

THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

Department of Park and Planning, Montgomery County, Maryland
9500 Brunett Avenue, Silver Spring, Maryland 20901



June 29, 2006

AGENDA DATE: 7/13/06

MEMORANDUM

TO: The Montgomery County Planning Board

VIA: Mary Bradford, Director of Parks, (301) 495-2533

FROM: Jerry Bush, Acting-Division Chief, Enterprise (301) 495-2516
Carrye Palleschi, Park Property Manager (301) 495-2517

SUBJECT: Proposed Annual Rent Increase for Park Houses – FY07

- STAFF RECOMMENDATION:** Approval of proposed schedule of rents which includes:
- a 4.4 % increase in the rental rates for occupied units that are at or below the adjusted fair market value rent for each unit.
 - an additional 3% increase for those units that continue to be rented below fair market value.

Executive Summary

Staff presents its annual recommendation on park house rent adjustments to the Planning Board for your consideration and approval. For Fiscal Year 2007, staff recommends a 4.4% increase in park house rents. 4.4 % is the 2006 voluntary rent increase limit established by the Montgomery County Executive's Office (MCEO).

The attached schedule of rents for Fiscal Year 2007 (Attachment 1, Circle Pages 4-5) reflects the recommended 4.4 % increase in rental rates for most units along with a commensurate increase in the adjusted fair market rental values ("market value") established by Legum & Norman ("L&N") , the Commission' s rental management company for residential units.

This is consistent with our practice of performing full market surveys every five years and adjusting the market rental values in the intervening years using the MCEO voluntary guideline. The last market survey was performed by L&N in 2006.

A selected number of occupied units that have rental rates below the adjusted fair market value will experience an additional 3% increase as a catch-up provision approved by the Planning Board in June 2002.

To ensure that the catch-up provision is serving to close the gap between current rental rates and market values at an actual 3%/year, the 3% increase is a factor of the newly adjusted market values for 2007, not the current 2006 rental rate.

Background

Park house rent increases are implemented on an annual basis near the beginning of each fiscal year. The rent increases are consistent with Practice 6-50 Use of Commission Owned Park Houses and past practices of renting at houses at the full market value. In addition, the rent increases are necessary to fund the expense of maintenance and capital improvements for the park houses.

In recent years, the amount of the rent increase has been established by applying the voluntary annual rental increase limit ("guideline") established by the Montgomery County Executive's Office ("MCEO").

Formal market surveys are conducted on five-year cycles to assess the current fair market rental value ("market value") for each unit. These surveys take into consideration rental rates for comparable units, market trends, as well as the features and relative condition of each unit. Legum & Norman conducted the most recent market survey in 2006. The next market survey will be completed in 2011.

Based on the results of the market surveys, a new market value is established for each unit. In most cases, the new market values are higher than those previously observed as well as the actual rental rates being paid by the tenants. In some cases where there have been major improvements or repairs performed to the unit since the last market survey, the difference between current rental rates and new market value can be substantial.

Between cycles, the market value for each unit is adjusted on an annual basis in accordance with the MCEO guideline. For 2006, the MCEO has recommended a maximum increase of 4.4%. Accordingly, the market values for 2006 will be increased by 4.4% for 2007.

The MCEO guideline is also applied each year in establishing the proposed increases in the actual rents ("rental rate") being paid by the tenants. The effect of such a practice is that, absent some form of catch-up provision, any rental rates that are below market value as a result of the last market survey will remain so indefinitely, until such time as the unit is vacated and brought up to market rate.

In June 2002, staff recommended, and the Planning Board approved, a catch-up provision whereby any unit that was being rented below market value could be assessed up to an additional 3% annual increase until such time as the rental rate caught up to market value, including any allowable discounts for employees. Therefore, the recommended FY07 increases for selected units will be in excess of 4.4%.

For the above affected units, the actual percentage increase in addition to the base 4.4% increase will be more than 3% of the current rental rate. To ensure that the catch-up provision is serving to close the gap between current rental rate and market value at an actual 3%/year, the 3% increase is a factor of the newly adjusted fair market value for 2007, not the current 2006 rental rate.

Even with the 3% catch-up provision, rental rates for ten non-employee and eight employee-occupied units will not reach the full, adjusted market value (minus 7% payroll deduction discount for employees).

