



**THE PRINCE GEORGE'S COUNTY GOVERNMENT**  
**Office of Audits and Investigations**

September 12, 2017

**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-063-2017 Payments in Lieu of Taxes Agreement (PILOT) for Glenarden Phase I

Pursuant to your request, we have reviewed CR-063-2017 to estimate its fiscal impact on Prince George's County, Maryland.

CR-063-2017 approves the terms and conditions of a Payments in Lieu of Taxes (PILOT) Agreement (the "Agreement") by and between Glenarden Phase I, LLC (Owner) and the County.

The Owner proposes to develop and construct, a rental housing project located at 8405 Hamlin Street, Glenarden, Maryland (the "Property" or "Project"). The Project will consist of forty (40) units with one bedroom and one bathroom, sixty (60) units with two bedrooms and one bathroom, and fourteen (14) units with three bedrooms and two bathrooms. Sixty-eight (68) units will be townhouse residential buildings, and forty-six (46) units will be sold as senior units located within an elevator accessible building connected to a community building. Eighty-seven (87) units will be rented as affordable housing, and twenty-seven (27) units will be rented at market rate. Proposed rent for the units within the Project are anticipated to be offered between \$378 and \$2,021 per month. 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 forty (40) year PILOT Agreement.

According to staff in the Department of Housing and Community Development (DHCD), the Project's real property assessed value is anticipated to be approximately \$13,921,492, and the County real property tax due on the Project will be an estimated \$139,215. Factoring in an annual

2% increase, the County would receive real property taxes equating to approximately \$8,408,833 (see Attachment 1) over a 40 year period.

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 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 Agreement, the Owner agrees to pay the full County property tax on the twenty-seven (27) market rate units, and an annual PILOT payment of twenty-five percent (25%) of surplus cash flow (defined within the Agreement as the 25% Cash Flow Amount). All other agency fees and taxes are to be paid in full, each year. Over a 40 year period, the estimated real property tax and PILOT payments (collectively referred to as the minimum annual payment) total \$5,668,948 (see Attachment 1). Upon refinance, sale, transfer, or conveyance of the Property, 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.

Adoption of CR-063-2017 will result in positive fiscal impact to the County of \$5,668,948 over the term of the Agreement. Currently, the land parcels comprising the Project are owned by the Redevelopment Authority of Prince George's County, as per the State Department of Assessments and Taxation, and are not generating tax revenue for the County.

However, assuming the Owner acquires the Project as intended, and the real property assessment after rehabilitation remains constant, at today's value, if the PILOT agreement is approved, the County will forgo approximately \$2,739,886 (see Attachment A) in tax revenue over the 40 year period. This amount is the difference between the Project's 40 year cumulative annual County real property tax of \$8,408,833, and the aforementioned cumulative minimum annual payment of \$5,668,948.

Should the PILOT agreement not be approved, the Owner may decide not to continue with development and construction of the Project, and the County would forgo any estimated tax revenue and indirect economic benefits derived as a result of the improvements made to the Property, and that which may occur within the surrounding community.

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

**GLENARDEN PHASE I PROJECT**  
**PILOT CALCULATIONS**  
*(2% ESCALATING FACTOR)*

Year	Annual County Tax Burden for all Market-Rate Units	25% of Surplus Cash Flow paid to County - Annual Amount	Total Annual Amount to be Paid under the PILOT agreement	Annual County Tax Burden for all Affordable Units	Total Annual Amount to be Paid without the PILOT agreement	Value of Deferred Tax
	A	B	(A + B)	C	(A + C)	(A + C) - (A + B)
1	32,972	-	32,972	106,243	139,215	106,243
2	33,631	-	33,631	108,368	141,999	108,368
3	34,304	7,250	41,554	110,535	144,839	103,285
4	34,990	43,081	78,071	112,746	147,736	69,665
5	35,690	46,035	81,725	115,000	150,690	68,966
6	36,404	49,003	85,407	117,300	153,704	68,297
7	37,132	51,986	89,117	119,646	156,778	67,661
8	37,874	54,980	92,854	122,039	159,914	67,060
9	38,632	57,986	96,617	124,480	163,112	66,495
10	39,404	61,011	100,415	126,970	166,374	65,959
11	40,193	64,025	104,218	129,509	169,702	65,484
12	40,996	67,057	108,053	132,099	173,096	65,043
13	41,816	70,094	111,910	134,741	176,558	64,647
14	42,653	73,136	115,788	137,436	180,089	64,301
15	43,506	76,180	119,685	140,185	183,691	64,005
16	44,376	79,225	123,601	142,989	187,364	63,764
17	45,263	82,269	127,533	145,848	191,112	63,579
18	46,169	85,311	131,480	148,765	194,934	63,454
19	47,092	88,348	135,440	151,741	198,833	63,393
20	48,034	91,378	139,412	154,775	202,809	63,397
21	48,994	94,420	143,414	157,871	206,865	63,751
22	49,974	96,943	146,918	161,028	211,003	64,085
23	50,974	99,851	150,825	164,249	215,223	64,398
24	51,993	102,847	154,840	167,534	219,527	64,687
25	53,033	105,932	158,966	170,885	223,918	64,952
26	54,094	109,110	163,204	174,302	228,396	65,192
27	55,176	112,384	167,559	177,788	232,964	65,405
28	56,279	115,755	172,034	181,344	237,623	65,589
29	57,405	119,228	176,633	184,971	242,376	65,743
30	58,553	122,805	181,358	188,670	247,223	65,866
31	59,724	126,489	186,213	192,444	252,168	65,955
32	60,918	130,284	191,202	196,293	257,211	66,009
33	62,137	134,192	196,329	200,219	262,355	66,027
34	63,380	138,218	201,597	204,223	267,603	66,005
35	64,647	142,364	207,011	208,307	272,955	65,943
36	65,940	146,635	212,575	212,474	278,414	65,838
37	67,259	151,034	218,293	216,723	283,982	65,689
38	68,604	155,565	224,169	221,058	289,662	65,492
39	69,976	160,232	230,208	225,479	295,455	65,246
40	71,376	165,039	236,415	229,988	301,364	64,949
<b>TOTAL</b>	<b>1,991,566</b>	<b>3,677,382</b>	<b>5,668,948</b>	<b>6,417,267</b>	<b>8,408,833</b>	<b>2,739,886</b>

\* - All amounts presented are estimated, and were provided by Department of Housing and Community Development staff.