



# THE PRINCE GEORGE'S COUNTY GOVERNMENT

## Office of Audits and Investigations

July 10, 2019

### MEMORANDUM

TO: Robert J. Williams, Jr.  
Council Administrator

William M. Hunt  
Deputy Council Administrator

THRU: David H. Van Dyke *DHV*  
County Auditor

FROM: Inez N. Claggett *INC*  
Senior Legislative Auditor

RE: Fiscal Impact Statement  
CR-056-2019 Payment in Lieu of Taxes Agreement (PILOT) for Suitland Senior Residences  
at Town Square

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#### *Legislative Summary*

CR-056-2019 approves the terms and conditions of a Payment in Lieu of Taxes (PILOT) Agreement (the "Agreement") by and between Suitland Senior, LLC (Owner) and the County.

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#### *Background*

The Owner proposed to acquire land and construct a development consisting of one-hundred and thirty-seven (137) multi-family, residential, mixed-income apartments with related facilities, for seniors, ages sixty-two years and older. One hundred and thirty-three (133) of the units will be reserved for low-to-moderate income seniors, and the four (4) units will be rented to seniors for market rate with no income restrictions. The Project is located inside the Capital Beltway at the Towne Square at Suitland Federal Center (2901 Toles Park Drive, Suitland MD). The proposed Project will consist of one hundred and twenty (120) one-bedroom units, and seventeen (17) two-bedroom units. Proposed rental rates were proposed to range from \$1,025 to \$1,275 per month for the one-bedroom, and from \$1,228 to \$1,575 per month for the two-bedroom units. Attachments A-1 to A-3 to the Resolution provide a description of the Project along with the anticipated financing estimate. Attachment B to the Resolution provides the terms of the proposed fifteen (15) year PILOT agreement.

***Resource Personnel***

- Pamela Wilson, Housing Development Program Manager, Department of Housing and Community Development
  - Adam E. Kulikowski, Senior Underwriter, Department of Housing and Community Development
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***Assumptions and Methodology***

According to staff in the Department of Housing and Community Development (DHCD), the development of the Suitland Senior Residences at Town Square will increase annual County real property tax revenue. Upon completion, the Project's annual real property assessed value will be approximately \$9,681,718, and the annual County real property tax due on the Project will be an estimated \$96,817, should the assessment and County real property tax rate remain constant. Factoring in an annual 3% increase, the County would receive real property taxes equating to approximately \$1,800,682 (see Exhibit 1) over a 15-year period.

CR-056-2019 proposes a PILOT agreement for the Project's affordable units that shall become effective on the date of execution of the PILOT agreement. Under the Agreement the obligation to pay negotiated payments in lieu of taxes on the Project's affordable units shall commence beginning the first full tax year from the date of substantial completion of the Project, as defined within the Agreement. The Agreement shall remain effective until the termination date, as defined within the Agreement. Under the PILOT, the Owner agrees to pay an annual payment of \$12,779 (\$9,952 PILOT payment for the affordable units, and a \$2,827 tax burden on the market rate units), for the first year, which shall increase by 3% each year thereafter for the fifteen (15) year term of the Agreement. All other agency taxes are to be paid in full, each year. Over the 15-year period, the estimated PILOT payments total \$185,104 (see Exhibit 1) and the estimated cumulative deferred real property tax is \$1,563,004. The annual County tax burden on the market rate units totals \$52,575 (see Exhibit 1), over the 15-year period. Upon transfer or conveyance of the Property due to a foreclosure or a deed in lieu of foreclosure, the exemption from payment of real property taxes shall expire and all deferred real property taxes (the accumulation of the annual assessed real property tax less the total amount paid as minimum annual payments) shall be due. Should termination occur, as defined within the PILOT Agreement, all payments due under the PILOT Agreement shall be paid to the County within sixty (60) days.

Currently, the property is owned by the Redevelopment Authority and no real property tax is assessed or collected.