Employee and Non-Employee Discounts

As explained above, a number of the rental rates for 2007 will continue to lag behind the adjusted market value for the units due primarily to the disparities that arise as a result of the market surveys conducted every five years.

Per Practice 6-50 all non-employee occupied units are to be rented at full market value. Employee occupied units are allowed an across-the-board discount of 7% off market value due to the savings the Commission realizes by collecting the rents through payroll deduction. Rent discounts for employees totaling more than 20% are considered a taxable fringe benefit and are prohibited under Practice 6-50.

Staff has determined that no current employee tenants are eligible for rent discounts in excess of 7% and, and therefore will continue to apply the 3% catch-up provision. Currently, no employee tenant receives a discount in excess of 20%.

**MONTGOMERY COUNTY DEPARTMENT OF PARKS
Proposed Annual Rent Increase for Park Houses - FY 07
July 13, 2006**

A	B	C	D	E	F	G	H	I	J	K	L	M
	Employee, Non- Employee, Vacant	Address of Property	FY 06 Actual Rental Rate	FY 06 Market Value (3/06 Market Study)	FY 07 Adjusted Market Value (FY 06 Adjusted Market Value x 104.4%)	FY 06 Actual Rental Rate + 4.4% Montgomery County Executive's Office (MCEO) Increase	Catch Up Amount If Applicable (up to 3%)	FY 07 Proposed Rental Rate	FY 07 Increase Amount	FY 07 Increase Percent	FY 07 Percent Rate Below FY 07 Adjusted Market Value	Effective Date
1	N	1700 April Lane, Silver Spring, Maryland	\$929	\$945	\$987	\$970	\$17	\$987	\$58	6.2%	0.0%	09/01/06
2	**N	1800 April Lane, Silver Spring, Maryland	\$307	N/A	N/A	N/A	N/A	\$307	N/A	N/A	N/A	N/A
3	**N	1850 April Lane, Silver Spring, Maryland	\$420	N/A	N/A	N/A	N/A	\$420	N/A	N/A	N/A	12/31/08
4	E	1905 Arcola Avenue, Wheaton, Maryland	\$861	\$900	\$940	\$874	\$0	\$874	\$13	1.5%	7.0%	09/01/06
5	E	2320 Baltimore Road, Rockville, Maryland	\$657	\$725	\$757	\$686	\$18	\$704	\$47	7.1%	7.0%	09/01/06
6	N	20020 Bealesville Road, Bethesda, Maryland	\$2,480	\$2,350	\$2,453	\$2,480	\$0	\$2,480	\$0	0.0%	0.0%	09/01/06
7	E	24510 Clarksburg Road, Clarksburg, Maryland	\$901	\$990	\$1,034	\$941	\$20	\$961	\$60	6.7%	7.0%	09/01/06
8	E	24520 Clarksburg Road, Clarksburg, Maryland	\$1,057	\$1,098	\$1,146	\$1,066	\$0	\$1,066	\$0	0.0%	0.0%	04/01/07
9	N	24620 Clarksburg Road, Clarksburg, Maryland	\$909	\$739	\$772	\$909	\$0	\$909	\$0	0.0%	0.0%	09/01/06
10	E	25200 Clarksburg Road, Clarksburg, Maryland	\$663	\$625	\$653	\$663	\$0	\$663	\$0	0.0%	0.0%	09/01/06
11	E	25230 Clarksburg Road, Clarksburg, Maryland	\$901	\$1,030	\$1,075	\$941	\$32	\$973	\$72	8.0%	9.5%	09/01/06
12	E	25300 Clarksburg Road, Clarksburg, Maryland	\$975	\$1,031	\$1,076	\$1,001	\$0	\$1,001	\$26	2.7%	7.0%	09/01/06
13	N	25925 Clarksburg Road, Clarksburg, Maryland	\$1,270	\$1,300	\$1,357	\$1,326	\$31	\$1,357	\$87	6.9%	0.0%	10/01/06
