




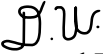
October 30, 2023

**FISCAL AND POLICY NOTE**

TO: Jennifer A. Jenkins  
Council Administrator

William M. Hunt  
Deputy Council Administrator

THRU: Josh Hamlin   
Director of Budget and Policy Analysis

FROM: David Williams   
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement - REVISED  
CR-097-2023 The Promise Public Safety Facilities Surcharge Waiver

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**CR-097-2023** (*Proposed and introduced by:* The Chair of the Council at the request of the County Executive)

Assigned to the Government Operations and Fiscal Policy Committee

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A RESOLUTION CONCERNING PUBLIC SAFETY FACILITIES SURCHARGE for the purpose of approving a full waiver of the public safety facilities surcharge for all the residential units of the mixed-use project, The Promise, a transformative Transit-Oriented Development encompassing 15 acres in unincorporated Oxon Hill, developed by Petra.

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**Fiscal Summary**

**Direct Impact**

*Expenditures:* No anticipated additional expenditures.

*Revenues:* Forgone surcharge revenue of approximately \$2.6 million

### **Indirect Impact:**

Likely favorable.

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### **Legislative Summary:**

CR-097-2023, proposed by Council Chair Dernoga at the request of the County Executive and sponsored by Council Chair Dernoga and Councilmembers Watson, Ivey, Hawkins, Franklin, and Oriadha. This Resolution was introduced on October 17, 2023, and assigned to the Government Operations and Fiscal Policy (GOFP) Committee. CR-097-2023 approves a full waiver of the public safety facilities surcharge for *The Promise* facility, amounting to approximately \$2,626,443 in foregone revenue.

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### **Current Law/ Background:**

Chapter 594 of the Laws of Maryland 2005 amended the Public Local Laws of Prince George's County to authorize the County Council to impose a public safety surcharge fee on new residential construction for which a preliminary plan has been approved on or after 1 July 2005 under Section 10-192.11 of the County Code.<sup>1</sup> The original State legislation<sup>2</sup> was enacted by the County under CR-54-2006 for Fiscal Year 2007. By Chapter 567 of the Laws of Maryland 2021, the name of the surcharge was changed to the "Public Safety and Behavioral Health Surcharge" and the permissible uses of funds collected were expanded to include the operation of behavioral health programs and construction or rehabilitation of behavioral health program facilities in the County.<sup>3</sup>

The surcharge is assessed on a "single-family detached dwelling, townhouse, or dwelling unit for any other building containing more than a single dwelling unit" in the amount of \$6,000 or \$2,000<sup>4</sup> if the construction project is in 1) the Transportation Service Area 1; and 2) an area included in a basic plan or conceptual site plan that abuts an existing or planned mass transit rail station site and complies with the requirements of any sector plan, master plan, or overlay zone. Revenue collected under the surcharge is intended to supplement rather than replace any existing funding and can therefore be used only on one-time projects, purchases, or payments rather than on any recurring debt.

Revenue collected is distributed by the County's police, fire, and emergency medical services in the following ways as listed under Sec. 10-192.11(e):

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<sup>1</sup> Prince George's County Code, [Fee Schedule](#).

<sup>2</sup> Maryland General Assembly, [House Bill 1129 \(2005\)](#).

<sup>3</sup> [Chapter 567 of the Laws of Maryland 2021](#)

<sup>4</sup> These amounts are updated each year, and are currently set at \$9,362 and \$3,123 respectively, per [CR-063-2023](#).

- (1) Subject to paragraphs (2) and (3) of this Subsection, revenue collected under the public safety and behavioral health surcharge shall be distributed by the governing body of Prince George's County to police, fire, emergency medical services, and behavioral health programs in the County.
- (2) (A) At least twenty five percent (25%) of the revenue collected from a surcharge imposed on construction that is located in a municipal corporation that maintains a police department shall be distributed to that municipal corporation's police department.  
(B) The revenue collected from a surcharge imposed on construction that is located in the City of Laurel shall be distributed as follows:
  - (i) Fifty percent (50%) to Prince George's County fire and rescue services; and
  - (ii) Fifty percent (50%) to the Laurel police department for the construction or rehabilitation of public safety facilities or the purchase of equipment or communications devices used in connection with law enforcement.
- (3) Revenue collected under this Section may be used only for:
  - (A) The construction or rehabilitation of public safety facilities;
  - (B) The purchase of equipment or communications devices used in connection with law enforcement, fire fighting, or emergency services activities, including protective body armor, surveillance devices, weapons, ladder trucks, ambulances, police cruisers, and rescue vehicles;
  - (C) The operation of behavioral health programs offered by the County; or
  - (D) The construction or rehabilitation of behavioral health program facilities in the County.

