



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

September 7, 2022

FISCAL AND POLICY NOTE

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin
Director of Budget and Policy Analysis

FROM: Malcolm Moody - *MM*
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CB-057-2022 Revitalization Tax Credit

CB-057-2022 (Proposed and presented by: Councilmembers Franklin, Hawkins, Glaros, Medlock, Streeter, and Taveras)

Assigned to the Government Operations and Fiscal Policy (GOFP) Committee

AN ACT CONCERNING REVITALIZATION TAX CREDITS FOR MAJOR TRANSIT-ORIENTED DEVELOPMENT PROJECTS for the purpose of establishing a revitalization tax credit and tax credit district for Major Transit-Oriented Development Projects.

Fiscal Summary

Direct Impact:

Expenditures: Increased administrative expenditures.

Revenues: Likely reduced revenues in the near term, potentially offset by increased revenue over the long term.

Indirect Impact:

Potentially significant favorable indirect impact.

Legislative Summary:

CB-58-2022, proposed and presented by Council Members Franklin, Hawkins, Glaros, Medlock, Streeter, and Taveras on June 7, 2022. The Bill would establish a revitalization tax credit and tax credit district for Major Transit-Oriented Development Projects

Current Law/Background:

Under Subdivision 5B¹ of the County Code the requirements to establish Revitalization Tax Credits (RTC) and Revitalization Tax Credit Districts (RTCD) are outlined. Currently under § 10-235.02² of the County Code the current process to create RTCD and the requirements to be eligible for RTC are described.

Under § 10-235.02 (a) of the County Code the County Executive may recommend the creation of a RTC or RTCD, the County Council may also establish them, by ordinance. Once a RTCD is created the potential impact in relation to community redevelopment, business revitalization, median household income, residential density, land use, economic factors, and unemployment rates within an area are considered. As described in § 10-235.02(c) all property within a RTCD will be eligible for a RTC that will be applied to eligible real property taxes based on the value of the eligible improvements that require a County building permit. Examples of eligible improvements requiring a County building permit are:

- Construction, reconstruction, or extension of nonresidential structures;
- Reconstruction or extension of existing residential structures;
- Construction or reconstruction of new single-family residential structures being built on lots where a residential structure has been razed or demolished within the prior five (5) years, or on vacant lots between adjacent lots with single-family residential structures;
- New construction on developments with less than ten (10) one-family dwellings, as set forth in the plan of subdivision³

Upon resolution of the County Council new construction in developments of ten (10) or more one-family dwellings, as set forth in the plan of subdivision, or new multifamily units may be eligible for an RTC. Any eligible improvements have the possibility of being limited in an ordinance establishing each RTCD. Unless otherwise stated in the ordinance establishing a RTCD any nonresidential improvements will be eligible for a tax credit over five (5) consecutive years that

¹ [Prince George's County Code, SUBDIVISION 5B. - REVITALIZATION TAX CREDITS.](#)

² [Prince George's County Code, Section 10-235.02](#)

³ [Prince George's County Code, Section 10-235.02\(d\)\(1\)\(2\)\(3\)\(4\)](#)

may not exceed an amount equal to 100% of the costs of eligible improvements. Residential improvements are eligible for a tax credit over three (3) consecutive years that may not exceed 100% of the costs of eligible improvements⁴.

For the five (5) consecutive years that a nonresidential improvement is eligible for a tax credit, the tax credit shall decrease with each subsequent year:

- Year 1: 100%
- Year 2: 80%
- Year 3: 60%
- Year 4: 40%
- Year 5: 20%

For the three (3) consecutive years that a residential improvement is eligible for a tax credit, the tax credit shall decrease with each subsequent year:

- Year 1: 100%
- Year 2: 66%
- Year 3: 33%

The Supervisor of Assessments will determine any increased assessment on property within a RTCD due to residential and nonresidential improvements. The application for the RTC will be provided by the Director of Finance, which will include a legal description of the property, proof of a properly issued use and occupancy permit that is applicable to any eligible improvement to determine if an applicant can qualify for the RTC.

§ 10-235.03⁵ of the County Code details the census tracts⁶, based on the 2010 Census, that qualify as being a part of a RTCD. Median Income in these census tracts does not exceed one hundred percent (100%) of the median household income for the County. § 10-235.03 also establishes the method that census tracts are chosen based on the year following the American Community Survey (ACS) Report. The Maryland National Capital Park and Planning Commission reviews the ACS census tract data and submits it to the County Executive and County Council the changes in census tracts.