14	E	14401 Clopper Road, Boyds, Maryland	\$923	\$1,022	\$1,067	\$964	\$28	\$992	\$69	7.5%	7.0%	09/01/06
15	E	14500 Clopper Road, Boyds, Maryland	\$517	\$600	\$626	\$540	\$19	\$559	\$42	8.0%	10.8%	09/01/06
16	N	125 Dale Drive, Silver Spring, Maryland	\$938	\$970	\$1,013	\$979	\$31	\$1,010	\$72	7.6%	0.3%	09/01/06
17	E	10221 Frederick Avenue, Kensington, Maryland	\$815	\$895	\$934	\$851	\$18	\$869	\$54	7.0%	7.0%	09/01/06
18	N	23925 Frederick Road, Clarksburg, Maryland	\$824	\$845	\$882	\$860	\$22	\$882	\$58	7.1%	0.0%	09/01/06
19	E	24615 Frederick Road, Clarksburg, Maryland	\$731	\$756	\$789	\$734	\$0	\$734	\$3	0.4%	7.0%	09/01/06
20	N	24701 Frederick Road, Clarksburg, Maryland	\$715	\$780	\$814	\$793	\$21	\$814	\$54	7.1%	0.0%	09/01/06
21	E	24705 Frederick Road, Clarksburg, Maryland	\$715	\$823	\$859	\$746	\$26	\$772	\$57	8.0%	10.1%	09/01/06
22	E	24709 Frederick Road, Clarksburg, Maryland	\$690	\$800	\$835	\$720	\$25	\$745	\$55	8.0%	10.8%	09/01/06
23	N	24715 Frederick Road, Clarksburg, Maryland	\$1,064	\$1,025	\$1,070	\$1,070	\$0	\$1,070	\$6	0.6%	0.0%	12/01/06
24	E	24801 Frederick Road, Clarksburg, Maryland	\$971	\$1,000	\$1,044	\$971	\$0	\$971	\$0	0.0%	7.0%	09/01/06
25	N	24819 Frederick Road, Clarksburg, Maryland	\$710	\$760	\$793	\$741	\$24	\$765	\$55	7.8%	3.6%	09/01/06
26	N	25025 Frederick Road, Clarksburg, Maryland	\$740	\$760	\$793	\$773	\$20	\$793	\$53	7.2%	0.0%	09/01/06
27	E	25029 Frederick Road, Clarksburg, Maryland	\$663	\$665	\$694	\$663	\$0	\$663	\$0	0.0%	4.5%	09/01/06
28	E	25101 Frederick Road, Clarksburg, Maryland	\$751	\$775	\$809	\$752	\$0	\$752	\$1	0.2%	0.0%	09/01/06
29	E	25115 Frederick Road, Clarksburg, Maryland	\$723	\$825	\$861	\$755	\$26	\$781	\$58	8.0%	9.4%	09/01/06
30	E	25119 Frederick Road, Clarksburg, Maryland	\$740	\$835	\$872	\$773	\$26	\$799	\$59	7.9%	8.4%	09/01/06
31	E	25211 Frederick Road, Clarksburg, Maryland	\$767	\$850	\$887	\$801	\$24	\$825	\$58	7.6%	7.0%	09/01/06
32	N	25321 Frederick Road, Clarksburg, Maryland	\$1,250	\$1,315	\$1,373	\$1,305	\$41	\$1,346	\$96	7.7%	1.9%	09/01/06
33	N	21414 Georgia Avenue, Brookeville, Maryland	\$824	\$850	\$887	\$860	\$27	\$887	\$63	7.6%	0.1%	03/01/07
34	E	10801 Glen Road, Potomac, Maryland	\$734	\$750	\$783	\$734	\$0	\$734	\$0	0.0%	6.3%	09/01/06
35	E	1210 Goldmine Road, Brookeville, Maryland	\$923	\$1,015	\$1,060	\$964	\$21	\$985	\$62	6.8%	7.0%	09/01/06
36	E	1901 Henderson Avenue, Silver Spring, MD	\$1,050	\$1,125	\$1,175	\$1,092	\$0	\$1,092	\$42	4.0%	7.0%	09/01/06
37	N	2012 Henderson Avenue, Silver Spring, Maryland	\$859	\$984	\$1,027	\$897	\$31	\$928	\$69	8.0%	9.7%	09/01/06

E=M-NCPPC Employee (receives 7% discount for payroll deduction payment of rent)
N=Non-employee of M-NCPPC
V=Vacant Units that are brought up to market rent
**Not subject to rent increase until date shown

