

MEMORANDUM

To: George Locke, Borough Manager

From: Econsult Solutions, Inc.

Date: March 27, 2018

Re: Jenkintown Property Tax Analysis

Jenkintown Borough has requested Econsult Solutions (ESI) to perform a third party analysis of the potential property tax revenues of two proposed developments within the Borough. One proposed development, located at 610 Summit Avenue, is a 5-story multifamily residential development targeting the 62+ community. The other proposed development, located at 459-471 Old York Road, is a Taco Bell and mixed use building. We understand that the Borough has requested a third party analysis to verify whether the suggested assessment values of the two proposed developments are overstating the potential tax revenues that may be generated.

This briefing steps through our methodology to examine comparable properties near Jenkintown and then summarizes our findings for the potential real estate taxes for each proposed development. We also comment on our general approach to how these potential developments may be assessed by the county in comparison to the appraisals offered by the developers of these projects. It is important to note that ESI does not perform formal appraisals; but rather we use our knowledge of market conditions and existing property assessments to develop estimates of potential tax revenues

METHODOLOGY

We used the 2017 property assessments database maintained by the Montgomery County Office of Property Assessment. To find comparable properties for each of the two proposed developments, we first filtered the property database for parcels with similar uses based on their land use code; we then narrowed that list to properties with similar parcel size or gross floor area. Lastly, we filtered these properties by geography by finding comparable properties from Jenkintown Borough in order to compare properties with similar street and foot traffic, environmental conditions, and generally approximate land value. This approach yielded too few results to develop an average range and account for outliers. Therefore we expanded our sample size to boroughs and townships in Montgomery County and near Jenkintown, with similar development patterns and density. We then examined the remaining properties using Google Earth to verify that properties on our list are comparable to the proposed development in terms of the surrounding urban environment and external conditions. We normalized the assessed values of these select properties so that they would be comparable to the proposed development on a parcel area basis.

Finally, we calculated what the potential property tax revenues would be generated from the proposed development based on these comparables for Montgomery County, the Jenkintown Borough (the Borough), and Jenkintown School District (JSD).

610 SUMMIT AVENUE

The proposed development at 610 Summit Avenue is a 74 unit primarily residential senior housing development. The total size of the parcel is 42,444 square feet. The appraisal provided by Roizman & Company suggests the property will generate annual property taxes of \$126,574 in total to Montgomery County, Jenkintown Borough, and Jenkintown School District.¹ That translates the proposed development’s assessment value to an estimated \$2.5 million.

To compare this assessment to other properties in the market, we used the parcel’s total square footage in order to normalize the assessment values of other similar properties, effectively computing an average price per square foot. Our analysis examined market rate apartments with four or more stories (Land Use Code 4210, 4211 and 4212) that were within the Jenkintown/Hatboro/Abington market.

Our filtering process resulted in five comparable properties within the study area. After normalizing the assessment values according to their size, we estimated assessment values ranging from \$1.0 million to \$2.1 million and an average of \$1.6 million (see Table 1).

TABLE 1 – COMPARABLE PROPERTIES FOR 610 SUMMIT AVENUE

Address	Municipality	Assessed Value	Parcel Area	Normalized Value
169 GREENWOOD AVE	JENKINTOWN	\$1,483,620	42,048	\$1,497,592
7340 OLD YORK RD	CHELTENHAM	\$2,244,000	46,261	\$2,058,847
7301 COVENTRY AVE	CHELTENHAM	\$4,025,000	125,453	\$1,361,762

Source: Montgomery County Office of Property Assessment (2017)

Next we examined the range of potential property tax revenues generated according to the comparable set. Our analysis suggests that similar properties in the same housing market generate property taxes ranging from \$70,000 to \$106,000 annually (see Table 2).

TABLE 2 – ESI ESTIMATED PROPERTY TAX TOTALS FOR COMPARABLE PROPERTIES, 610 SUMMIT AVENUE

Assessment Value Ranges	Montgomery County Property Tax	Borough Property Tax	JSD Tax	Total Property Tax
\$1,361,762	\$4,710	\$10,558	\$54,879	\$70,147
\$2,058,847	\$7,122	\$15,962	\$82,972	\$106,055

Source: Econsult Solutions, Inc. (2018)

It is important to note that because this project would be a new development, it is reasonable that the property would be assessed at a higher value than those in the comparative set. In addition, the proposed development also has a small commercial component, which would likely add to the overall value of the property. Comparing our analysis of existing, older apartment stock with the proposed development suggests that the premium for new construction would be approximately 20 percent, which appears reasonable in this market, if not slightly lower than what the future development might be assessed at.

