

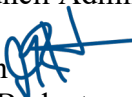



April 11, 2025

**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: Roger G. Banegas   
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement  
CR-036-2025 PILOT Penn Place I Project

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**CR-036-2025** (*Proposed by:* The Chair of the Council at the request of the County Executive)

*Sponsored by Council Members Harrison, Ivey, Olson, Hawkins, Dernoga, Oriadha, Fisher, Watson, and Blegay*

Assigned to the Committee of the Whole

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A RESOLUTION CONCERNING PAYMENTS IN LIEU OF TAXES (“PILOT”) AGREEMENT FOR THE PENN PLACE I PROJECT 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 Penn Place I Owner, LLC (the “Owner”).

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**Fiscal Summary**

**Direct Impact**

*Expenditures:* No expenditure impact.

*Revenue:* \$6,085,784 in tax revenue to be forgone over a 40-year period.

### Indirect Impact

Potentially favorable.

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### Legislative Summary:

CR-036-2025<sup>1</sup>, proposed by the Council Chair at the request of the County Executive, was introduced on March 18, 2025, by Council Members Harrison, Ivey, Olson, Hawkins, Dernoga, Oriadha, Fisher, Watson, and Blegay, and referred to the Committee of the Whole. CR-036-2025 approves the terms and conditions of a Payments in Lieu of Taxes (“PILOT”) Agreement between Prince George’s County, Maryland (the “County”) and Penn Place I Owner, LLC (the “Owner”) concerning the Penn Place I project.

#### Project Information

<b>Developer:</b>	Northern Real Estate Urban Ventures, LLC and Velocity Capital, LLC
<b>Owner:</b>	Penn Place I Owner, LLC
<b>Description:</b>	A one hundred sixty-eight (168) unit rental apartment community for families will be constructed in four elevator buildings on a 7.54-acre site in District Heights, Maryland. All units will be affordable, and rents will be restricted for forty (40) years.
<b>Duration:</b>	At least 40 years

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### Current Law/Background

Section 7-506.3 of the Tax-Property Article of the Annotated Code of Maryland<sup>2</sup> 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:

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<sup>1</sup> [CR-036-2025](#)

<sup>2</sup> [MD Code, Tax - Property, § 7-506.3](#)

- ✓ 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.
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#### **Resource Personnel:**

- Aspasia Xypolia, Director, Department of Housing and Community Development, DHCD
  - Adedamola George Esq., Chief Compliance and Program Manager, DHCD
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#### **Discussion/Policy Analysis**

The Penn Place I project (the “Project”) is to be located at 5501 Penn Crossing Drive, District Heights, Maryland 20747, and is a 168-unit transit-oriented affordable housing development for families. Under the proposed agreement, for at least a 40-year term, Northern Real Estate Urban Ventures, LLC and Velocity Capital, LLC (the “Developer”) will construct one hundred sixty-eight (168) units for families whose incomes are at or below seventy percent (60%) of the Area Median Income (“AMI”). The Project will consist of fifty-six (56) one (1) bedroom units, seventy-nine (79) two (2) bedroom units, and thirty-three (33) three (3) bedroom units in four elevator-served buildings. Of the one hundred sixty-eight (168) units, nine (9) will be set aside to meet Uniform Federal Accessibility Standards (UFAS) requirements, and four (4) will be built to accommodate sensory-impaired residents.

### Units and Rents:

Median Income	Bedrooms	Baths	Number of Units	(Net leasable Sq. Ft.)	Contract Rent
50%	1	1	10	712	\$1,389
60%	1	1	46	712	\$1,389
50%	2	2	24	995	\$1,667
60%	2	2	55	995	\$2,015
50%	3	2	9	1,310	\$1,920
60%	3	2	24	1,310	\$2,322
<b>Total</b>			168		

The Project is expected to cost \$78,125,630. Financing includes Tax-Exempt Bond Financing in the amount of \$31,727,536, subordinate Rental Housing Program funds through the State of Maryland Department of Housing and Community Development (DHCD) in the amount of \$3,500,000, equity from the sale of Low-Income Housing Tax Credits (“LIHTC”) in the amount of \$31,407,651, a deferred developer fee in the amount of \$2,766,314, a Seller Note in the amount of \$2,400,000, and Reinvestment Income in the amount of \$3,824,129. Additionally, the project will be financed by the Prince George’s County Housing Investment Trust Fund (“HITF”) in the amount of \$2,500,000<sup>3</sup>.

