

CR-042-2022

PILOT AGREEMENT FOR THE CARILLON PROJECT FISCAL IMPACT STATEMENT

OVERVIEW

The Carillon is a 2.7 million square foot mixed-use project encompassing 38 acres in Largo. The project will be completed over 11 phases through 2034, with each phase eligible for a 15-year PILOT:

PHASE	SUBSTANTIAL COMPLETION	TOTAL PHASE GROSS SF	PRODUCT MIX		
			MULTI-FAMILY UNITS	RETAIL (SF)	OFFICE (SF)
1	April 2023	131,000		24,000	107,000
2	December 2024	409,950	351 Units	22,600	
3	January 2025	87,700		23,700	64,000
4	July 2026	112,650		2,300	110,350
5 & 6	March 2028	483,250	475 Units	24,750	
7	January 2030	217,100	190 Units	34,600	
8	August 2031	123,250	115 Units	13,000	
9	May 2032	127,450		1,800	125,650
10	November 2033	254,250	250 Units	14,500	
11	December 2034	331,450	355 Units	8,500	
TOTAL		2,278,050	1,716 Units	169,750	407,000

PROPOSED PILOT INCENTIVE

Developer agrees to pay a PILOT for 15 years that is equal to the sum of:

- Baseline real property tax and
- 25% of incremental real property tax*
- The PILOT agreement applies only to the nominal real property tax rate of \$0.96/\$100 of assessed value as established by Maryland Senate Bill 626 (2000) and not the real property tax rate of \$0.04/\$100 of assessed value dedicated to the local school board.
- At the end of the PILOT term, property owner pays full real property tax
- The PILOT incentive is projected to be worth approximately \$95 million to the developer between 2022 and 2049

MAJOR TERMS

Phases 1 & 2 PILOT does not go into effect until:

- Substantial completion of Phases 1 & 2
- Start of vertical construction of Phase 3
- Phases 1 & 2 retail program reach a combined lease rate of at least 50%
Upon conditions being met, developer will receive refund of full taxes paid less scheduled PILOT

Phases 3 – 11 must submit Conceptual & Detailed Site Plan Review to County prior to 2026

- No PILOT shall commence after 2034 unless recession, pandemic, or governmental delays impede developer's ability to advance development

FISCAL IMPACTS SUMMARY

*Projections provided by HR&A

Impacts projected from 2022-2064

INCREMENTAL FISCAL BENEFITS	
Real Property Tax (including PILOT, Schools)	\$ 296,600,000
Resident Income Tax	\$ 378,700,000
	\$ 675,300,000
INCREMENTAL FISCAL COSTS	
General Fund Expenditures	\$ (259,800,000)
Board of Education Expenditures	\$ (59,000,000)
	\$ (318,800,000)
TOTAL NET NEW TAX REVENUES	\$ 356,500,000

INCREMENTAL BENEFIT: REAL PROPERTY TAX

The County is projected to receive an additional \$297 million in incremental real property tax including PILOT between 2022 and 2064 including:

- \$41 million in PILOT from Phases 1-11 through 2049
- \$241 million in incremental real property tax revenue following the expiration of PILOTs for Phases 1-11 through 2064
- \$15 million in schools-dedicated real property tax through 2064
- The PILOT incentive is projected to be worth approximately \$95 million to the developer between 2022 and 2049

**INCREMENTAL BENEFIT:
INDIVIDUAL INCOME TAX**

New households and workers at the Carillon development will generate County individual income tax revenue

- Approximately 1,630 new households
- Approximately 550 new workers who are also Prince George's County Residents

The Carillon development is expected to generate an \$378 million in incremental individual income tax between 2022 and 2064 including:

- \$2 million from one-time jobs related to construction
- \$85 million from ongoing jobs at new retail and office locations
- \$292 million from new households living in new dwelling units

**INCREMENTAL COSTS:
COUNTY GOVERNMENT AND SCHOOL BOARD EXPENDITURES**

New residents, including school-aged residents, and workers will require the County to increase expenditures to provide consistent level of services. This analysis highlights the effects on County General Fund and Board of Education expenditures based on:

- 2,820 new residents in 1,630 occupied dwelling units, including 160 school-aged students
- 1,530 new workers residing both within and outside Prince George's County

The Carillon development is expected to generate demand for an additional \$319 million in incremental government expenditures from 2022 to 2064 including:

- \$260 million in selected County General Fund expenditures
- \$59 million in Board of Education local share expenditures

REFERENCE TABLES

REAL PROPERTY TAX

To measure incremental real property tax revenue generated by future development at Carillon, HR&A used a pro forma developed by KITE in August 2021 to inform phasing, program, and future assessed value of the developed parcels. To calculate PILOT and incremental real property tax revenues, HR&A assumed assessed value – of the baseline and developed property – increased 2% annually.

