



# THE PRINCE GEORGE'S COUNTY GOVERNMENT

## Office of Audits and Investigations


May 10, 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-042-2021, Payment in Lieu of Taxes ("PILOT") Agreement - Urban Atlantic  
Phase 2

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**CR-042-2021** (*Proposed by:* The Chair of the Council at the request of the County Executive;  
*Sponsored by:* Council Members Hawkins, Davis, Glaros, Franklin, Harrison, and Turner)

Assigned to the Committee of the Whole

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A RESOLUTION CONCERNING PAYMENTS IN LIEU OF TAXES ("PILOT") AGREEMENT for the Urban Atlantic Development Multifamily-Phase 2 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 New Carrollton Multi-Family II, LLC (the Developer").

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### Fiscal Summary

**Direct Impact:**

*Expenditures:* No additional expenditures

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*Revenues:* Revenue will increase by the amount of the PILOT payment, but Council staff does not have sufficient information to estimate the amount of foregone property tax revenue.

**Indirect Impact:**

Potentially positive.

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**Legislative Summary:**

CR-042-2021, proposed by Council Chair Hawkins by request of the County Executive and sponsored by Councilmembers Davis, Glaros, Franklin, Harrison, and Turner, was introduced on April 27, 2021 and referred to the Committee of the Whole. CR-042-2021 would approve the terms and conditions of a Payments in Lieu of Taxes (“PILOT”) Agreement between Prince George’s County, Maryland (the “County”) and New Carrollton Multi-Family II, LLC (the “Developer”) concerning the New Carrollton Metro Station – Phase 2 project near New Carrollton Metro Station in Prince George’s County, Maryland.

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**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:**

Jose C. Sousa, Assistant Deputy Chief Administrative Officer for Economic Development

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**Discussion/Policy Analysis:**

The Urban Atlantic Development Multifamily-Phase 2 (the “Project”), if approved, would be located at near the New Carrollton Metro Station, and is planned to consist of 286 dwelling units and contain approximately 3,900 square feet of work/live units for commercial, office, retail or combination use. The project will result in 282,000 square feet of multi-family residential space.

The project will be comprised of 22 studio apartments, 144 one-bedroom apartments, 104 two-bedroom apartments, and 16 three-bedroom apartments. The projected rent for the studio apartments will be \$1,600 per month, the one-bedroom apartments are expected to be rented at \$1,775 per month, the two-bedroom apartments are expected to be rented at \$2,300 per month, and the three-bedroom apartments are expected to be rented at \$2,670 per month. The project also includes 317,508 square feet that will serve as the Washington Metropolitan Area Transit Authority (WMATA) headquarters.

CR-042-2021 would authorize the County to accept a payment in lieu of taxes for each unit of a residential multi-unit building. The Project is expected to cost approximately sixty-eight million five hundred and forty-four thousand, two hundred and forty-three dollars in total development costs (\$68,544,243), including the acquisition, infrastructure development, and construction. Financing proceeds include nineteen million, three hundred and eighty-one thousand, four hundred and eighty-five dollars (\$19,381,485) in equity and forty-nine million, one hundred and sixty-two thousand, seven hundred and fifty-eight dollars (\$49,162,758) in debt. The Project anticipates eight hundred thousand, seven hundred and forty-nine dollars (\$800,749) in acquisition costs, forty-nine million, one hundred and ninety-two thousand dollars (\$49,192,000) in construction costs, and eighteen million, five hundred and fifty-one thousand, four hundred and ninety-four dollars (\$18,551,494) in soft costs.

The proposed PILOT is a 15-year agreement, with a 25% payment that should result in approximately \$2.6 million in net taxes to the County. The project also contains a Minority Business Enterprise Plan. Additionally, increasing transit-oriented development by encouraging development around transit centers is a stated objective of the Council, and a key component of the Plan 2035.

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**Fiscal Impact:**

*Direct Impact*

Adoption of CR-042-2021 will have a direct impact of County revenues. Revenue will increase by the amount of the PILOT payment which, according to information provided by the Executive branch, will be approximately \$2.6 million. Council staff does not have sufficient information, however, to estimate the increase in assessed value of the property after completion of the project, and therefore cannot estimate the amount of foregone property tax revenue under the agreement.

Under the agreement at Attachment C of the resolution, in exchange for the negotiated payment, the project will be exempt from County real property taxes for a term of fifteen (15) years beginning commencing on the date a certificate of occupancy for the tenancy of the first building is issued. The amount of the payment under the agreement would be an amount not less than the sum of the real property taxes assessed on the Phase 2 Property prior to the issuance of the first certificate of use and occupancy plus, for each County tax year of the term of the agreement, twenty-five percent (25%) of the Phase 2 County real property taxes related to the Project that would have otherwise been due absent the agreement. As noted above, Council staff does not have a projection of what the increase in property taxes would be, and therefore cannot provide an estimate of the amount of revenue that would be foregone.

*Indirect Impact*

Adoption of CR-042-2021 may have a positive indirect fiscal impact upon the County to the extent that new residents generate additional economic activity.

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**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.

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