildings are more likely to have small businesses as tenants.

Retail, corporate, self-employment and real estate businesses have different tax laws, but all owners of commercial properties are in business.

Q: Should the proposed commercial property tax rate be applied to all commercial properties, regardless of their size or assessed value?

A: No. Small commercial properties should not shoulder additional taxes.

Small retail/office buildings quickly pass tax increases on to their tenants because of shorter leases and sensitivity to marginal cost increases. This makes it more difficult for those small tenants to thrive. Apartment buildings have stricter lease requirements, regardless of size. This means that including small apartment buildings would hurt the small business owners.

Q: Are there other options the City Council should consider to make up the revenue lost with the elimination of the inventory tax?

A: The City made a good decision to retire the inventory tax. If increasing taxes on commercial buildings is deemed to be necessary, apply taxes to buildings with higher assessments so as not to jeopardize the role that small businesses play in Takoma Park. The City previously determined that there is a \$8-10 million yearly overpayment by City taxpayers to Montgomery County as a result of double taxation. With a new County administration starting soon, strong and decisive action by the City to rectify this much larger example of long-standing bad tax policy may be more successful than in the past, and would fill the \$320,000 hole many times over without hurting small businesses.

A case study – rough numbers for 2018:

My building, assessed at \$893,000, generates \$120,000 per year in gross revenue. I manage the building myself to eliminate the expense of a property manager.

Total income: \$120,000
Expenses: 34,000
Depreciation: 26,000
Property tax: 15,000

Net income: 45,000

Current property tax is 33.3% of net income before state and federal income tax.

Current property tax is 12.5% of total revenue before state and federal income tax.

After state and federal taxes my tax liability is over 50% of net income.

A \$1,500 additional tax would add 3.3% to my tax burden, bringing it to 36.7% before state and federal taxes.

The net gets smaller (and the tax percentage gets bigger) as the building ages unless rents rise. As an example, the HVAC is reaching replacement age. An estimate for a new system is \$40,000.

I built my small office building near New Hampshire Avenue with the express purpose of supporting small businesses. The cost of construction was approximately \$1 million. The building is in an 'Enterprise Zone' which means that I received some benefits for taking a risk in a depressed area. There are 14 small office suites, and the building is typically full. I have kept rents below those at other, larger office buildings in order to attract and retain small businesses, and am comfortable with shorter lease terms so that tenants are not stuck in a lease if they no longer needs an office.

I am a small businessperson without a pension other than Social Security. This building represents the majority of my retirement income.

I'd be happy to share my experience with staff or Council to help in your analysis.

- Submission Created
Nov 30, 2018 9:02 AM EST

- Full Name
Neel Teague

- Ward (if known)
6

- Address
7676 New Hampshire Avenue Takoma Park MD 20912

- Email
nteague@stoutandteague.com

- Comment Subject
Commercial Property Tax Rate

- Comment Text (The number of lines is not limited. Your complete comment will be submitted.)

Dear Mayor Stewart and Councilmembers, Imposing a differential property tax rate on commercial properties in the city is not a good idea - particularly for the properties and businesses within the Takoma/Langley Crossroads Commercial Development Authority. Several reasons: 1. It is well-established that businesses and commercial properties pay more in taxes than the cost of services they receive from local government. Imposing additional taxes on commercial properties simply increases this differential and therefor is inequitable. 2. Higher taxes in a small taxing jurisdiction like Takoma Park simply encourages businesses to locate in neighboring jurisdictions where they can still serve the community while avoiding the higher tax. It will not escape businesses' notice that they can avoid the tax by simply moving across University Boulevard into Prince George's County, across Piney Branch/Flower into Montgomery County, or Easter Avenue into District of Columbia 3. With regard to the Takoma/Langley CDA, these businesses and property owners have long "taxed" themselves to provide services in their area (additional landscaping and hardscaping, public area clean up, security) that some argue should be provided by the City within the current tax base. To increase the tax burden on these businesses would really add insult to injury for these businesses. I served for many years on the CDA board and appreciate the support that the City of Takoma Park has provided to the organization and it's members. I recognize that the city has a budget to meet and needs to obtain revenue to support the many services it provides to residents and businesses. I respectfully suggest that the Council consider other sources of revenue or undertake the politically courageous decision to raise the tax rate slightly for all. Respectfully submitted, G. Neel Teague President, Stout & Teague Management Corp.