The following housing categories are exempt from the Public Safety Surcharge Fee:

- Single-family detached dwelling to be built or subcontracted by an individual owner in a minor subdivision and that is intended to be used as the owner's personal residence.

Subsection 10-192.11(b)(3) gives the governing body of Prince George's County the authority to waive any surcharge imposed under §10-192.11 Subsection (b)(1)(B), which states that projects developed within Transportation Service Area 1 (as defined by the M-NCPPC) and/or included in a basic or conceptual site plan that abuts an existing or planned mass transit rail station site operated by WMATA and complies with the sector site plan or the master plan approved by the County Council.<sup>5</sup>

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#### **Resource Personnel:**

- Chris Ahn, Assistant Deputy Chief Administrative Officer, Economic Development

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<sup>5</sup> Prince George's County Code-[Section 10-192.11](#)

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

Development impact fees are a way for local governments to increase revenue to mitigate the cost of new or expanded facilities and services needed as a result of an increase in population from new development in an area. Often considered as a de-facto tax, development impact fees, in their role of offsetting the impact of constructing or expanding facilities, can stave off County-wide tax increases by putting the onus on the development responsible for the increase in demand. Additionally, development impact fees can be used to discourage suburban sprawl. Overall, it is cheaper for local governments to provide services to more compact communities as, for example, sewage and electric lines are shorter and travel times for police and fire departments is decreased in these areas. Consequently, charging a higher impact fee on new construction in sprawling neighborhoods to account for the greater impact on government services will discourage this type of construction for more compact, transit-oriented localities.

The Developer of The Promise, the project that is the subject of this Resolution, is requesting incentives in the form of the waiver of one hundred percent (100%) of the Public Safety and Behavioral Health Surcharge (this Resolution) and fifty percent (50%) of the School Facilities Surge (CR-098-2023<sup>6</sup>). In addition, the Developer is seeking a payment in lieu of taxes agreement to support the project.<sup>7</sup> The Developer asserts that these incentives are necessary to obtain a rate of return sufficient to make the project feasible.

### *The Project*

The Promise (the “Project”), located at 1501 Southern Avenue Oxon Hill, MD 20745, is a proposed mixed-income development project that will have a total of 841 units, over 100 of which will be affordable and priced at affordable for residents earning 65% of the Area Median Income for the Washington-Arlington-Alexandria, DC-VA-MD HUD Metro FMR Area.<sup>8</sup> It is within Transportation Service Area 1, within the Southern Green Line Station Area Sector Plan.<sup>9</sup> The development is within 0.25 miles of the Southern Avenue Metro station and within 0.2 miles of 14 Washington Metropolitan Area Transit Authority (WMATA) bus stops.

The Developer has proposed to develop the Project into a mixed-use development, totaling roughly 810,000 gross square feet, over the course of four (4) separate phases expected to be substantially completed in 2030. The completed Project would consist of approximately 841 residential units of all types (including 134 senior living units, at least 100 affordable units, and 533 market rate units), a 12,000 square-foot grocery store, a childcare facility, over 9,000 square feet of retail space, and 133 surface and 627 structured parking spaces. The phasing of the Project is illustrated below:

