



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations


October 13, 2021

FISCAL AND POLICY NOTE

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin 
Senior Legislative Budget and Policy Analyst

FROM: Isabel Williams 
Senior Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CR-088-2021, Payment in Lieu of Taxes ("PILOT") Agreement for Hamilton Manor

CR-088-2021 (*Proposed by:* The Chair of the Council at the request of the County Executive;
Introduced by: Council Members Hawkins, Taveras, Glaros, Ivey, Davis, Harrison, and Turner)

Assigned to the Committee of the Whole

A RESOLUTION CONCERNING PAYMENTS IN LIEU OF TAXES ("PILOT") AGREEMENT FOR HAMILTON MANOR for the purpose of approving the terms and conditions of a Payment in Lieu of Taxes ("PILOT") Agreement between Prince George's County, Maryland (the "County") and National Housing Trust Communities and the Washington Housing Conservancy, together as Hamilton Manor Preservation Partner, LLC (the "Owner").

Fiscal Summary

Direct Impact:

Expenditures: No additional expenditures

Revenues: Revenue will increase by the amount brought in under the PILOT.

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Indirect Impact:

Potentially positive.

Legislative Summary:

CR-088-2021, proposed by Council Chair Hawkins by request of the County Executive and sponsored by Councilmembers Hawkins, Taveras, Glaros, Ivey, Davis, Harrison, and Turner, was presented on September 14, 2021 and referred to the Committee of the Whole. CR-088-2021 would approve the terms and conditions of a Payments in Lieu of Taxes (“PILOT”) Agreement between Prince George’s County, Maryland (the “County”) and Hamilton Manor Preservation Partner, LLC (the “Owner”) concerning the Hamilton Manor Apartments.

Current Law/Background:

Section 7-506.1 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, or
 - ✓ provides interest subsidy, rent subsidy or rent supplements;
 - 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

Discussion/Policy Analysis:

Hamilton Manor Apartments, located at 3342 and 3326 Lancer Drive, Hyattsville, was built in 1945 and consists of sixteen (16) low-rise, two and three-story brick structures. The Owner proposes to acquire Hamilton Manor Apartments, pursuant to the County’s assignment of its Right of First Refusal (ROFR). Of the two hundred and forty-five (245) residential units, seventy-five percent (75%) will be rent restricted for individuals and families at sixty percent (60%) and eighty percent (80%) of the area median income (“AMI”). The remaining twenty-five percent (25%) of the units will have no income restrictions. The Owner will reserve forty-seven (47) one-bedroom units for moderate-income families earning sixty percent (60%) of the Area Median Income (AMI). Forty-one (41) one-bedroom units will be reserved for households whose incomes are at eighty percent (80%) of the AMI. Twenty-nine (29) one-bedroom units will be rented at market rates. The Owner will reserve fifty-one (51) two-bedroom units for moderate-income families earning sixty percent (60%) of the Area Median Income (AMI). Forty-five (45) two-bedroom units will be reserved for households whose incomes are at eighty percent (80%) of the AMI. Thirty-two (32) two-bedroom units will be rented at market rates. CR-088-2021 would authorize the County to accept a payment in lieu of taxes for each below-market rate unit of a residential multi-unit building.

The Project is expected to cost forty-one million, nine hundred and four thousand, four hundred and ninety-nine dollars (\$41,904,499), including acquisition, infrastructure development and construction. Financing proceeds include a first mortgage totaling approximately twenty-nine million, four hundred forty-three thousand dollars (\$29,443,000) issued by Berkadia Proprietary Holdings; approximately eight million, six hundred and four thousand, four hundred and twenty-four dollars (\$8,604,424) from the Washington Impact Pool (Mezzanine loan); approximately one million dollars (\$1,000,000) from a Housing Investment Trust Fund (HITF); and approximately two million eight hundred fifty-seven thousand and seventy-five (\$2,857,075) from a deferred development fee payment.

If adopted, the proposed PILOT agreement shall become effective on the date of execution of the PILOT agreement, and the obligation to pay negotiated payments in lieu of taxes shall commence from completion of the Project, as defined within the PILOT agreement. The PILOT agreement shall remain effective until the termination date, as defined within the agreement. Under the agreement, the Owner agrees to pay an annual PILOT payment of \$57.99 per affordable unit, or \$14,207.55 per year, which shall increase by 2% each year.

Increasing the availability of affordable housing, both through preservation of existing stock and the construction of new housing, is a stated objective of the Council, and a key component of the Comprehensive Housing Strategy.

Fiscal Impact:

Direct Impact

Development of the Project will result in approximately \$14,207.55 in payments in lieu of taxes to the County, or \$345,206.10 over the next 20 years, factoring in an annual 2% increase.

Assuming the Project will be completed regardless of whether there is a PILOT agreement in place, adoption of CR-088-2021 would result in an adverse fiscal impact for the County over a 20-year period based on the lost revenue from the reduced tax burden. This amount is the difference between the completed Project's increase in cumulative annual County real property tax assessment over the existing property's assessment and the cumulative value of the annual PILOT payments, combined over the 20-year period. However, it is likely that the property would not reserve 75 percent of units as affordable housing.

Indirect Impact

Adoption of CR-088-2021 may have a positive indirect fiscal impact upon the County to the extent that it increases the supply of high quality affordable housing.

Items for Committee Consideration:

- Is the acceptance of the PILOT agreement a condition precedent of the completion of the development as proposed (*i.e.*, does it pass the “but-for” test)?
- Does encouraging this type of development provide a reasonable return, economic or otherwise, to the County for the forgone tax revenue?

Effective Date of Proposed Legislation:

The proposed Resolution shall become effective as of the date of adoption.

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