

THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

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



June 16, 2005

AGENDA DATE: 6/23/05

MEMORANDUM

TO: The Montgomery County Planning Board

VIA: Bill Mooney, Enterprise Division Chief (301) 495-2501

FROM: Jerry Bush, Regional Operations Manager (301) 495-2516 JB
Carrye Palleschi, Park Property Manager (301) 495-2517

SUBJECT: Proposed Annual Rent Increase for Park Houses – FY06

STAFF RECOMMENDATION: Approval of proposed schedule of rents which includes:

- a 3.7% 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 2006, staff recommends a 3.7% increase in park house rents. 3.7% is the 2005 voluntary rent increase limit established by the Montgomery County Executive's Office (MCEO).

The attached schedule of rents for 2006 (Attachment 1, Circle Pages 4-5) reflects the recommended 3.7% 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 2001.

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 2006, not the current 2005 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 historical practice of renting houses at the full, fair market value. Rent increases are necessary to fund the high volume of on-going maintenance needs, and the long overdue capital improvements for many of 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 2001. The next market survey will be completed in 2006.

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 2005, the MCEO has recommended a maximum increase of 3.7%. Accordingly, the market values for 2005 will be increased by 3.7% for 2006.

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 FY06 increases for selected units will be in excess of 3.7%.

For the above affected units, the actual percentage increase in addition to the base 3.7% 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 2006, not the current 2005 rental rate.

Even with the 3% catch-up provision, rental rates for seven non-employee and four employee-occupied units will not reach the full, adjusted market value (minus 7% payroll deduction discount for employees) prior to the next market survey in 2006.

Employee and Non-Employee Discounts

As explained above, a number of the rental rates for 2006 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. In June 2002 when the annual rent increase recommendation was brought to the Board, there were two employee occupied units with rent discounts in excess of 20%. Board action at that time corrected the situation by increasing the rental rates for the two units to a level 20% below market value. With the 3% catch-up provision, those two units will be at an average of 10% below market value for 2006.

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 to the above two units as well as any others that have rent discounts in excess of 7%.

MONTGOMERY COUNTY DEPARTMENT OF PARK AND PLANNING
Proposed Residential Rates - FY 05 Actual vs. FY 06 Proposed
June 23, 2005