- Submission Created
Nov 21, 2018 2:11 PM EST

- Full Name
Kayleigh Gunnoud

- Ward (if known)
6

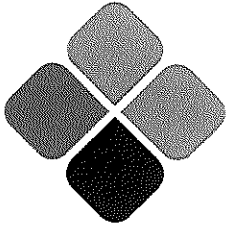
- Address
7676 New Hampshire Ave Ste 303 Takoma Park MD 20912

- Email
Kgunnoud@takomalangle.org

- Comment Subject
Ltr from TLCDA Board of Directors Re: Commercial Property Tax Surcharge

- Comment Text (The number of lines is not limited. Your complete comment will be submitted.)
Please see the attached letter from the Takoma Langley Crossroads Development Authority Board of Directors regarding the City of Takoma Park's proposed Commercial Property Tax Surcharge. Thank you for your consideration of our comments.

- 1 Attachment
- Submission Created



**TAKOMA
LANGLEY
CROSSROADS
DEVELOPMENT
AUTHORITY, INC.**

EXECUTIVE DIRECTOR
KAYLEIGH GUNNOUD
KGUNNOUD@TAKOMALANGLEY
.ORG

BOARD
RAM K. AGARWAL
PRESIDENT
RAMS FAST TAX

MIKE GORDON
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LANGLEY PLAZA
SAUL CENTERS INC.

YEWANDE AIGBEDION
DIRECTOR, AT LARGE
A PLUS MEDICAL

LINDA CORNELIUS
DIRECTOR, HAMPSHIRE
PLACE, HOLTON LANE
LAW OFFICE OF LINDA
CORNELIUS

SAMUEL FRANCO
DIRECTOR, AT LARGE
DISCOUNT MART

GEORGE ANINWENE
DIRECTOR, TAKOMA-LANGLEY
CROSSROADS CENTER
MCDORIS FASHION & FABRIC

MARA STEIN
DIRECTOR, AT LARGE
SOLUCIONES IMMIGRANTES

TALISHA SEARCY
EX-OFFICIO
TAKOMA PARK CITY COUNCIL
WARD 6

November 21st, 2018

Madam Mayor and Members of City Council,

The Takoma Langley Crossroads Development Authority (TLCDA) would like to go on record as strongly opposed to the proposed real property tax surcharge on commercial properties in the City of Takoma Park. The TLCDA Board has voted unanimously to send this letter in opposition to the increase. The challenge with the proposed commercial property tax surcharge is that it will ultimately be passed on to small-businesses with "net" lease agreements, where the tenants and NOT the landlord absorbs the full cost of real estate taxes. In the Crossroads, businesses are already facing insecurity with the impact of the purple line construction and rising property costs. Currently, no relief is in sight at the state, county, or city level for businesses impacted by the purple line construction. The commercial property surcharge is a financial burden on a majority of Crossroad's businesses at a sensitive time in our marketplace.

The CDA recognizes the constraints on the city's budget and would like to thank the Mayor and City Council for taking action on the removal of the personal property tax on inventory. This action will ease the burden on retailers and inventory centered business in the Crossroads, which is a positive step towards making the City of Takoma Park business friendly. However, a vast majority of businesses in the Crossroads are not inventory centered such as our restaurants and professional service providers. For them there is no relief found in the removal of the inventory tax. A property tax surcharge will result in an additional financial burden on these businesses. Restaurants will find themselves particularly hard hit as they face a loss of foot traffic and tend to make up the majority of the retail square footage being occupied in the Crossroads.

Through publicly available property tax assessments available online, the CDA was able to estimate the real value of a .14 surcharge on property owners and estimate the amount that would be passed through to select businesses based on square footage. Samples of these results are attached to this letter. When comparing the estimated rental increase to the previous inventory tax, these numbers demonstrate an additional cost of \$747 for Pupuseria El Comalito, \$338 for El Marinero, and \$664 for Tijuana's Mexican Café. Restaurants are not the only ones to experience an additional financial burden. Capital Stores would experience an additional cost of \$336. These numbers can have a devastating real impact on a small business operating with narrow profit margins.

