



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

June 17, 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: Isabel Williams 
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CR-039-2022, Payment in Lieu of Taxes ("PILOT") Agreement for the Atworth
College Park Metro Apartments (DR-1)

CR-039-2022 (*Proposed by:* The Chair of the Council at the request of the County Executive; *Introduced by:* Council Members Hawkins, Streeter, Turner, Glaros, Harrison, Ivey, Taveras, and Franklin)

Assigned to the Committee of the Whole

A RESOLUTION CONCERNING PAYMENTS IN LIEU OF TAXES ("PILOT") AGREEMENT FOR THE Atworth College Park Metro Apartments Project 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 the GD CP Metro, LLC (the "Owner").

Fiscal Summary

Direct Impact:

Expenditures: No additional expenditures.

Revenues: Foregone tax revenues over the 98-year term of the agreement; approximately \$15,317,734 over the first 20 years.

Indirect Impact:

Potentially positive.

Legislative Summary:

CR-039-2022, proposed by Council Chair Hawkins by request of the County Executive was introduced by Council Members Hawkins, Streeter, Turner, Glaros, Harrison, Ivey, Taveras, and Franklin, on April 26, 2022, and referred to the Committee of the Whole (COW). CR-039-2022 would approve the terms and conditions of a Payments in Lieu of Taxes (“PILOT”) Agreement between Prince George’s County, Maryland (the “County”) and GD CP Metro Apartments, LLC (the “Owner”) concerning the Atworth College Park Apartments project (“Project”).

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.
-

Resource Personnel:

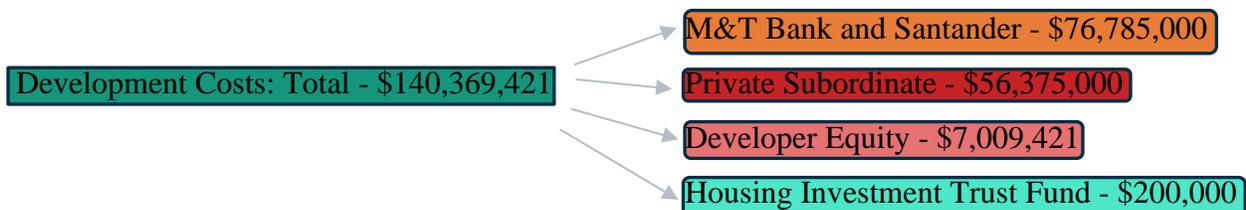
- Aspasia Xypolia, Director, Department of Housing and Community Development (DHCD)
- Adedamola George, Community Services Manager, DHCD

Discussion/Policy Analysis:

CR-039-2022 would approve the terms and conditions of a Payment in Lieu of Taxes (PILOT) agreement between the County and the Owner for the Atworth Apartments project (the Project). The Project will be located at 4201 River Road, College Park, MD, and will consist of 451 dwelling units, 5,000 square feet of retail space and parking, and certain improvements. CR-039-2022 is a Payment in Lieu of Taxes (PILOT) agreement for the developer for \$360 per year, per unit, for 98 years (\$162,360 total first year payment) with a 2% yearly escalation. The Resolution is conjoined with CR-038-2022, which is a \$200,000 loan from the Housing Investment Trust Fund that will carry a 2% interest deferred and payable upon maturity – that is, in 98 years from now. Under the agreement, the Project would reserve all units for families at various income levels up to eighty percent (80%) of the Area Median Income (AMI).

Atworth Project Summary

- **451 Dwelling Units:**
 - 29 Efficiency/Studios
 - 261 One-bedroom
 - 144 Two-bedroom
 - 17 Three-bedroom
- **Amenities:**
 - Transit-Oriented (near Metro)
 - Near Retail
 - Hiking and Biking Trails



Without the PILOT agreement, the estimated County property tax for the residential portion would be approximately seven hundred ninety-two thousand, seven hundred eighty-eight thousand dollars or one thousand seven hundred fifty-eight dollars per unit (\$792,788 annually, or approximately \$1,758 per unit). The transmittal letter states that the County will be providing yearly operating support of approximately six hundred thirty thousand, four hundred twenty-eight dollars (\$630,428) to this mixed-use housing development.

