



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

October 20, 2016

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-080-2016 PILOT for Holly Spring Meadows

Pursuant to your request, we have reviewed CR-80-2016 to estimate its fiscal impact on Prince George's County, Maryland.

CR-080-2016 approves the terms and conditions of a Payments in Lieu of Taxes (PILOT) Agreement (the "Agreement") by and between SP Holly LP (Owner) and the County.

The Owner proposes to acquire a rental housing project located at 5521 Marlboro Pike, Forestville, Maryland (the "Property" or "Project"), to rehabilitate and subsequently operate a rental housing project, named Holly Spring Meadows, comprised of two hundred twenty-four (224) apartment units, along with related facilities. The Owner will designate two hundred and one (201) units for rent to low or moderate-income residents. The Project will consist of one hundred twelve (112) one-bedroom units, ninety-six (96) two-bedroom units, and sixteen (16) three-bedroom units. 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 thirty (30) year PILOT Agreement.

The average proposed rent is \$1,390 per month for the three-bedroom units, \$1,181 per month for the two-bedroom units, and \$1,032 per month for the one-bedroom units. According to staff in the Office of Finance, Treasury Division, the current annual County tax burden of the Property is approximately \$170,539, which includes the County's supplemental real property tax for education. Factoring in an annual 1% increase, the County would receive real property taxes equating to approximately \$5,932,181 (see Attachment B) over a 30 year period.

14741 Governor Oden Bowie Drive, Upper Marlboro, Maryland 20772
VOICE (301) 952-3431; FAX (301) 780-2097; TDD (301) 925-5167

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 as of the effective date. The PILOT agreement shall remain effective until the termination date as defined within the Resolution. Under the agreement, the Owner agrees to pay an annual PILOT payment of \$58,388, per year, which shall increase by 2% each year, after the first full calendar year following the effective date. All other agency taxes are to be paid in full, each year. Over a 30 year period, the estimated PILOT payment totals \$2,368,689 (see Attachment B). 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-080-2016 will result in a negative fiscal impact to the County. Assuming the real property assessment after rehabilitation remains constant, at today's value, if the PILOT agreement is approved, the County will forgo approximately \$3,563,492 (see Attachment B) in tax revenue over a 30 year period. This amount is the difference between the Project's estimated annual County real property tax and the annual PILOT payment, combined over a 30 year period. An estimate of the Property's assessed value after rehabilitation was not provided, therefore, the forgone value of County real property taxes after rehabilitation compared to the estimated value of the 30 year PILOT payments, could not be determined. However, should the PILOT agreement not be approved, the Owner may decide not to continue with rehabilitation of the Property, and the County would forgo any indirect economic benefits derived as a result of the improvements made to the Property, and that may occur within the surrounding community.

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

PILOT ANALYSIS - HOLLY SPRING MEADOWS

HOLLY SPRING MEADOWS (10% Market Rate = 22 Units) PILOT Request at \$150,000 PILOT Analysis- Per 2015 Assessed Value

Current Assessed Value \$ 16,954,200.00

This property is income valued for assessment purposes; therefore, the assessed value takes into consideration current project rents and operating expenses as of its last assessment in 2014.

Agency Tax	Assessed Value	2015 Rate	Per	Equ.	Tax Burden	Per Unit	PILOT	22 Market Rate @ \$753.52 per unit	202 Affordable @ \$206.99 per unit	Deferred
County	\$ 16,954,200.00	1.0000	100	1%	169,542.00	753.52	\$ 58,388.03	\$ 16,577.44	\$ 41,810.59	\$ 111,153.97
State	\$ 16,954,200.00	0.1120	100	1%	18,988.70		\$ 18,988.70			
Park& Planning	\$ 16,954,200.00	0.2940	100	1%	49,845.35		\$ 49,845.35			
SWM/Flood Control	\$ 16,954,200.00	0.0540	100	1%	9,155.27		\$ 9,155.27			
WSSC	\$ 16,954,200.00	0.0260	100	1%	4,408.09		\$ 4,408.09			
Solid Waste Service Charge					7,710.08		\$ 7,710.08			
Clean Water Act Fee					1,504.48		\$ 1,504.48			
Total		1.48600			261,153.97		\$ 150,000.00			

**PILOT Agreement Analysis
Holly Spring Meadow**

Year	Current Real Property Taxes (without PILOT Agreement)	Estimated Real Property Taxes with PILOT Agreement
1	\$ 170,539	\$ 58,388
2	172,244	59,556
3	173,967	60,747
4	175,707	61,962
5	177,464	63,201
6	179,238	64,465
7	181,031	65,754
8	182,841	67,069
9	184,669	68,411
10	186,516	69,779
11	188,381	71,175
12	190,265	72,598
13	192,168	74,050
14	194,089	75,531
15	196,030	77,042
16	197,990	78,583
17	199,970	80,154
18	201,970	81,757
19	203,990	83,392
20	206,030	85,060
21	208,090	86,761
22	210,171	88,497
23	212,273	90,267
24	214,395	92,072
25	216,539	93,913
26	218,705	95,792
27	220,892	97,708
28	223,101	99,662
29	225,332	101,655
30	227,585	103,688
Total	\$ 5,932,181	\$ 2,368,689

Difference	\$ 3,563,492
-------------------	---------------------