The CDA is working diligently to facilitate small business retention and expansion activity in the commercial district to preserve the unique international flavor and ethnic diversity of the Takoma Langley Crossroads. The activities of the CDA are directly paid for and supported by the business owners and property owners in our commercial district through Crossroad's licensing fee assessments. Business retention and expansion in the Crossroads is a goal jointly shared with and supported by the City of Takoma Park and reflected in the City's Housing and Economic Development Study. However, the proposed commercial property tax surcharge is antithetical to this common vision for the Takoma Langley Crossroads.

We urge the City Council to consider alternatives to balancing the FY20 budget that do not apply the full burden to our small- business owners, primarily in the Crossroads which is Takoma Park's largest commercial center.

Respectfully,

Ram Agarwal and the CDA Board of Directors
President

Cc: CDA Membership

Attachment A: Calculations of Real Impact of Commercial Property Tax Surcharge on Specific Businesses

Hampshire Langley Plaza

FY18 Assessed Value= \$32,500,000

.14/\$100 assessed value=\$45,500 commercial property surcharge

\$45,500/131,700sqft (available sqft of plaza)= Charge of \$0.35/sq ft to each business

The following are the expected impacts of a commercial property tax surcharge of .14 on restaurants in Hampshire Langley Plaza:

Pupuseria El Comolito

\$387.04- FY18 Takoma Park Personnel Property Tax Invoice

\$1,134- Annual Rent Increase with .14 commercial property tax surcharge

-\$746.96 Net Loss

Takoma Langley Retail Center (Lots 6-9 10 & LO)

FY18 Assessed Value=\$5,823,700

.14/\$100 assessed value= \$8153.18

\$8153.18/31,358 (available sqft of plaza)=Charge of .26/sq ft to each business

El Marinero

\$0-FY18 Takoma Park Personnel Property Tax

\$338-Rent Increase with .14 commercial property tax surcharge

-\$338 Net Loss

The K Shop

\$0-FY18 Takoma Park Personnel Property Tax

\$221-Rent Increase w/ .14 commercial property tax surcharge

-\$221 Net Loss

Capital Stores II

\$326.90-FY18 Takoma Park Personnel Property Tax

\$663-Rent Increase with .14 commercial property tax surcharge

-\$336.10 Net Loss

Merrimac Square (Par A)

FY18 Assessed Value= \$1,506,900

.14/\$100 assessed value= \$2109

\$2109/4780(available sqft of plaza)= Charge of .44/sq ft to each business

Tijuana's Mexican Café

\$198.87- FY 17 Takoma Park Personnel Property Tax

\$862.84- Rent Increase w/ .14 commercial property tax surcharge

-\$663.97 Net Loss

December 14, 2018



Ms. Rosalind Grigsby
City of Takoma Park, MD
Housing & Community Development Dept.
7500 Maple Avenue
Takoma Park, MD 20912


Dear Ms. Grigsby:

This is to express our deep concern about Takoma Park raising taxes on commercial property. As you are aware, commercial property is already appraised higher than residential property in Takoma Park, so we've been paying a higher tax. Therefore, to increase the tax rate on commercial property and not on residential would be discrimination in our opinion.

We already pay over \$1,000 per month, and if Takoma Park moves forth with an increase in our commercial taxes, we have charge much of the increase to our tenants. The business could very well move their business out of Takoma Park. It would be likely that other businesses would follow, to search for alternate, more affordable commercial properties in surrounding areas – out of Takoma Park jurisdiction. If this commercial property tax increase goes through, the City of Takoma Park would surely believe one that is not business friendly.

We urge the City of Takoma Park not vote to raise the commercial property taxes. Thank you for your time and careful consideration.

Sincerely,


Edgel B. Alverson


Reba J. Alverson

Edgel B. Alverson
6206 Zacata Rd.
Montross, VA 22520

RECEIVED
MONTROSS VA 22520
NOV 13 2009



City of Takoma Park MD
Housing & Community Development Dept.
7500 Maple Avenue
Takoma Park, MD

ATT: Ms. Rosalind Grigsby 12-499889

20912