Cumulative Incremental County Real Property Tax Receipts and PILOT, 2022-2064

Phase	PILOT Start	PILOT End	PILOT (15-years)	Incremental Real Property Tax*	Incremental Real Property Tax – Schools**	Total (2022-2064)
Phase 1	Jan-23	Jan-38	\$803,000	\$8,779,000	\$499,000	\$10,081,000
Phase 2	Sep-24	Sep-39	\$4,785,000	\$46,554,000	\$2,762,000	\$54,101,000
Phase 3	Jan-25	Jan-40	\$1,265,000	\$12,419,000	\$725,000	\$14,409,000
Phase 4	Jul-26	Jul-41	\$2,621,000	\$23,076,000	\$1,368,000	\$27,065,000
Phases 5 & 6	Mar-28	Mar-43	\$8,045,000	\$52,506,000	\$3,217,000	\$63,768,000
Phase 7	Jan-30	Jan-45	\$4,085,000	\$22,482,000	\$1,432,000	\$27,999,000
Phase 8	Aug-31	Aug-46	\$2,540,000	\$11,526,000	\$750,000	\$14,816,000
Phase 9	May-32	May-47	\$3,027,000	\$18,330,000	\$1,222,000	\$22,579,000
Phase 10	Nov-33	Nov-48	\$4,879,000	\$21,195,000	\$1,509,000	\$27,583,000
Phase 11	Dec-34	Dec-49	\$8,459,000	\$23,933,000	\$1,759,000	\$34,151,000
Total			\$40,509,000	\$240,800,000	\$15,243,000	\$296,552,000

* - Refers to the \$0.96/\$100 assessed value real property tax rate

** - Refers to the \$0.04/\$100 assessed value real property tax rate

INDIVIDUAL INCOME TAX

Incremental revenues from the County's individual income tax will be generated by new residents at Carillon and new workers at Carillon, to the extent they represent individuals who have moved to Prince George's County to work. To estimate these taxes, HR&A identified the revenue driver (i.e. household or worker), assessed the project's impact on that driver (e.g., number of jobs created, housing units built), an average multiplier that represents the increased tax base from each unit of revenue driver, and the relevant tax rate. We assumed 100% of Carillon households were considered net-new to the County and that 36% of jobs were filled by workers who live in Prince George's County, consistent with Census Bureau data on inflow-outflow of workers to the county.

Cumulative Incremental Individual Income Tax, 2022 to 2064

Phase	One-time Workers	Ongoing Workers	Residents	Total
Phase 1	\$124,000	\$18,740,000	-	\$18,864,000
Phase 2	\$401,000	\$1,281,000	\$59,947,000	\$61,629,000
Phase 3	\$85,000	\$23,720,000	-	\$23,805,000
Phase 4	\$112,000	\$17,445,000	-	\$17,557,000
Phases 5 & 6	\$448,000	\$1,278,000	\$76,763,000	\$78,489,000
Phase 7	\$206,000	\$1,917,000	\$30,286,000	\$32,409,000
Phase 8	\$8,000	\$663,000	\$17,674,000	\$18,345,000
Phase 9	\$118,000	\$18,668,000	-	\$18,786,000
Phase 10	\$235,000	\$723,000	\$60,329,000	\$61,287,000
Phase 11	\$304,000	\$358,000	\$46,903,000	\$47,565,000
Total	\$2,041,000	\$84,793,000	\$291,902,000	\$378,736,000

PILOT VALUE TO DEVELOPER

To measure the incremental value of the PILOT, HR&A relied on a pro forma developed by KITE in August 2021 to inform phasing, program, and future assessed value of the developed parcels. Valuation was equal to the County's foregone real property taxes which is assumed to be the real property tax rate on the fully developed assessed value less the PILOT. Per the agreement, PILOT are assumed to equal the sum of pre-use and occupancy taxes and 25% of the difference between the taxes on developed parcels and the pre-use and occupancy taxes of those parcels.