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***Fiscal Impact***

- Direct Impact

Development of the Project will result in approximately \$1,800,682 in additional real property tax revenue to the County over the next 15 years, as a result of development of the Suitland Senior Residences at Town Square. This amount is the difference between the current annual County real property tax being collected on the property and the estimated County real property tax of the Project after development, combined over a 15-year period.

Adoption of CR-056-2019 would result in an adverse fiscal impact for the County of approximately \$1,563,004 (see Exhibit 1) related to the Project's PILOT Agreement, over a 15-year period. This amount is the difference between the developed Project's estimated annual County real property tax and the cumulative value of the annual PILOT payments and County tax burden on the market rate units, combined over the 15-year period.

Should CR-056-2019 not be adopted the Owner may decide not to purchase and develop the Property as proposed and the County would receive no real property tax revenue from this property.

- Indirect Impact

Adoption of CR-056-2019 may result in indirect economic benefit to the County derived from the result of improvements made to the Property, and which may occur within the surrounding community. The proposed Resolution may have a minimal adverse effect on the workload of staff within the Office of Finance who track the annual payments and ensure compliance with the PILOT provisions. Should the Project not be developed, the County would not realize the economic benefits which may result from development.

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***Appropriated in the Current Fiscal Year Budget***

Not applicable.

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***Effective Date***

The proposed Resolution shall be effective on the date of adoption.

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

**SUITLAND SENIOR RESIDENCES AT TOWN SQUARE  
PILOT CALCULATIONS  
3% Annual Escalating Factor**

Year	Annual County Tax Burden per Unit	Full Amount of Annual County Tax Burden for all Units without PILOT (A)	Annual County PILOT per Affordable Unit	Annual County PILOT for all 133 Affordable Units (B)	Annual County Tax Burden per Market Rate Unit	Annual County Tax Burden for 4 Market Rate Units (C)	Cumulative Value of Annual County Tax (Affordable and Market Rate Units) with PILOT (B+C)	Annual Value of Deferred Tax (A-B-C)	Cumulative Value of Deferred Tax
1	706.69	96,817	74.83	9,952	706.69	2,827	12,779	(84,037)	(84,037)
2	727.89	99,721	77.07	10,251	727.89	2,912	13,163	(86,559)	(170,596)
3	749.73	102,713	79.39	10,558	749.73	2,999	13,557	(89,155)	(259,751)
4	772.22	105,794	81.77	10,875	772.22	3,089	13,964	(91,830)	(351,581)
5	795.39	108,968	84.22	11,202	795.39	3,182	14,383	(94,585)	(446,166)
6	819.25	112,237	86.75	11,538	819.25	3,277	14,815	(97,422)	(543,588)
7	843.82	115,604	89.35	11,884	843.82	3,375	15,259	(100,345)	(643,933)
8	869.14	119,072	92.03	12,240	869.14	3,477	15,717	(103,355)	(747,289)
9	895.21	122,644	94.79	12,607	895.21	3,581	16,188	(106,456)	(853,745)
10	922.07	126,324	97.64	12,986	922.07	3,688	16,674	(109,650)	(963,394)
11	949.73	130,113	100.57	13,375	949.73	3,799	17,174	(112,939)	(1,076,334)
12	978.22	134,017	103.58	13,776	978.22	3,913	17,689	(116,327)	(1,192,661)
13	1,007.57	138,037	106.69	14,190	1,007.57	4,030	18,220	(119,817)	(1,312,478)
14	1,037.80	142,178	109.89	14,615	1,037.80	4,151	18,767	(123,412)	(1,435,890)
15	1,068.93	146,444	113.19	15,054	1,068.93	4,276	19,330	(127,114)	(1,563,004)
<b>TOTAL</b>		<b>1,800,682</b>		<b>185,104</b>		<b>52,575</b>	<b>237,678</b>		<b>(1,563,004)</b>

# of Affordable Units:	133
# of Market Rate Units:	4
Annual Escalating Factor:	3%
Full Amount of Annual County Tax per Unit	\$ 706.69
Amount of County PILOT per Unit	\$ 74.83