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
	Employee, Non-Employee, Vacant	Address of Property	FY 05 Rental Rate w/ Discount	FY 05 Actual Rental Rate	FY 05 Market Value	FY 06 Adjusted Market Value (FY 05 Market Value x 3.7%)	FY 05 Rental Rate + 3.7% Montgomery County Executive's Office (MCEO) Increase	Catch Up Amount if Applicable (up to 3%)	FY 06 Proposed Rental Rate	FY 06 Increase Amount	FY 06 Increase Percent	FY 06 Percent Proposed Rental Rate Below FY 06 Adjusted Market Value	Effective Date	Minimum Income not to Exceed 30% in Rent
1	N	1709 April Lane, Silver Spring	\$833	\$896	\$900	\$933	\$929	\$4	\$933	\$37	4.2%	0.0%	09/01/05	\$37,332
2	**N	1800 April Lane, Silver Spring	\$307	\$307	N/A	N/A	N/A	N/A	\$307	N/A	N/A	N/A	N/A	N/A
3	**N	1850 April Lane, Silver Spring	\$420	\$420	N/A	N/A	N/A	N/A	\$420	N/A	N/A	N/A	12/31/08	N/A
4	E	1905 Arcola Avenue, Wheaton	\$802	\$802	\$934	\$969	\$832	\$29	\$861	\$59	7.3%	1.1%	09/01/05	\$34,429
5	E	2320 Baltimore Road, Rockville	\$611	\$611	\$657	\$681	\$634	\$0	\$634	\$23	3.7%	7.0%	09/01/05	\$25,345
6	N	20020 Bealesville Road, Bealesville	\$2,306	\$2,480	\$2,480	\$2,572	\$2,572	\$0	\$2,572	\$92	3.7%	0.0%	02/01/05	\$102,870
7	N	24510 Clarksburg Road, Clarksburg	\$853	\$917	\$934	\$969	\$951	\$18	\$969	\$52	5.6%	0.0%	09/01/05	\$38,742
8	E	24520 Clarksburg Road, Clarksburg	\$1,019	\$1,019	\$1,096	\$1,137	\$1,057	\$0	\$1,057	\$38	3.7%	7.0%	09/01/05	\$42,280
9	E	24620 Clarksburg Road, Clarksburg	\$788	\$788	\$877	\$909	\$817	\$27	\$844	\$56	7.2%	7.1%	09/01/05	\$33,778
10	N	24625 Clarksburg Road, Clarksburg	\$564	\$606	\$657	\$681	\$628	\$21	\$649	\$43	7.1%	4.3%	09/01/05	\$33,954
11	E	25200 Clarksburg Road, Clarksburg	\$639	\$639	\$687	\$712	\$663	\$0	\$663	\$24	3.7%	7.0%	09/01/05	\$26,502
12	E	25230 Clarksburg Road, Clarksburg	\$869	\$869	\$934	\$969	\$901	\$0	\$901	\$32	3.7%	7.0%	09/01/05	\$36,030
13	N	25300 Clarksburg Road, Clarksburg	\$907	\$975	\$985	\$1,021	\$1,011	\$10	\$1,021	\$46	4.8%	0.0%	09/01/05	\$40,858
14	V	25925 Clarksburg Road, Clarksburg	\$1,139	\$1,225	\$1,225	\$1,270	\$1,270	\$0	\$1,270	\$45	3.7%	0.0%	09/01/05	\$50,813
15	E	14401 Clopper Road, Boyds	\$890	\$890	\$957	\$992	\$923	\$0	\$923	\$33	3.7%	7.0%	09/01/05	\$36,918
16	E	14500 Clopper Road, Boyds	\$499	\$499	\$536	\$556	\$517	\$0	\$517	\$18	3.6%	7.0%	09/01/05	\$28,677