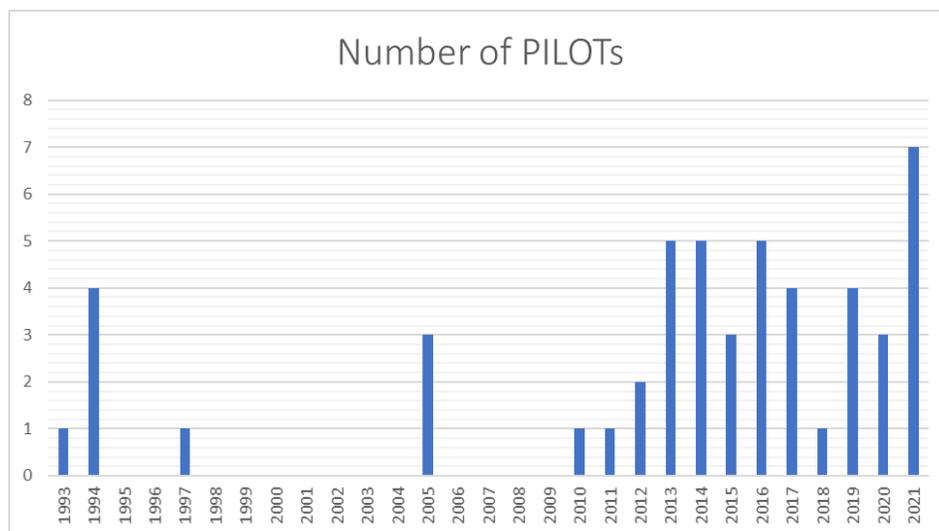
While the entire residential portion of the development will be reserved for affordable housing up to 80% of AMI, the agreement does not include specific distribution requirements for lower AMI renters, as some previous agreements have. The agreement does ensure that rents will remain affordable, as determined by the region’s AMI. The commitment to maintaining affordable rental housing will ensure that County residents are not displaced by fast-rising rental pricing.

A comparison of the rental cost of the units in the Project, and the Small Area Fair Market Rents (SAFMR), effective April 1, 2022, is included below.¹

Contract Rent vs. Market Rent for 20740

Bedrooms	Baths	PILOT Rent	Market Rent
0	1	\$1,400	\$1,932
1	1	\$1,600	\$1,968
1	1	\$1,775	\$1,968
1	1	\$1,850	\$1,968
2	2	\$2,100	\$2,244
2	2	\$2,150	\$2,244
3	2	\$2,500	\$2,844 ²

The terms of these agreements are longer than the standard PILOT agreements of 15-40 years and forego more revenue in the interest of maintaining and providing affordable housing. The Council’s commitment to affordable housing is evidenced by the increase in the passage of more PILOT agreements each year. Since 2020, there has been a significant increase in the approval of PILOTs and those with longer durations (40-years or more). In 2018 and 2019, 20% of approved PILOTs had a 40-year duration. In 2020 and 2021, 67% of approved PILOTs had a 40-year duration.



¹ [Housing Choice Voucher Payment Standards | Prince George's County, MD \(princegeorgescountymd.gov\)](https://princegeorgescountymd.gov/housing-choice-voucher-payment-standards)

² Id.

As noted in the fiscal and policy note for CR-038-2022, affordable housing is a critical issue in Prince George's County. The determination of "Eligible Households" under the CR-039-2022 agreement relies on the "median income as set from time to time by the United States Department of Housing and Urban Development for Section 8 Programs in the *Baltimore Metropolitan Statistical Area*"³ (emphasis supplied) rather than the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area in which it is located.⁴ This may be a significant distinction in determining eligibility for County households.

Fiscal Impact:

Direct Impact

Adoption of CR-039-2022 will have an adverse fiscal impact in the form of forgone tax revenue. As described above, accepting the PILOT of \$360/unit will result in a loss of approximately \$630,428 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 \$15,317,734 over the 20-year period that the PILOT agreement fiscal estimate provides, and approximately \$179,448,611 over the full 98 years of the PILOT.

However, should CR-039-2022 not be adopted, the Owner may not be complete the Project and that will likely negatively impact current County residents. Alternatively, the Owner may build somewhere else, or develop the project at higher rents making the units unaffordable to tenants at 80% AMI for the National Capital Region. Additionally, due to the appeal of Project based on accessibility to Metro transit, retail, the University of Maryland, grocery stores (Whole Foods), hiking, biking trails, and other desirable amenities, the property may attract new residents.

Indirect Impact

Adoption of CR-039-2022 may have a positive indirect fiscal impact upon the County to the extent that new residents generate additional economic activity, though the exact impact is unknown.

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)?

³ [CR-039-2022](#), Attachment B, page 4

⁴ Per [huduser.gov](#), "Prince George's County, Maryland is part of the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area, which consists of the following counties:

District of Columbia, DC; Calvert County, MD; Charles County, MD; Frederick County, MD; Montgomery County, MD; Prince George's County, MD; Arlington County, VA; Clarke County, VA; Culpeper County, VA; Fairfax County, VA; Fauquier County, VA; Loudoun County, VA; Madison County, VA; Prince William County, VA; Rappahannock County, VA; Spotsylvania County, VA; Stafford County, VA; Warren County, VA; Alexandria city, VA; Fairfax city, VA; Falls Church city, VA; Fredericksburg city, VA; Manassas city, VA; Manassas Park city, VA; and Jefferson County, WV."

- Does encouraging this type of development provide a reasonable return, economic or otherwise, to the County for the forgone tax revenue?
 - Is 80% at or below Area Median Income (AMI) sufficient to protect affordable housing in the County, given that Prince George's County already has the lowest median household income in the region?
-

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.