THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

May 3, 2021

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-039-2021, Payment in Lieu of Taxes ("PILOT") Agreement for Homes at Oxon Hill

---

CR-039-2021 (*Proposed by:* The Chair of the Council at the request of the County Executive; *Introduced by:* Council Members Hawkins, Taveras, Franklin, Davis, Streeter, Harrison, Turner, and Glaros)

Assigned to the Committee of the Whole

A RESOLUTION CONCERNING PAYMENTS IN LIEU OF TAXES ("PILOT") AGREEMENT FOR THE Homes at Oxon Hill 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 Homes at Oxon Hill, Limited Partnership (the "Owner").

Fiscal Summary

Direct Impact:

Expenditures: No additional expenditures

Revenues: The revenue will increase by the amount brought in under the PILOT. Revenues on the currently undeveloped land would increase by the PILOT of approximately $29,400 per year after the project is completed with an escalation factor of 3% annually. However, revenues for the units subject to the PILOT agreement will be reduced by a total of approximately $117,306 per year for the 40-year term of the agreement, compared to projected property tax revenues in the absence of the agreement.

Indirect Impact:

Potentially positive.

Legislative Summary:

CR-039-2021, proposed by Council Chair Hawkins by request of the County Executive and sponsored by Councilmembers Hawkins, Taveras, Franklin, Davis, Streeter, Harrison, Turner, and Glaros, was presented to the County Council on April 6, 2021 and referred to the Committee of the Whole. CR-039-2021 would approve the terms and conditions of a Payments in Lieu of Taxes ("PILOT") Agreement between Prince George's County, Maryland (the "County") and Homes at Oxon Hill, Limited Partnership (the "Owner") concerning the Homes at Oxon Hill project in Oxon Hill, Maryland.

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.

Resource Personnel:

- Alexis Yeoman - Public Information/Legislative Affairs, Department of Housing and Community Development

---

Discussion/Policy Analysis:

The Homes at Oxon Hill, if approved, would be located at 1313 Southern Avenue, Oxon Hill, MD, and is planned to consist of one hundred and forty-seven (147) multifamily residential apartment for low- and moderate-income seniors, ages sixty-two (62) years and older, and sixteen (16) units of market rate housing for seniors. The Owner will reserve eight (8) units for low-to-moderate-income families earning thirty-one to forty percent (31% - 40%) of the Area Median Income (AMI). Nine (9) units will be reserved for households whose income is at forty-one to fifty percent (41% - 50%) of the AMI. One hundred and thirty (130) units will be reserved for households whose income is at fifty-one to sixty percent (51% - 60%) of the AMI. The remaining sixteen (16) apartment units will be rented at market rate. CR-039-2021 would authorize the County to accept a payment in lieu of taxes for each below-market rate unit of a residential multi-unit building.

The Project is expected to cost forty-one million, one hundred fifty-five thousand, eight hundred twelve dollars ($41,155,812), including acquisition, infrastructure development and construction. Financing proceeds include tax-exempt loan proceeds totaling approximately twenty-three million, six hundred and fifty thousand dollars ($23,650,000) issued by the Freddie Mac Tax Exempt Loan (Freddie Tel), a new tax-exempt loan structure; approximately eleven million, nine hundred forty-five thousand, four hundred and forty-six dollars ($11,945,446) from the investment of investor member equity provided in connection with Low-Income Housing Tax Credits (LIHTC) awarded by the Maryland Community Development Administration (CDA); approximately two million, five hundred thousand dollars ($2,500,000) from a Maryland CDA Rental Housing Works (RHW) loan; six hundred thousand dollars ($600,000) from a partnership with Rental Housing; a deferred development fee payment of approximately nine hundred sixty thousand, three hundred sixty-six dollars ($960,366) from the developer's equity; and a Prince George's County HOME Investment Partnerships (HOME) Program loan of one million, five hundred thousand dollars ($1,500,000).[1]

According to staff in the Department of Housing and Community Development, the Project's annual real property assessed value after Development will be approximately $16,276,318, and the County real property tax that will be due on the Project is an estimated $146,706 ($998/unit) in the

---

[1] The County HOME Program loan is subject to approval via CR-036-2021.

first year. Factoring in an annual 3% escalating factor, the County would receive real property taxes equating to approximately $11,061,817.21 (A) 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 from completion of the Project, as defined within the PILOT agreement. The PILOT agreement shall remain effective until the termination date, as defined within the agreement. Under the agreement, the Owner agrees to pay an annual PILOT payment of $200 per affordable unit, or $29,400 per year, which shall increase by 3% each year. All other agency taxes are to be paid in full, each year. Over a 40-year period, the estimated PILOT payment totals $2,216,797.04 (B) with the remaining $8,845,010.17 (A-B) deferred.

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.

Fiscal Impact:

Direct Impact

Development of the Project with the PILOT will result in approximately $29,400 in additional revenue to the County annually, or $2,216,797.04 over the next 40 years, factoring in an annual 3% increase. There is currently no County real property tax being assessed and collected on the undeveloped property.

Adoption of CR-039-2021 would result in an adverse fiscal impact for the County of approximately $8,845,020.17 related to the Project's PILOT Agreement, over a 40-year period. This amount is the difference between the developed Project's cumulative annual County real property tax ($11,061,817.21) and the cumulative value of the annual PILOT payments ($2,216,797.04), combined over the 40-year period.

However, should CR-039-2021 not be adopted the Owner may decide not to purchase and develop the Property as proposed and the County would receive no real property tax revenue from this property.

Indirect Impact

Adoption of CR-039-2021 may have a positive indirect fiscal impact upon the County to the extent that new residents generate additional economic activity.

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

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.