17	N	125 Dale Drive, Silver Spring	\$842	\$905	\$905	\$938	\$938	\$0	\$938	\$33	3.7%	0.0%	09/01/05	\$37,539
18	E	10221 Frederick Avenue, Kensington	\$815	\$815	\$877	\$909	\$843	\$1	\$846	\$31	3.8%	7.0%	09/01/05	\$33,832
19	N	23925 Frederick Road, Clarksburg	\$739	\$795	\$795	\$824	\$824	\$0	\$824	\$29	3.7%	0.0%	09/01/05	\$32,977
20	E	24615 Frederick Road, Clarksburg	\$687	\$687	\$687	\$712	\$663	\$24	\$687	\$0	0.0%	3.5%	09/01/05	\$27,480
21	N	24701 Frederick Road, Clarksburg	\$620	\$733	\$733	\$760	\$760	\$0	\$760	\$27	3.7%	0.0%	09/01/05	\$30,405
22	N	24705 Frederick Road, Clarksburg	\$665	\$665	\$738	\$765	\$692	\$23	\$713	\$48	7.1%	6.6%	09/01/05	\$28,586
23	E	24709 Frederick Road, Clarksburg	\$665	\$665	\$715	\$741	\$690	\$0	\$690	\$25	3.7%	7.0%	09/01/05	\$27,582
24	N	24715 Frederick Road, Clarksburg	\$954	\$1,026	\$1,026	\$1,064	\$1,064	\$0	\$1,064	\$38	3.7%	0.0%	09/01/05	\$47,558
25	E	24801 Frederick Road, Clarksburg	\$971	\$971	\$1,044	\$1,083	\$1,007	\$0	\$1,007	\$36	3.7%	7.0%	09/01/05	\$40,274
26	N	24819 Frederick Road, Clarksburg	\$618	\$654	\$687	\$712	\$689	\$21	\$710	\$46	6.9%	0.3%	09/01/05	\$29,588
27	E	25025 Frederick Road, Clarksburg	\$713	\$713	\$767	\$795	\$739	\$1	\$740	\$27	3.7%	7.0%	09/01/05	\$26,502
28	E	25029 Frederick Road, Clarksburg	\$639	\$639	\$687	\$712	\$663	\$0	\$663	\$24	3.7%	7.0%	09/01/05	\$31,170
29	E	25101 Frederick Road, Clarksburg	\$751	\$751	\$808	\$838	\$779	\$0	\$779	\$28	3.8%	7.0%	09/01/05	\$29,588
30	E	25115 Frederick Road, Clarksburg	\$698	\$698	\$740	\$775	\$723	\$0	\$723	\$25	3.6%	7.0%	09/01/05	\$28,932
31	E	25211 Frederick Road, Clarksburg	\$740	\$740	\$795	\$824	\$767	\$0	\$767	\$37	3.6%	7.0%	09/01/05	\$30,668
32	E	25321 Frederick Road, Clarksburg	\$1,121	\$1,205	\$1,205	\$1,250	\$1,250	\$0	\$1,250	\$45	3.7%	0.0%	09/01/05	\$49,983
33	N	25321 Frederick Road, Clarksburg	\$739	\$739	\$795	\$824	\$767	\$0	\$767	\$37	3.6%	7.0%	09/01/05	\$32,977
34	N	21414 Georgia Avenue, Brookville	\$739	\$739	\$795	\$824	\$767	\$0	\$767	\$37	3.7%	0.0%	09/01/05	\$32,977
35	N	14308 Gladbeck Drive, Silver Spring	\$419	\$450	\$490	\$508	\$467	\$15	\$482	\$32	7.1%	5.2%	09/01/05	\$19,276
36	E	10801 Glen Road, Potomac	\$708	\$708	\$761	\$789	\$734	\$0	\$734	\$26	3.7%	7.0%	09/01/05	\$29,357
37	E	1210 Goldmine Road, Brookeville	\$890	\$890	\$957	\$992	\$923	\$0	\$923	\$33	3.7%	7.0%	09/01/05	\$36,918

