June 13, 2023

FISCAL AND POLICY NOTE

TO: Jennifer A. Jenkins
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin p.p.
Director of Budget and Policy Analysis

FROM: Malcolm Moody - *MM*
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CR-044-2023, Payment in Lieu of Taxes ("PILOT") – Agreement for the Park Place at Addison Road Apartments

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CR-044-2023 (*Proposed by:* The Chair of the Council at the request of the County Executive) (*Sponsored by*: Council Members Hawkins, Harrison, Franklin, Watson, Fisher, Ivey, and Oriadha)

Assigned to the Committee of the Whole

A RESOLUTION CONCERNING PAYMENTS IN LIEU OF TAXES ("PILOT") AGREEMENT for the Addison Park Apartments 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 Banneker Ventures, LLC (the "Owner").

Fiscal Summary

Direct Impact:

Expenditures: No additional expenditures

Revenues: Forgone tax revenues totaling approximately $9,326,066 over a 40-year period.

Indirect Impact:

Potentially positive.

Legislative Summary:

CR-044-2023[1], proposed by the Chair at the request of the County Executive and sponsored by Council Members Hawkins, Harrison, Franklin, Watson, Fisher, Ivey, and Oriadha, was introduced on May 16, 2023, and referred to the Committee of the Whole (COW). CR-044-2023 would approve the terms and conditions of a Payments in Lieu of Taxes ("PILOT") Agreement between Prince George's County, Maryland (the "County") and Banneker Ventures, LLC ("Owner") for the Park Place at Addison Road (the "Project").

Current Law/Background:

Section 7-506.3 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,
  - ✓ provides interest subsidy, rent subsidy, or rent supplements, or
  - ✓ is acquired under the Right of First Refusal program under Subtitle 13, Division 14 of the County Code.
- 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

[1] CR-044-2023

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
- Adedamola George, Senior Compliance Manager, DHCD

Discussion/Policy Analysis:

Park Place at Addison Road (the "Project")[2] is located at 6301 Central Avenue/212 Zelma Avenue/109 Addison Road, Capitol Heights, Maryland, and is a 193 unit newly constructed family affordable housing development. Under the proposed agreement, for the 40-year term, Banneker Ventures, LLC (the "Developer") will reserve 193 units for households, whose incomes are at or below 70% of the Area Median Income ("AMI")[3]. The unit mix will consist of a mix of studios, one- and two-bedroom units. CR-044-2023 would authorize the County to accept a payment in lieu of taxes equal to a $85.64 payment per affordable unit in year one, which will escalate by two percent (2%) per year during the term of the PILOT agreement. The Developer for the Project has planned the project to be located near the Addison Park Metro Station, which is within the Blue Line Transit Corridor and aligns with the development priorities of the County[4]. The Developer plans to include in each unit washer/dryer hook ups, a dishwasher, garbage disposal, microwave, and high-speed internet access. There will also be a structured parking garage that will contain approximately 40 spaces and 110 off-street parking spaces[5].

The Project is expected to cost $85,257,677. Financing includes a Tax-Exempt Bonds totaling approximately $33,023,888; approximately $3,500,000 in loans by the Community Development Administration ("CDA")[6]; approximately $25,233,789 from an investor member in connection with Low-Income Housing Tax Credits ("LIHTC") awarded by CDA; approximately $20,000,000 from Amazon; and approximately $3,500,000 from the County's Housing Investment Trust Fund ("HITF") Program loan. The 40-year value of the County PILOT is approximately seventeen million, ninety-two thousand, eight hundred twenty dollars ($17,092,820)[7].

According to staff in the Department of Housing and Community Development, the Project's annual real property assessed value is approximately $17,092,820, and the County real property tax that will be due on the Project is an estimated $170,928.00 ($885.64/unit) in the first year. The PILOT reduces the aggregate tax burden on the entire two hundred and ninety-three (293) unit Project to ten percent (10%) of that amount, or approximately $16,528; this is equivalent to eighty-

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[2] Park Place at Addison Road Metro
[3] Department of Housing and Urban Development - FY 2023 Income Limits Documentation System
[4] Transit Oriented Development - PGEDC
[5] Project Information Sheet (Page 5)
[6] Community Development Administration - Maryland
[7] CR-044-2023 Attachment B.pdf

five dollars and sixty-four cents ($85.64) per unit tax burden. Under the agreement, the County would be forgoing real property tax revenue of approximately $154,400, or approximately $800 per affordable unit, in year one [8].

Increasing the availability of affordable housing, both through construction of new housing and the rehabilitation of existing housing, is a stated objective of the Council, and a key component of the Comprehensive Housing Strategy[9].

Fiscal Impact:

Direct Impact

Adoption of CR-044-2023 will have an adverse fiscal impact in the form of forgone tax revenue. As described above, accepting the PILOT on the entire Project of $16,528 will result in a loss of approximately $154,400 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 $9,326,066.00 over the 40-year period that the PILOT agreement remains in effect.

However, should CR-044-2023 not be adopted the Owner may charge rents unaffordable to tenants at 70% AMI. Additionally, due to the appeal of fixed rent, the property may attract new residents.

Indirect Impact

Adoption of CR-44-2023 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:

- The Affordability Period is listed as being for 99 years in Attachment B for the Agreement, but the Agreement's affordability period is for 40 years as confirmed by DHCD staff. *This inconsistency should be resolved prior to adoption.*
- The years for the Term of the Pilot is listed as being for 99 years in Attachment B for the Agreement, but the actual term is for 40 years. *This inconsistency should be resolved prior to adoption.*
- The Agreement provides that "Eligible Households" are those earning 80% or less of AMI on page 1 of Attachment B, but in the definition of "Eligible Household on page 5, the text states that eight percent of AMI is the reference. *This inconsistency should be resolved prior to adoption.*
- 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)?

[8] CR-044-2023 PILOT Analysis
[9] Draft Comprehensive Housing Strategy Report

- Does encouraging this type of development provide a reasonable return, economic or otherwise, to the County for the forgone tax revenue?
- What will be the unit mix once the project is completed?

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.