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38	N	9901 Huntmaster Road, Germantown, Maryland	\$1,109	\$1,245	\$1,300	\$1,158	\$39	\$1,197	\$88	7.9%	7.9%	11/01/06
39	E	1500 Jackson Road, Silver Spring, Maryland	\$740	\$760	\$793	\$740	\$0	\$740	\$0	0.0%	6.7%	09/01/06
40	E	13910 Lewisdale Road, #A, Clarksburg, Maryland	\$544	\$580	\$606	\$563	\$0	\$563	\$19	3.5%	7.0%	09/01/06
41	E	13910 Lewisdale Road, #B, Clarksburg, Maryland	\$523	\$595	\$621	\$546	\$19	\$565	\$42	8.0%	9.1%	09/01/06
42	E	11003 MacArthur Boulevard, Potomac, MD	\$912	\$1,100	\$1,148	\$952	\$35	\$987	\$75	8.2%	14.1%	09/01/06
43	N	18228 Mincester Road, Rockville, Maryland	\$1,595	\$1,595	\$1,665	\$1,665	\$0	\$1,665	\$70	4.4%	0.0%	01/01/07
44	N	16401 Old River Road, Poolesville, Maryland	\$1,435	\$1,550	\$1,618	\$1,498	\$49	\$1,547	\$112	7.8%	4.4%	09/01/06
45	E	15920 Oursler Road, Burtonsville, Maryland	\$888	\$975	\$1,018	\$927	\$20	\$947	\$59	6.8%	7.0%	09/01/06
46	N	16100 Oursler Road, Burtonsville, Maryland	\$860	\$875	\$914	\$898	\$16	\$914	\$54	6.2%	0.0%	09/01/06
47	N	25301 Prescott Road, Clarksburg, Maryland	\$731	\$731	\$763	\$763	\$0	\$763	\$32	4.4%	0.0%	09/01/06
48	N	25801 Prescott Road, Clarksburg, Maryland	\$969	\$1,030	\$1,075	\$1,012	\$32	\$1,044	\$75	7.7%	2.9%	11/01/06
49	N	26001 Prescott Road, Clarksburg, Maryland	\$1,267	\$1,300	\$1,357	\$1,323	\$34	\$1,357	\$90	7.1%	0.0%	09/01/06
50	E	26025 Prescott Road, Clarksburg, Maryland	\$690	\$710	\$741	\$690	\$0	\$690	\$0	0.0%	6.9%	09/01/06
51	E	1600 E. Randolph Road, Silver Spring, MD	\$1,007	\$975	\$1,018	\$1,007	\$0	\$1,007	\$0	0.0%	1.1%	09/01/06
52	N	13325 Riley's Lock Road, Poolesville, MD	\$1,561	\$1,575	\$1,644	\$1,630	\$14	\$1,644	\$83	5.3%	0.0%	09/01/06
53	NE	4915 River Road, Chevy Chase, Maryland	\$1,223	\$1,225	\$1,279	\$1,277	\$2	\$1,279	\$56	4.6%	0.0%	09/01/06
54	E	2001 Shorefield Road, Wheaton, Maryland	\$1,296	\$1,320	\$1,378	\$1,296	\$0	\$1,296	\$0	0.0%	6.0%	09/01/06
55	N	12001 Skylark Road, Cedar Grove, Maryland	\$1,745	\$1,795	\$1,874	\$1,822	\$52	\$1,874	\$129	7.4%	0.0%	09/01/06
56	N	12718 Viers Mill Road, Rockville, Maryland	\$1,075	\$1,135	\$1,185	\$1,122	\$36	\$1,158	\$83	7.7%	2.3%	09/01/06
57	N	5320 Willard Ave, Chevy Chase, Maryland	\$3,460	\$3,250	\$3,393	\$3,460	\$0	\$3,460	\$0	0.0%	0.0%	09/01/06
58	E	1900 Windham Lane, Silver Spring, Maryland	\$845	\$855	\$893	\$845	\$0	\$845	\$0	0.0%	5.3%	09/01/06
59	E	22201 Zion Road, Brookeville, Maryland	\$756	\$756	\$789	\$756	\$0	\$756	\$0	0.0%	4.2%	09/01/06
		Totals	\$57,243	\$58,690	\$61,272	\$58,144	\$894	\$59,768	\$2,525			
		Average Per House	\$938	\$962	\$1,004	\$953	\$15	\$980	\$41			
			\$686,913	\$704,280	\$735,268	\$697,725	\$10,731	\$717,213	\$30,299			

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