Value of PILOT Incentive to Developer

Phase	PILOT Start	PILOT End	Foregone Real Property Tax Revenue less PILOT
Phase 1	Jan-23	Jan-38	\$2,394,000
Phase 2	Sep-24	Sep-39	\$14,271,000
Phase 3	Jan-25	Jan-40	\$3,739,000
Phase 4	Jul-26	Jul-41	\$7,340,000
Phases 5 & 6	Mar-28	Mar-43	\$18,878,000
Phase 7	Jan-30	Jan-45	\$9,145,000
Phase 8	Aug-31	Aug-46	\$5,061,000
Phase 9	May-32	May-47	\$8,313,000
Phase 10	Nov-33	Nov-48	\$11,159,000
Phase 11	Dec-34	Dec-49	\$14,726,000
Total			\$95,000,000

PILOT agreement only affects the \$0.96/\$100 assessed value real property tax rate

PUBLIC SECTOR EXPENDITURES

HR&A estimated incremental expenditures by the County via the General Fund and Board of Education generated by new residents and workers and new school-aged residents, respectively. To estimate these expenditures, HR&A identified the expense driver (i.e. resident, worker, or school-aged resident), assessed the project's impact on that driver (e.g., number of jobs created, housing units built by number of bedrooms), and an average cost per resident/worker for each expenditure category. We assumed the number of residents per unit and school-aged residents per unit according to the historical mix by number of bedrooms in multifamily properties in the county built over the past five years. As with the individual income tax calculations, we assume 100% of Carillon residents and school-aged residents were considered net-new to the county and that 100% of workers in the Carillon development were considered net-new workers in the county. To compare resident and worker impact on the County budget, we assume a worker counts as 0.35 residents, reflecting the fact they spend approximately half their waking hours on 250 workdays a year in the county.

PUBLIC SECTOR EXPENDITURES (CONTINUED)

Cumulative Incremental Expenditures for General Fund and Local Share of Schools, 2022 to 2064

Phase	General Fund Expenditures	BOE Local Share Expenditures	Total
Phase 1	\$10,351,000	-	\$10,351,000
Phase 2	\$48,499,000	\$12,676,000	\$61,175,000
Phase 3	\$6,774,000	-	\$6,774,000
Phase 4	\$9,177,000	-	\$9,177,000
Phases 5 & 6	\$62,516,000	\$16,772,000	\$79,288,000
Phase 7	\$26,069,000	\$6,434,000	\$32,503,000
Phase 8	\$14,963,000	\$3,999,000	\$18,962,000
Phase 9	\$10,200,000	-	\$10,200,000
Phase 10	\$32,752,000	\$8,813,000	\$41,565,000
Phase 11	\$38,509,000	\$10,342,000	\$48,851,000
Total	\$259,810,000	\$59,036,000	\$318,846,000

NET FISCAL IMPACT SUMMARY

Summary of Fiscal Net Benefits, 2022 to 2064

Phase	Incremental Real Property Tax	Incremental Resident Income Tax	Incremental Expenditures	Total
Phase 1	\$10,081,000	\$18,864,000	(\$10,351,000)	\$18,594,000
Phase 2	\$54,101,000	\$61,629,000	(\$61,175,000)	\$54,555,000
Phase 3	\$14,409,000	\$23,805,000	(\$6,774,000)	\$31,440,000
Phase 4	\$27,065,000	\$17,557,000	(\$9,177,000)	\$35,445,000
Phases 5 & 6	\$63,768,000	\$78,489,000	(\$79,288,000)	\$62,969,000
Phase 7	\$27,999,000	\$32,409,000	(\$32,503,000)	\$27,905,000
Phase 8	\$14,816,000	\$18,345,000	(\$18,962,000)	\$14,199,000
Phase 9	\$22,579,000	\$18,786,000	(\$10,200,000)	\$31,165,000
Phase 10	\$27,583,000	\$61,287,000	(\$41,565,000)	\$47,305,000
Phase 11	\$34,151,000	\$47,565,000	(\$48,851,000)	\$32,865,000
Total	\$296,552,000	\$378,736,000	(\$318,846,000)	\$356,442,000