

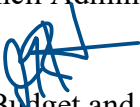



May 23, 2024

FISCAL AND POLICY NOTE

TO: Jennifer A. Jenkins
Council Administrator

Colette R. Gresham, Esq.
Deputy Council Administrator

THRU: Josh Hamlin 
Director of Budget and Policy Analysis

FROM: Shalene Miller-Whye 
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CR-034-2024 FY 2024 PILOT Bowie Commons Apartments

CR-034-2024 (*Proposed by:* The Chair of the Council at the request of the County Executive)

Introduced by Council Members Watson, Ivey, Harrison, Hawkins, Franklin and Fisher

Assigned to the Committee of the Whole

A RESOLUTION CONCERNING Payments in Lieu of Taxes (“PILOT”) Agreement for the Bowie Commons Apartments For the purpose of approving the terms and conditions of a Payments in Lieu of Taxes (“PILOT”) Agreement between Prince George’s County, Maryland (the “County”) and Bowie Housing Partners, LP (the “Owner”).

Fiscal Summary

Direct Impact

Expenditures: \$1,222,229 in tax revenue to be forgone over a 40-year period.

Revenue: Under the PILOT agreement, \$1,680,866 in PILOT revenue will be collected over a 40-year period.

Indirect Impact

Potentially favorable.

Legislative Summary:

CR-034-2024¹, proposed by the Council Chair at the request of the County Executive, was introduced on April 23, 2024, by Council Members Watson, Ivey, Harrison, Hawkins, Franklin, and Fisher and referred to the Committee of the Whole. CR-034-2024 approves the terms and conditions of a Payments in Lieu of Taxes (“PILOT”) Agreement between Prince George’s County, Maryland (the “County”) and Bowie Housing Partners, LP (the “Owner”) for Bowie Commons (the “Project”).

Project Information

Developer: Vitus Development IV, LLC

Owner: Bowie Housing Partners, LP

Description: A thirty six (36) unit rental apartment community will be renovated in six (6) walk-up buildings on a 3.18 acre site in Bowie, Maryland. All units will be affordable, and rents will be restricted for forty (40) years.

Duration: At least 40 years

The price range of units is provided below. All thirty-six (36) units are covered by a Housing Assistance Payments (HAP) contract and are restricted to senior residents.

Unit Type	Units Rent
1 BR, 540 SQ FT.	\$1775 (1242.50 from rent subsidy and 532.50 contract rent)
1BR 589 SQ FT.	\$1,800 (\$1,260 from rent subsidy and \$540 contract rent)

¹ [CR-034-2024](#)

Current Law/Background

Section 7-506.3 of the Tax-Property Article of the Annotated Code of Maryland authorizes the County to exempt certain real property from County property taxes in certain circumstances. Specifically, the law permits such exemptions if:

- the real property is owned by a person engaged in constructing or operating housing structures or projects.
- the real property is used for a housing structure or project that is constructed or substantially rehabilitated under a federal, state, or local government program that:
 - ✓ funds construction, or insures its financing in whole or in part,
 - ✓ provides interest subsidy, rent subsidy, or rent supplements, or
 - ✓ is acquired under the Right of First Refusal program under Subtitle 13, Division 14 of the County Code.
- the owner thereof enters into an agreement with the governing body of the county and, where applicable, the municipal corporation where the real property is located, wherein such parties agree that the owner shall pay a negotiated amount in lieu of the applicable county or municipal corporation tax.
- the owner of the real property:
 - ✓ agrees to continue to maintain the real property as rental housing for lower income persons under the requirements of the governmental programs described in (a)(2)(ii) of this paragraph and
 - ✓ agrees to renew any annual contributions contract or other agreement for rental subsidy or supplement, OR
 - ✓ enters into an agreement with the governing body of the county or municipal corporation to allow the entire property or the portion of the property which was maintained for lower income persons to remain as housing for lower income persons for a term of at least five (5) years.

Resource Personnel:

- Aspasia Xypolia, Director, Department of Housing and Community Development, DHCD
- Adedamola George Esq., Chief Compliance and Program Manager, DHCD

Discussion/Policy Analysis

The Bowie Commons (the “Project”) is located at 3909 New Haven Court, Bowie, Maryland 20716, and is a 36-unit rental apartment community. Under the proposed agreement, for at least a 40-year term, Bowie Housing Partners, LP, and Vitus Development IV, LLC (the “Developer”) will renovate six (6) walk-up buildings for senior residents whose incomes are at or below 60% of the Area Median Income (“AMI”). Two (2) units are set aside for mobility impairments, and one (1) unit is set aside for sensory impairments.

The Project is expected to cost \$10,826,340. Financing includes tax-exempt Bond financing in the amount of \$4,100,000, Prince George's County HOME in the amount of \$1,000,000², a General Partner Note in the amount of \$2,000,000, a deferred developer fee in the amount of \$625,448, and funding from low-income housing tax credits in the amount of \$3,100,892.

The project will receive approximately \$2,222,229, or 20.52% of its total funding, from the County, as demonstrated below. The terms of the PILOT agreement include 100% tax waivers of 36 units for the next 40 years, with a 2% annual escalation per unit over that period.

Total aid received from the County:	
PILOT Agreement:	\$ 1,222,229
HOME	\$ 1,000,000
County Subsidy as a percentage of Total Cost:	20.52%

According to staff in the Department of Housing and Community Development, the Project's annual real property assessed value is approximately \$5,562,646, and the County real property tax that will be due on the Project is an estimated \$48,061 (\$1,335/unit) in the first year. The PILOT reduces the aggregate tax burden on the entire 36-unit Project to 42% of that amount, or approximately \$27,828, equivalent to \$733 per unit tax burden on the 36 affordable units. Under the agreement, the County would forgo real property tax revenue of approximately \$20,233, or approximately \$562 per affordable unit, in year one³.

Increasing the availability of affordable housing through the construction of new housing and the rehabilitation of existing housing is a stated objective of the Council and a key component of the Comprehensive Housing Strategy⁴.

Fiscal Impact:

- *Direct Impact*

Adoption of CR-034-2024 will have an adverse fiscal impact in the form of forgone tax revenue. As described above, accepting the PILOT on the entire Project will result in a loss of approximately \$20,233 in the first year of the term. Factoring in the 2% estimated average annual increase in the

² [CR-033-2024](#)

³ Tax Analysis, provided by DHCD

⁴ [Comprehensive Housing Strategy Report](#)

property tax assessment, the total impact is estimated at \$1,222,129, forgoing 42% of the tax revenue cumulatively over the 40-year period that the PILOT agreement remains in effect.

- *Indirect Impact*

Adoption of CR-034-2024 aligns with County Plan 2035⁵ goals and will focus on the initial goals set in place by the FY 2021-2025 Consolidated Plan to prioritize affordable housing, economic development, rental assistance, and homeowner's assistance.

- *Appropriated in the Current Fiscal Year*

N/A

Effective Date of Proposed Legislation:

The proposed Resolution shall be effective upon its adoption.

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

⁵ [Plan 2035](#)