¹ Assumed millage rates: Montgomery County 3.459, Jenkintown Borough 7.753, Jenkintown School District 40.3

459-471 YORK ROAD

The parcels at 459-471 Old York Road are proposed to be re-aligned into two lots: Parcel A is 26,577 square feet, and is proposed for a Taco Bell of 2,753 square feet of gross building area; Parcel B is 2,904 square feet, and currently has a mixed use building of 3,938 square feet.

The Indian Valley Appraisal Company concluded a total market value of \$3,173,000 for the two parcels. This would equal to \$1,715,000 in terms of assessment value by applying the Montgomery County Common Level Ratio of 1.85. At that assessment rate the proposed development would generate property taxes totaling \$88,000 a year (Table 3).

TABLE 3 – ESTIMATED PROPERTY TAXES FOR PROPOSED DEVELOPMENT, ASSUMING INDIAN VALLEY APPRAISAL

Parcel	Indian Valley's Estimated Market Value	Estimated Assessed Value, based on appraisal	Montgomery County Property Tax	Borough Property Tax	JSD Tax	Total Property Tax
Taco Bell	\$2,740,000	\$1,481,081	\$5,123	\$11,483	\$59,688	\$76,293
Mixed Use	\$433,000	\$234,054	\$810	\$1,815	\$9,432	\$12,057
Total Project	\$3,173,000	\$1,715,000	\$5,932	\$13,296	\$69,115	\$88,343

Source: Indian Valley Appraisal Company (2018), Econsult Solutions, Inc. (2018)

For Parcel A, properties for fast food operations with similar size were examined (see Table 4). We focused on examining properties within close proximity to Jenkintown rather than expanding the search to the broader Montgomery County region. After normalizing the assessment values according to their size, properties that were categorized as fast food and were in the boroughs surrounding Jenkintown showed an assessment value range of \$324,800 to \$546,000, and an average of \$475,000.

TABLE 4 – COMPARABLE PROPERTIES FOR PARCEL A

Type of Restaurant	Address	Municipality	County Assessed Value	Parcel Area	Normalized Value
Dunkin Donuts	1035 EASTON RD	UPPER MORELAND	\$424,820	22,000	\$513,202
Burger King	198 W MORELAND AVE	HORSHAM	\$537,410	27,530	\$518,807
Dunkin Donuts	1701 OLD YORK RD	ABINGTON	\$462,520	22,500	\$546,329

Source: Montgomery County Office of Property Assessment (2017)

For Parcel B, we examined parcels with a *land use code* of "Retail, Office, Apartment Multi-use." Many properties in Jenkintown are under this category; therefore, we selected only those along York Road to be the best comparable properties. Their normalized value ranges from \$203,882 to \$316,000 with an average of \$242,000 (see Table 4). Adding the estimated value of Parcel A and Parcel B, we established a range of \$717,000 to \$863,000 with an average of \$615,000.

TABLE 4 – COMPARABLE PROPERTIES FOR PARCEL B

Address	Municipality	County Assessed Value	Parcel Area	Normalized Value
318 -320 YORK RD	JENKINTOWN	\$239,880	2,202	\$316,354
218 YORK RD	JENKINTOWN	\$257,380	3,666	\$203,882
419 YORK RD	JENKINTOWN	\$147,770	2,088	\$205,519

Source: Montgomery County Office of Property Assessment (2017)

Our comparable analysis suggests that a potential assessment value for the entire proposed development would range from \$435,000 and \$863,000, which would generate total annual property taxes of \$22,000 - \$44,000.

TABLE 6 – ESI ESTIMATED PROPERTY TAX TOTALS FOR COMPARABLE PROPERTIES, 459-471 OLD YORK ROAD

Assessment Value Ranges	Montgomery County Property Tax	Borough Property Tax	JSD Tax	Total Property Tax
\$717,084	\$2,480	\$4,771	\$24,798	\$31,697
\$862,683	\$2,984	\$6,688	\$34,766	\$44,439

Source: Econsult Solutions, Inc. (2018)

We found that Indian Valley’s appraisal of Parcel B appears reasonable given market comparables and considering that it would be a new construction property.

It is worth noting that because we found significant disparity between our analysis and the findings of Indian Valley, that we looked more closely at their analysis. Indian Valley’s estimated market value, specifically for the Taco Bell portion of the proposed development, relies on the income capitalization approach to appraisals, which could arguably command a larger premium than some of the comparable properties within the market.² However, that premium is nearly double the assessment values of other fast food properties in the specific market.

While it may be possible that the property would ultimately sell for the amount that Indian Valley estimates, we found very few fast food restaurants in Montgomery County with similar assessment values; most of them were in other parts of the county--Norristown, Pottstown--which would likely have other factors contributing to the variation. Therefore, we conclude that this proposed development’s market value and assessment is likely higher than what we would reasonably assume the County would calculate for this property.

² For example, Dunkin Donuts and Burger King both command lower per square foot asking rents and generally have higher capitalization rates than Taco Bell. Source: <https://www.netleaseadvisor.com/>