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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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Employee, Non- Employee, Vacant	Address of Property	FY 05 Rental Rate w/ Discount	FY 05 Actual Rental Rate	FY 05 Market Value	FY 06 Adjusted Market Value (FY 05 Market Value x 3.7%)	FY 05 Rental Rate +3.7% Montgomery County Executive's Office (MCEO) Increase	Catch Up Amount If Applicable (up to 3%)	FY 06 Proposed Rental Rate	FY 06 Increase Amount	FY 06 Increase Percent	FY 06 Percent Proposed Rental Rate Below FY 06 Adjusted Market Value	Effective Date	Minimum Income not to Exceed 30% in Rent
38	E	1901 Henderson Avenue, Silver Spring	\$996	\$1,089	\$1,129	\$1,033	\$17	\$1,050	\$54	5.4%	7.0%	09/01/05	\$42,010
39	N	2012 Henderson Avenue, Silver Spring	\$799	\$859	\$977	\$942	\$29	\$920	\$61	7.1%	5.8%	09/01/05	\$36,804
40	E	9901 Huntmaster Road, Germantown	\$1,069	\$1,180	\$1,193	\$1,109	\$0	\$1,109	\$40	3.7%	7.0%	09/01/05	\$44,363
41	E	1500 Jackson Road, Silver Spring	\$740	\$795	\$824	\$767	\$0	\$767	\$27	3.6%	7.0%	09/01/05	\$30,668
42	E	13910 Lewisdale Road, #A, Clarksburg	\$507	\$575	\$596	\$526	\$18	\$544	\$37	7.2%	8.8%	09/01/05	\$21,746
43	E	13910 Lewisdale Road, #B, Clarksburg	\$504	\$504	\$504	\$523	\$0	\$523	\$19	3.7%	7.0%	09/01/05	\$20,908
44	E	1634 Maydale Drive, Silver Spring	\$713	\$713	\$793	\$739	\$1	\$740	\$27	3.7%	7.0%	09/01/05	\$29,588
45	E	11003 MacArthur Boulevard, Potomac	\$912	\$912	\$980	\$945	\$0	\$945	\$33	3.6%	7.0%	09/01/05	\$37,805
46	N	18228 Manaster Road, Rockville	\$1,372	\$1,475	\$1,644	\$1,530	\$51	\$1,581	\$106	7.2%	7.3%	09/01/05	\$43,229
47	N	16401 Old River Road, Poolesville	\$1,287	\$1,384	\$1,435	\$1,435	\$0	\$1,435	\$51	3.7%	0.0%	09/01/05	\$57,408
48	E	15920 Oursler Road, Burtonsville	\$856	\$856	\$921	\$888	\$0	\$888	\$32	3.8%	7.0%	09/01/05	\$35,529
49	N	16100 Oursler Road, Burtonsville	\$771	\$829	\$860	\$860	\$0	\$860	\$31	3.7%	0.0%	09/01/05	\$34,387
50	N	25301 Prescott Road, Clarksburg	\$634	\$682	\$767	\$793	\$24	\$731	\$49	7.2%	8.1%	09/01/05	\$29,244
51	V	25801 Prescott Road, Clarksburg	\$869	\$934	\$934	\$969	\$0	\$969	\$35	3.7%	0.0%	09/01/05	\$38,742
52	N	26601 Prescott Road, Clarksburg	\$1,178	\$1,267	\$1,267	\$1,314	\$0	\$1,314	\$47	3.7%	0.0%	09/01/05	\$52,555
53	E	26025 Prescott Road, Clarksburg	\$665	\$665	\$741	\$690	\$0	\$690	\$25	3.7%	7.0%	09/01/05	\$27,582
54	V	1660 E. Randolph Road, Silver Spring	\$971	\$1,044	\$1,083	\$1,083	\$0	\$1,083	\$39	3.7%	0.0%	09/01/05	\$43,405
55	N	13325 Riley's Lock Road, Poolesville	\$1,400	\$1,505	\$1,561	\$1,561	\$0	\$1,561	\$56	3.7%	0.0%	09/01/05	\$62,427
56	E	4915 River Road, Chevy Chase	\$1,223	\$1,223	\$1,364	\$1,268	\$0	\$1,268	\$45	3.7%	7.0%	09/01/05	\$50,728
57	E	2001 Shorefield Road, Wheaton	\$1,250	\$1,250	\$1,344	\$1,296	\$0	\$1,296	\$46	3.7%	7.0%	09/01/05	\$51,847
58	N	12001 Skyline Road, Cedar Grove	\$1,623	\$1,745	\$1,817	\$1,810	\$7	\$1,817	\$72	4.1%	0.0%	09/01/05	\$72,673
59	N	12718 Viers Mill Road, Rockville	\$934	\$1,004	\$1,118	\$1,041	\$34	\$1,075	\$71	7.0%	3.9%	09/01/05	\$42,987
60	N	5320 Willard Ave, Chevy Chase	\$3,218	\$3,460	\$3,588	\$3,588	\$0	\$3,588	\$128	3.7%	0.0%	01/01/06	\$143,521
61	E	1900 Windham Lane, Silver Spring	\$815	\$815	\$877	\$845	\$1	\$846	\$31	3.8%	7.0%	09/01/05	\$33,832
62	E	22201 Zion Road, Brookeville	\$756	\$756	\$813	\$784	\$0	\$784	\$28	3.7%	7.0%	09/01/05	\$31,463
Totals			\$55,230	\$57,467	\$61,532	\$58,682	\$379	\$59,786	\$2,419				
Average Per House			\$905	\$957	\$992	\$946	\$6	\$964	\$39				
Annual			\$662,759	\$688,401	\$738,390	\$704,179	\$4,549	\$717,432	\$29,030				

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