Resource Personnel:

Brendon Laster, Chief of Staff/Legislative Aide, At-Large

⁴ Maximum dollar amount of eligible residential improvements is set at \$200,000 per dwelling unit

⁵ [Prince George's County Code, Section 10-235.03](#)

⁶ [2010 Census Tracts - Map](#)

Discussion/Policy Analysis:

The proposed Bill would amend § 10-235.02 and § 10-235.03 of the County Code to extend the eligibility for the redevelopment/revitalization tax credit to include the construction, reconstruction, or extension of new or existing nonresidential or residential structures within a Major Transit-Oriented Development Project (MTOD Project)⁷. The MTOD Project can qualify as a High Value Transit-Oriented Development Project (High Value TOD Project)⁸ or a Fortune 1000 Company Project⁹.

Conditions

The eligible projects will also need to comply with the Supplier Diversity and Equity Plan requirements outlined in CB-051-2022¹⁰. The Supplier Diversity and Equity Plan would be under § 10-335 of the County Code, if CB-057-2022 is enacted. The eligible projects will also have to make improvements that are commenced and completed subject to and after the approval of a Detailed Site Plan (a new Detailed Site Plan and/or new amendment(s) to an existing Detailed Site Plan), Building Permit Site Plan (a new and/or amended Building Permit Site Plan), and a Supplier Diversity and Equity Plan.

Amount of Credit

For nonresidential or residential improvements within an MTOD Project, for the first five (5) tax years immediately following the year in which the respective improvements are completed and assessed, the tax credit shall be in an amount equal to one hundred percent (100%) of the amount of the County property tax imposed on the increased assessment attributable to the improvements as determined by the Supervisor of Assessments. The credit may not be granted for more than five (5) consecutive tax years after the respective improvements are completed and assessed. For

⁷ Defined as property shown on an approved Detailed Site Plan or an approved Building Permit Site Plan as located all or in part within a one-half mile radius of a constructed (or approved to be constructed) Washington Metropolitan Area Transit Authority (WMATA) Metrorail station, light rail transit (LRT) or bus rapid transit (BRT) station, or Maryland Area Regional Commuter (MARC) train station, as measured from the center of the transit station platform.

⁸ Defined as property shown on an approved Detailed Site Plan or Building Permit Site Plan as being developed for multi-story building(s), excluding warehouse, distribution, and storage facilities,

(a) in which at least 50% of the total building square footage is

(1) at least 6 stories in height or

(2) at least 72 feet above grade and

(b) which contains a mix of uses within the project

⁹ Defined as property shown on an approved Detailed Site Plan or Building Permit Site Plan as being developed for multi-story building(s) to be occupied by the corporate headquarters or regional headquarters of a Fortune 1000 Company provided that the building(s)

(a) is/are subject to either

(1) an executed contract for ownership by the Fortune 1000 Company or

(2) an executed lease with the Fortune 1000 Company with a term of not less than years,

(b) have a total density of a minimum of one hundred thousand (100,000) square feet, and

(c) exclude buildings or structures used for warehouse, distribution, and/or storage facilities.

¹⁰ CB-051-2022

phased projects, the 5-year eligibility period for a particular phase would start at the time that phase has been completed and assessed irrespective of the timing of completion and assessment of any other phase, which would have its own eligibility period upon assessment. Eligibility for the credit is contingent on commencement and completion after the approval of a Detailed Site Plan (new or amended) or Building Permit Site Plan (new or amended), and after the approval of a Supplier Diversity and Equity Plan, if applicable. County property tax amounts obligated, exempted, or credited pursuant to tax increment financing (TIF), payment in-lieu of taxes (PILOT), or other tax credits, exemptions, and incentives are not eligible for tax credit award under this Paragraph.

Fiscal Impact:

- *Direct Impact*

Enactment of CB-057-2022 will have an adverse direct fiscal impact equivalent to the amount of the credits awarded for newly eligible construction. It is important to note, however, that the credits are limited to the *increased assessment attributable to the improvements* and limited to five years. Thus, to the extent that the credit incentivizes improvements that would otherwise not happen, this adverse impact may be more than offset by the increase in tax revenues collected over the long term.

- *Indirect Impact*

Enactment of CB-057-2022 will likely have a favorable indirect fiscal impact on the County related to the increase in the development around Major Transit Oriented Development areas.

Appropriated in the Current Fiscal Year Budget

No.

Effective Date:

The proposed Bill shall be effective forty-five (45) calendar days after it becomes law.

If you require additional information, or have questions about this fiscal impact statement, please call me.