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To: Upper Dublin Township  
 From: James E. Hartling, Urban Partners  
 Subject: Fiscal Impact of Residential Development Zoning Changes for Ft. Washington Office Park

Upper Dublin Township is considering making zoning changes that will allow for residential development in the Ft. Washington Office Park (FWOP). To provide some context for the expected fiscal impacts from such zoning changes, Urban Partners has reviewed the recent history of business activity in FWOP and considered the likely revenues and costs on Upper Dublin Township and the Upper Dublin School District from that activity.

## Recent Fiscal History of FWOP

As shown on **Table 1**, by 2002 FWOP was beginning to show signs of decline from the aging of commercial properties and especially from the chronic flooding that occurred in parts of the Office Park. U.S. Census and Township data indicate that by 2002, employment had declined to 11,800 while the assessed value of FWOP properties was \$274 million. By 2005, total FWOP employment had bottomed out at 9,000 workers, but there was a lag in this decline impacting assessments, so assessed values increased to \$313.8 million.

Appeals of assessments began to impact the real estate tax base after 2005, with total assessed value bottoming out in 2015 at \$249.9 million (a decline of 20% from 2005). However, by 2015, FWOP employment had begun to recover to 10,300 workers. Largely due to significant investments in infrastructure and storm mitigation, and with more aggressive marketing of FWOP, employment and assessed values continued to recover through the current time with 2019 employment estimated at 12,000 and assessed values at \$260.2 million

**Table 1.**  
**Fiscal Impact History of Ft. Washington Office Park**

Ft. Washington Office Park Fiscal Impact History	Employment	Total Tax Assessment (\$Millions)	Upper Dublin Township			Upper Dublin School District		
			(\$Millions)			(\$Millions)		
			Revenue	Expense	Net Fiscal	Revenue	Expense	Net Fiscal
2002: Early Decline of Office Park	11,800	\$ 274.0	\$4.01	\$2.01	<b>\$2.00</b>	\$11.36	\$0	<b>\$11.36</b>
2005: Employment Bottom	9,000	\$ 313.8	\$3.92	\$1.64	<b>\$2.28</b>	\$11.41	\$0	<b>\$11.41</b>
2015: Bottom of Assessment Impact from Decline	10,300	\$ 249.9	\$3.59	\$1.81	<b>\$1.78</b>	\$9.30	\$0	<b>\$9.30</b>
2019: FWOP Renewal Post-Storm Retention/Infrastructure Improvements	12,000	\$ 260.2	\$3.93	\$2.04	<b>\$1.89</b>	\$9.77	\$0	<b>\$9.77</b>

\* Revenues & Expenditures Adjusted to 2019 Tax Rates and Costs

For this current analysis, in order to accurately compare impacts over time, we have estimated annual fiscal impacts in 2019 dollars based on the 2019 service costs and 2019 tax rates of the two governments. Our estimate of service costs for the Upper Dublin School District is \$19,390 per pupil in

**local costs**, after adjusting for state and federal contributions. For the Township, we have analyzed the 2019 budget and allocated infrastructure maintenance costs based on developed acreage (\$814 per acre) and general government and public safety costs based on population and employment in the Township (\$576 per resident; \$133 per employee). **Table 2** demonstrates the calculations to arrive at these cost allocations.

**Table 2.**  
**Township Expenditure Analysis (2019 Dollars)**

Township Budget 2019	Estimated Streets & Roads/ Infrastructure Budget 2019	General Government/ Public Safety/ Buildings/ Other Budget 2019	Sanitation Budget 2019	Debt Service 2019	Stormwater/ Economic Development/ 520 Virginia Capital Budget 2019	Estimated Streets & Roads/ Infrastructure Budget Expenditure Per Developed Acre 2019 (1)	General Government/ Public Safety/ Buildings/ Other Budget Expenditure Per Capita 2019 (2)	Sanitation Budget Expenditure Per Household 2019
\$32,433,705	\$4,904,258	\$17,495,242	\$2,495,810	\$3,792,470	\$3,745,925	\$814	\$576	\$262

Footnotes:

(1) Based on 6,024 developed acres

(2) \$2,400,000 of General Government/Public Safety Expenditures Allocated to Business Property

As shown on Table 1, the Township’s revenue from FWOP, measured at 2019 tax rates, dropped from \$4.01 million in 2002 to \$3.59 million by 2015. With the investment in infrastructure and marketing in FWOP, revenues have recovered to \$3.93 million in 2019. The annual net fiscal impacts for the Township (revenues less service costs) have stayed reasonably steady through this period, with a decline from \$2.00 million+ in the early 2000s to \$1.78 million in 2015 and a recovery to \$1.89 million by 2019.

Upper Dublin School District, on the other hand, based on 2019 tax rates, has seen a significant decline in revenue from \$11.4 million annually to a bottom of \$9.3 million in 2015 and a modest recovery to \$9.77 million in 2019. With no direct service costs, all this decline in revenue has gone directly to the School District’s bottom line.