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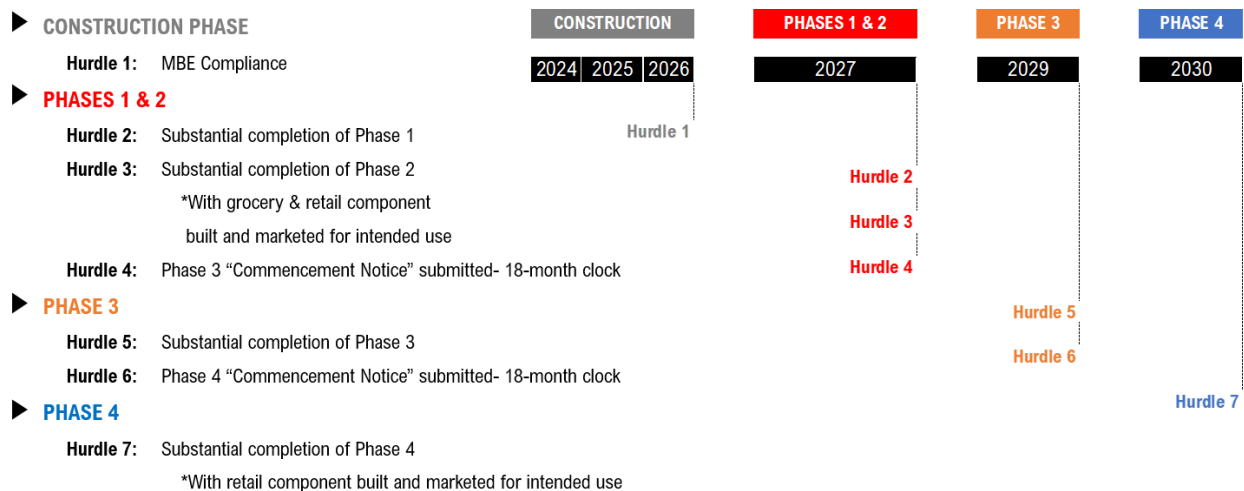
<sup>6</sup> [CR-098-2023](#)

<sup>7</sup> [CR-105-2023](#)

<sup>8</sup> [HUD Income Limits](#)

<sup>9</sup> Prince George’s County Planning Department: [Southern Green Line Station Area Sector Plan](#)

PHASE	SUBSTANTIAL COMPLETION	DEVELOPMENT COMPOSITION						
		TOTAL SF	ACRES	TYPE	UNITS	GSF	PARKING	AMI
1	1/31/2027	156,948	1.67	MULTI-FAMILY	164	156,948	130	65%
2	1/31/2027	254,291	2.62	MULTI-FAMILY	283	240,053	283	
				GROCERY		12,000		
				RETAIL		2,238		
3	1/31/2029	136,459	1.11	SENIOR LIVING	134	127,006	113	
				DAY CARE		9,453		
4	1/31/2030	260,187	1.63	MULTI-FAMILY	260	253,336	210	
				RETAIL		6,851		
		807,885	7.03		841		736	



The cumulative net fiscal benefit of the project to the County through 2050, as calculated for the County's economic analysis, is \$9.84 million. This figure is reached by adding the incremental real property tax revenue increases (including PILOT) and the incremental income tax revenue increases, and then netting out the incremental increases in County expenditures necessary to support the increased infrastructure demands of the Development. It is important to note that this \$9.84 million figure is exclusive of the potential waiver of any surcharges; should the surcharges be waived as requested, the net benefit would be reduced by roughly \$7 million.

**Cumulative Net Fiscal Benefits, 2024 to 2050**

Phase	Incremental Real Property Tax	Incremental Resident Income Tax	Incremental County Expenditures	Net Fiscal Benefits/(Costs)
Phase 1	\$8,800,000	\$7,480,000	(\$18,700,000)	(\$2,420,000)
Phase 2	\$13,800,000	\$20,700,000	(\$31,000,000)	\$3,500,000
Phase 3	\$7,600,000	\$9,760,000	(\$10,400,000)	\$6,960,000
Phase 4	\$11,400,000	\$17,000,000	(\$26,600,000)	\$1,800,000
<b>Total</b>	<b>\$41,600,000</b>	<b>\$54,940,000</b>	<b>(\$86,700,000)</b>	<b>\$9,840,000</b>

Also important to note are: (1) real property tax revenue and resident income tax revenue will continue beyond 2050; and (2) it is possible that this Project may serve as a catalyst for future development along the Southern Green Line corridor, leading to additional benefits to the County.

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**Fiscal Impact:**

- *Direct Impact*

The adoption of CR-097-2023 will have an adverse financial impact of approximately \$2,503,657 in lost revenue by granting a full waiver of the public safety facilities surcharge.

Total surcharge to be collected at 100% rate:	\$3,123 * 841= \$2,626,443
Total surcharge to be collected at 0% rate:	\$0 * 841= \$0
<b>Total Project Waiver (100%):</b>	<b>\$3,123 *841= \$2,626,443</b>

- *Indirect Impact*

The adoption of CR-097-2023 may have a favorable indirect impact in the form of increased real property and income tax revenues, as well as a potential increase in economic and development activity along the Southern Green Line Corridor.

- *Appropriated in the Current Fiscal Year Budget*

No.

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**Effective Date of Proposed Legislation:**

The proposed Legislation 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 contact me.