



# THE PRINCE GEORGE'S COUNTY GOVERNMENT


## Office of Audits and Investigations


July 14, 2020

### 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 Note  
CR-054-2020

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**CR-54-2020** (*Proposed and presented by:* The Chair of the Council at the request of the County Executive)

Assigned to the Committee of the Whole

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A RESOLUTION CONCERNING PAYMENTS IN LIEU OF TAXES ("PILOT") AGREEMENT FOR THE TOWNES AT PEERLESS 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 Peerless Avenue Associates LLC (the "Owner").

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### **Fiscal Summary**

#### **Direct Impact:**

*Expenditures:* No additional expenditures

*Revenues:* Property taxes revenues on the currently undeveloped land would increase by approximately \$16,122.27 per year after the project is completed. However, revenues for the units subject to the PILOT agreement will be reduced by approximately \$42,459.33 per year for the 40-year term of the agreement, compared to projected revenues in the absence of the agreement.

**14741 Governor Oden Bowie Drive, Upper Marlboro, Maryland 20772**  
**VOICE (301) 952-3431; FAX (301) 780-2097; TDD (301) 925-5167**

**Indirect Impact:**

Potentially positive.

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***Legislative Summary:***

CR-54-2020, proposed by Council Chair Turner by request of the County Executive and sponsored by Councilmembers Davis, Hawkins, Taveras, Franklin and Glaros, was presented to the County Council on June 23, 2020 and referred to the Committee of the Whole. CR-54-2020 would approve the terms and conditions of a Payments in Lieu of Taxes (“PILOT”) Agreement between Prince George’s County, Maryland (the “County”) and Peerless Avenue Associates LLC (the “Owner”) concerning the Townes at Peerless project in Upper Marlboro, Maryland.

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***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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***Discussion/Policy Analysis:***

The Townes at Peerless project (the ‘project’), located at 15507 Peerless Avenue, Upper Marlboro. is planned to consist of sixty-two (62) units of new sustainable rental housing for mixed income families, especially those with low- and moderate-income. The developer will reserve thirty-seven (37) units for families earning between forty percent (40%) and sixty percent (60%) of the Area Median Income (AMI). Ten (10) units will be marketed to families with incomes of up to thirty (30%) of AMI, and fifteen (15)

units will be market rate housing units. The unit mix will consist of ten (10) one-bedroom units, twenty-eight (28) two-bedroom units, and twenty-four (24) three-bedroom units. CR-054-2020 would authorize the County to accept a payment in lieu of taxes for each below-market rate unit of a residential multi-unit building.

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.<sup>1</sup> The Townes at Peerless project, 75% of which would be affordable units for households earning 60% or less of AMI, is consistent with this objective.

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***Fiscal Impact:***

*Direct Impact*

Assuming that the development moves forward regardless of whether the PILOT is approved, adoption of CR-054-2020 will result in a reduction of property tax revenues over the forty (40) year term of the PILOT agreement. The agreement provides for a payment in lieu of taxes of \$160.00 per unit for the first tax year of the term, with the payment increasing by three percent (3%) for each subsequent tax year. Without the PILOT agreement, the estimated County property tax would be approximately \$1,063.39 per unit for the forty-seven (47) affordable units in the project. Using these assumptions, for the first year the County will be forgoing property tax revenue in the amount of approximately \$42,459.33 (\$903.39/unit). Assuming that the annual increases are consistent with increases in assessed taxes, this amount should remain relatively static over the 40-year term. Assuming the amount of foregone tax revenue remains static, the total revenue forgone over the 40-year term will be approximately \$1,698,375.

The land on which the project is planned is currently undeveloped and, according to DHCD, has a County tax burden of approximately \$7,386.90. DHCD's projected County tax on the developed project subject to the PILOT agreement is approximately \$23,509.27. *Should the PILOT agreement not be approved*, the developer may decide not to continue with the project and the property may remain undeveloped. In this scenario, the County would forgo the increased tax-plus-PILOT payment revenue in the amount of approximately \$16,122.27, as well as any indirect economic and social benefits derived as a result of the completion of the project. Alternatively, the developer may choose to develop the property without the affordable housing component, in which case the County will not benefit from the increase in affordable housing stock in the development as proposed.

*Indirect Impact*

Adoption of CR-054-2020 may have a positive indirect fiscal impact upon the County to the extent that new residents generate additional economic activity.

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***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)

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<sup>1</sup> [https://pgccouncil.us/DocumentCenter/View/4043/Housing-Opportunity-for-All\\_-REPORT](https://pgccouncil.us/DocumentCenter/View/4043/Housing-Opportunity-for-All_-REPORT)

- Does encouraging this type of development provide a reasonable return, economic or otherwise, to the County for the forgone tax revenue?

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***Effective Date of Proposed Legislation:***

The proposed Bill shall become effective immediately upon the date of adoption.

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