## Fiscal Impacts of Alternative Futures for FWOP

The proposed zoning changes would allow for some residential development within the FWOP. On **Table 3**, we compare potential development patterns with the current status of FWOP in 2019. At the current time, FWOP has an assessed commercial tax base of \$260.2 million with an estimated 12,000 workers on site. Based on current commercial vacancy and underutilization of space, we estimate that by 2030, under any scenario, FWOP will likely see:

- 300,000 currently vacant square feet of space reoccupied (adding 1,200 jobs);
- 200,000 marginally used square feet of space fully reoccupied (adding 400 new jobs); and
- 100,000 SF of new office/flex space added (another 400 new jobs).

As a result, employment in FWOP is expected grow to 14,000 jobs matching the previous high for the district. Commercial assessed values would likely grow to \$281.9 million (measured in 2019 dollars).

Assuming this commercial growth in all cases, we have considered the impact of 1,200 new residential units being added to FWOP in three formats:

1. 1,200 one- and two-bedroom rental apartments;
2. 1,080 one- and two-bedroom rental apartments and 120 owner-occupied three-bedroom townhomes;
3. 960 one- and two-bedroom rental apartments, 120 owner-occupied three-bedroom townhomes, and 120 owner-occupied two-bedroom stacked townhomes.

**Table 3.**  
**FWOP Alternative Future Development (2019 Dollars)**

<b>Ft. Washington Office Park Future Fiscal Impact Comparison</b>	<b>Employment</b>	<b>Residents</b>	<b>School-Age Children</b>	<b>Public School Enrollment</b>	<b>Commercial Tax Assessment (\$Millions)</b>	<b>Residential Tax Assessment (\$Millions)</b>	<b>Total Tax Assessment (\$Millions)</b>
2019: Current FWOP	12,000				\$ 260.2		\$ 260.2
Future Alternative 1 (2030): 1200 Apartments/500,000 SF Repositioned Office--Flex/100,000 SF New Office	14,000	1,865	78	66	\$ 281.9	\$ 122.4	\$ 404.3
Future Alternative 2 (2030): 1080 Apartments/120 Townhomes/500,000 SF Repositioned Office--Flex/100,000 SF New Office	14,000	1,945	95	82	\$ 281.9	\$ 131.6	\$ 413.5
Future Alternative 3 (2030): 960 Apartments/120 Townhomes/120 Stacked Townhomes/Repositioned & New Office--Flex	14,000	1,970	95	82	\$ 281.9	\$ 134.7	\$ 416.6

\* Revenues & Expenditures Adjusted to 2019 Tax Rates and Costs

Based on recent values in Upper Dublin Township, we estimate that a mix of 50% one-bedroom and 50% two-bedroom apartments will generate slightly more than \$100,000 per unit in assessed value; three-bedroom townhomes will yield assessments approaching \$180,000, and two-bedroom townhomes will be assessed somewhat above \$125,000. Taken together, as shown on Table 3, the increased residential assessments under the three approaches will be in the range of \$122.4 million to \$134.7 million in 2019 dollars. Added to the commercial assessments, the total property tax base of FWOP will exceed \$400 million by 2030—measured in 2019 dollars.

Service costs on local government will increase, however, with 2,000 more workers, 1,865 to 1,970 new residents, and an increase in public school enrollment of 66 to 82 students (Table 3).

**Table 4.**

**FWOP Alternative Future Annual Fiscal Impacts (2019 Dollars)**

Ft. Washington Office Park Future Fiscal Impact Comparison	Upper Dublin Township (\$ Millions)			Upper Dublin School District (\$ Millions)		
	Revenue	Expense	Net Fiscal	Revenue	Expense	Net Fiscal
2019: Current FWOP	\$3.93	\$2.04	<b>\$1.89</b>	\$9.77	\$0	<b>\$9.77</b>
Future Alternative 1 (2030): 1200 Apartments/500,000 SF Repositioned Office--Flex/100,000 SF New Office	\$6.04	\$3.38	<b>\$2.66</b>	\$15.38	\$1.28	<b>\$14.10</b>
Future Alternative 2 (2030): 1080 Apartments/120 Townhomes/500,000 SF Repositioned Office--Flex/100,000 SF New Office	\$6.12	\$3.42	<b>\$2.70</b>	\$15.69	\$1.59	<b>\$14.10</b>
Future Alternative 3 (2030): 960 Apartments/120 Townhomes/120 Stacked Townhomes/Repositioned & New Office--Flex	\$6.13	\$3.44	<b>\$2.69</b>	\$15.79	\$1.59	<b>\$14.20</b>

\* Revenues & Expenditures Adjusted to 2019 Tax Rates and Costs

On **Table 4**, we consider the net fiscal impact of this increased tax base and larger service costs. Under all three scenarios, annual revenues for both the Township and the School District will grow by 50% as measured in 2019 dollars. For the Township, annual service costs will likely grow by 70% to the \$3.4 million range. However, due to \$2 million in additional revenue, ***the annual net fiscal impact on the Township will increase in the range of \$600,000.***

For the School District, new service costs will be added with some new public school students. However, as measured in 2019 dollars, these increased costs will be in the range of \$1.3 million to \$1.6 million annually, while revenues will grow by \$5.6 million to \$6.0 million per year. ***As a result, the annual net fiscal impact on the School District will be very positive with a net gain of \$4.3 to \$4.4 million.***

About 8% of this net fiscal gain results from the assumed further commercial growth in the FWOP, but ***92% of the net fiscal gain results from the introduction of residential development creating a mixed use district.***