



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

June 17, 2022

FISCAL AND POLICY NOTE

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin 
Director of Budget and Policy Analysis

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

RE: Policy Analysis and Fiscal Impact Statement
CR-065-2022, Payment in Lieu of Taxes ("PILOT") Agreement for Glenarden Hills
Phase 3, 9% Project (DR-1)

CR-065-2022 (*Proposed by:* The Chair of the Council at the request of the County Executive;
Sponsored by: Council Members Harrison, Streeter, Turner, Ivey, Franklin, Glaros, Medlock,
Dernoga)

Assigned to the Committee of the Whole (COW)

A RESOLUTION CONCERNING PAYMENTS IN LIEU OF TAXES ("PILOT") AGREEMENT FOR Glenarden Hills Phase 3, 9% Project for the purpose of approving the terms and conditions of a Payments in Lieu of Taxes ("PILOT") Agreement between Prince George's County, Maryland (the "County") and Glenarden Hills Phase 3, Nine, LLC (the "Owner").

Fiscal Summary

Direct Impact:

Expenditures: No additional expenditures

Revenues: Foregone tax revenues totaling approximately \$817,053 over a 40-year period.

Indirect Impact:

None.

Legislative Summary:

CR-065-2022, proposed by Council Chair Hawkins by request of the County Executive and sponsored by Council Members Hawkins, Streeter, Turner, Ivey, Harrison, Franklin, Glaros, Medlock, Dernoga was introduced, on May 17, 2022, and referred to the Committee of the Whole (COW). CR-065-2022 would approve the terms and conditions of a Payments in Lieu of Taxes (“PILOT”) Agreement between Prince George’s County, Maryland (the “County”) Glenarden Hills Phase 3, Nine, LLC (the “Owner”) concerning the 8405 Hamlin Street, Lanham, Maryland project.

Current Law/Background:

Section 7-506.1¹ of the Tax-Property Article of the Annotated Code of Maryland, as amended, authorizes that real property can be exempt from county and municipal corporation property tax. 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 and the governing body of the county and, where applicable, the municipal corporation where the real property is located agree that the owner shall pay a negotiated amount in lieu of the applicable county or municipal corporation property tax; and
- 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 government programs described in paragraph (2)(ii) of this subsection; 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 5 years.

¹ § 7-506.1. Subsidized housing

- If the structure and facilities of the real property are used predominantly for residential purposes, the real property may contain service facilities to serve its occupants and the surrounding neighborhood.

Resource Personnel:

- Aspasia Xypolia, Director, Department of Housing and Community Development (DHCD)
- Adedamola George, Community Services Manager, DHCD

Discussion/Policy Analysis:

The Glenarden Hills Phase 3, 9% Project is located at 8405 Hamlin Street, Lanham, MD and is a forty-four (44) unit affordable multi-family rental housing development for families that is comprised of six (6) apartment buildings, which includes a mix of both townhouse units, stacked apartment units, and amenity spaces. All forty-four (44) units will provide housing for low-income to moderate-income residents. Under the proposed agreement, for the forty (40) year term, the Owner will use the twenty-eight (28) two-bedroom units and sixteen (16) three-bedroom units for low-to-moderate-income families earning up to sixty percent (60%) of the Area Median Income (AMI). Thirty-eight (38) units will be reserved for households whose income is up to thirty percent (30%) of the AMI, three (3) units will be reserved for households whose income is up to forty percent (40%) of the AMI; two (2) units will be for households whose income is up to fifty percent (50%) of the AMI; and one (1) unit will be reserved for households earning sixty percent (60%) of the AMI. The two-bedroom rents will range from five hundred and fifty-one dollars (\$551) to one thousand, five hundred twenty-one dollars (\$1,521). The three-bedroom units rents will range from six hundred and fifty-two dollars (\$652) to eight hundred eleven dollars (\$811). CR-065-2022 would authorize the County to accept a payment in lieu of taxes of two hundred- and two-dollar (\$202) payment per affordable unit during the term of the PILOT agreement

The Project is expected to cost approximately eighteen million, five hundred ninety-two thousand, two hundred eighty-six dollars (\$18,592,286) including acquisition, infrastructure development and construction. Financing proceeds include a mortgage loan made by Freddie Mac ("First Loan") totaling approximately one million seven hundred sixty thousand dollars (\$1,760,000), approximately two hundred twenty five thousand dollars (\$225,000) from a loan by the Redevelopment Authority of Prince George's County Infrastructure Funds; approximately thirteen million, eight hundred seventy three thousand, six hundred thirteen dollars (\$13,873,613) from Bank of America, N.A. as the investor member in connection with Low-Income Housing Tax Credits ("LIHTC") awarded by the Maryland Community Development Administration ("CDA"), a unit of the Division of Development Finance of the Department of Housing and Community Development of the State of Maryland; deferred payment of the developer's fee of approximately one million, one hundred ninety eight thousand, four hundred seventy-three dollars (\$1,198,473); approximately thirty five thousand, two hundred dollars in a return commitment fee (\$35,200);

and a Prince George's County HOME Investment Partnerships ("HOME") Program loan of approximately one million, five hundred thousand dollars (\$1,500,000).

The Project is planned to be developed in two phases and the developer intends to have several amenities such as a previously constructed community clubhouse which features a community space, a fitness center, on-site management and leasing suite, a resource center, locker rooms, a kitchenette, an outdoor patio with a grill area, and a tot-lot. A community lap pool, children's pool, community green space, and an athletic surface will be added as part of Phase 3.

According to staff in the Department of Housing and Community Development, the Project's annual real property assessed value after Development will be approximately \$2,524,203, and the County real property tax that will be due on the Project is an estimated \$22,415 (\$509.43/unit) in the first year. The PILOT reduces the burden on the entire forty-four (44) unit Project to \$8,888; this is equivalent to a two hundred and two dollar (\$202) per unit tax burden on the forty-four (44) affordable units. Under the agreement, the County would be forgoing real property tax revenue of approximately \$13,527, or \$307.43 per affordable unit, in year one.

Increasing the availability of affordable housing, both through preservation of existing stock and the renovation of existing housing, is a stated objective of the Council, and a key component of the Comprehensive Housing Strategy².

As with CB-039-2022, the determination of "Eligible Households" under the CR-039-2022 agreement relies on the "median income as set from time to time by the United States Department of Housing and Urban Development for Section 8 Programs in the *Baltimore Metropolitan Statistical Area*"³ (emphasis supplied) rather than the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area in which it is located.⁴ This may be a significant distinction in determining eligibility for County households.

Fiscal Impact:

Direct Impact

Adoption of CR-065-2022 will have an adverse fiscal impact in the form of foregone tax revenue. As described above, accepting the PILOT on the entire Project of \$8,888 will result in a loss of approximately \$13,527 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 \$817,053 over the forty (40) year period that the PILOT agreement remains in effect.

However, should CR-065-2022 not be adopted the Owner may not be able to complete construction that will negatively impact current County residents. Alternatively, the Owner may

² [Comprehensive Housing Strategy](#)

³ [CR-039-2022](#), Attachment B, page 4

⁴ Per huduser.gov, "Prince George's County, Maryland is part of the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area . . ."

raise rents, making the units unaffordable to tenants at 60% AMI. Additionally, due to the appeal of affordable housing and fixed rent, the property may attract new residents.

Indirect Impact

Adoption of CR-065-2022 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.

Appropriated in the Current Fiscal Year Budget

N/A

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?
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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.