The project will receive approximately \$8,585,784 or 11% of its total funding from the County, as demonstrated below. The terms of the PILOT agreement include 100% tax waivers of 168 units for the next 40 years, with a 2% annual escalation per unit over that period.

#### Total aid received from the County:

PILOT Agreement:	\$ 6,085,784
HITF	\$ 2,500,000
<b>County Subsidy as a percentage of Total Cost:</b>	<b>11%</b>

<sup>3</sup> [CR-035-2025](#)

According to staff in the Department of Housing and Community Development, the Project's annual real property assessed value is approximately \$23,280,270, and the County real property tax that will be due on the Project is an estimated \$232,803 (\$1,386/unit) in the first year. The PILOT reduces the aggregate tax burden on the entire 168-unit Project by 43.2% of that amount, or approximately \$132,048, equivalent to a \$786 per unit tax burden on the 168 affordable units. Under the agreement, the County would forgo real property tax revenue of approximately \$100,755, or approximately \$600 per affordable unit, in year one<sup>4</sup>.

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 Strategy<sup>5</sup>.

The Median Household income for the Washington-Arlington-Alexandria-DC-VA-MD-WV Metro Area region is \$121,469, and the average household size is 2.6.<sup>6</sup> The median household income in Prince George's County is \$98,027, and the average household size is 2.6<sup>7</sup>. Based on the Washington-Arlington-Alexandria-DC-VA-MD-WV Metro Area regional guidelines, this project includes 168 affordable housing units at 60% or less than AMI.

When considering the AMI of the general DMV region, 60% is \$68,880 for a one-person household and \$78,720 for a two-person household.<sup>8</sup>

2025 Adjusted Home Income Limits								
Program	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
30% Limits	34,400	39,360	44,280	49,170	53,130	57,060	60,990	64,920
50% Limits	57,400	65,600	73,800	81,950	88,550	95,100	101,650	108,200
60% Limits	68,880	78,720	88,560	98,340	106,260	114,120	121,980	129,840
80% Limits	91,840	104,960	118,080	131,120	141,680	152,160	162,640	173,120

Washington-Arlington-Alexandria-DC-VA-MD-WV Metro Area Adjusted Home Income Limits

## Fiscal Impact:

- *Direct Impact*

Adoption of CR-036-2025 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 \$232,803 in the first year of the term. Factoring in the 2% estimated average annual increase in the property tax assessment, the total impact is estimated at \$6,085,784, forgoing 43.2% of the tax revenue cumulatively over the 40-year period that the PILOT agreement remains in effect.

<sup>4</sup> Tax Analysis, provided by DHCD

<sup>5</sup> [Comprehensive Housing Strategy Report](#)

<sup>6</sup> [Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area - Profile data - Census Reporter](#)

<sup>7</sup> [Prince George's County, MD - Profile data - Census Reporter](#)

<sup>8</sup> [FY 2025 Multifamily Tax Subsidy Project Income Limits Documentation System -- Summary for Washington-Arlington-Alexandria, DC-VA-MD HUD Metro FMR Area \(huduser.gov\)](#)

- *Indirect Impact*

Adoption of CR-036-2025 aligns with County Plan 2035<sup>9</sup> 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

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**Effective Date of Proposed Legislation:**

The proposed Resolution shall be effective upon its adoption.

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

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<sup>9</sup> [Plan 2035](#)