



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: Isabel Williams 
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CR-047-2022, Payment in Lieu of Taxes ("PILOT") Agreement for the Sovren West Hyattsville Metro Apartments (DR-1)

CR-047-2022 (*Proposed by:* The Chair of the Council at the request of the County Executive; *Introduced by:* Council Members Hawkins, Streeter, Turner, Glaros, Harrison, Taveras, and Franklin)

Assigned to the Committee of the Whole

A RESOLUTION CONCERNING PAYMENTS IN LIEU OF TAXES ("PILOT") AGREEMENT FOR THE SOVREN WEST HYATTSVILLE METRO APARTMENTS PROJECT 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 the WHPC Block 3, LLC (the "Owner").

Fiscal Summary

Direct Impact:

Expenditures: No additional expenditures.

Revenues: Foregone tax revenues over the 99-year term of the agreement; approximately \$4,992,031 over the first 20 years.

Indirect Impact:

Potentially positive.

Legislative Summary

CR-047-2022, proposed by Council Chair Hawkins by request of the County Executive was introduced by Council Members Hawkins, Streeter, Turner, Glaros, Harrison, Taveras, and Franklin, on April 26, 2022, and referred to the Committee of the Whole (COW). CR-047-2022 would approve the terms and conditions of a Payments in Lieu of Taxes (“PILOT”) Agreement between Prince George’s County, Maryland (the “County”) and WHPC Block 3, LLC (the “Owner”) concerning the Sovren West Hyattsville Metro Apartments project (“Project”).

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

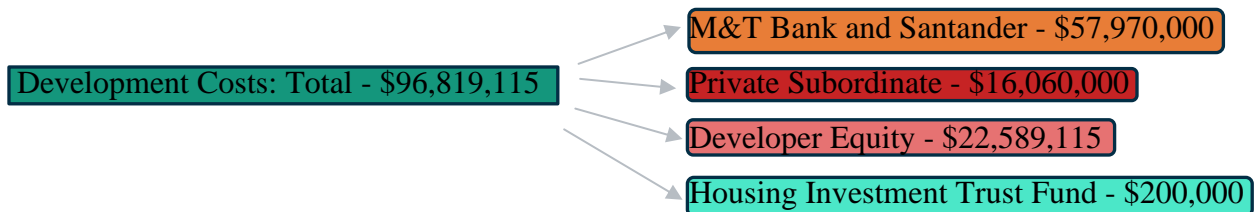
- Aspasia Xypolia, Director, Department of Housing and Community Development (DHCD)
- Adedamola George, Community Services Manager, DHCD

Discussion/Policy Analysis:

CR-047-2022 would approve the terms and conditions of a Payment in Lieu of Taxes (PILOT) agreement between the County and the Owner for the Sovren West Hyattsville Metro Apartments project (the Project). The Project will be located at Little Branch Run in Hyattsville, MD, and will consist of 293 dwelling units (with 147 units reserved as affordable housing), and an arts-wrapped garage.¹ CR-047-2022 is a Payment in Lieu of Taxes (PILOT) agreement for the developer for \$340 per year, per affordable housing unit, for 99 years (\$49,980 total first year payment) with a 2% yearly escalation. The Resolution is conjoined with CR-042-2022, which is a \$200,000 loan from the Housing Investment Trust Fund that will carry a 2% interest deferred and payable upon maturity – that is, in 99 years from now. Under the agreement, the Project would reserve 147 units for families at various income levels up to eighty percent (80%) of the Area Median Income (AMI) and rent 146 units at market rate.

Sovren Project Summary

- **293 Dwelling Units:**
 - 147 reserved for up to 80% AMI
 - 146 at market rate
- **Amenities:**
 - Transit-Oriented (near Metro)
 - Outdoor kitchen
 - Two (2) courtyards
 - Pool



Without the PILOT agreement, the estimated County property tax for the residential portion would be approximately five hundred nine thousand, one hundred thirty-four dollars or one thousand, seven hundred thirty-eight dollars per unit (\$509,134 annually or approximately \$1,738 per unit).

¹ [Sovren West Hyattsville Gets Key Approval - Gilbane Development \(gilbaneco.com\)](http://gilbaneco.com)

The transmittal letter states that the County will be providing yearly operating support of approximately two hundred five thousand, four hundred fifty-six dollars (\$205,456) to this mixed income, mixed-use housing development.

While 147 units will be reserved for affordable housing up to 80% of AMI, the agreement does not include specific distribution requirements for lower percentage-of-AMI tenants, as some previous agreements have. The agreement does ensure that rents will remain affordable, as determined by the region’s AMI. The commitment to maintaining affordable rental housing will ensure that County residents are not displaced by fast-rising rental pricing.

A comparison of the rental cost of the units in the Project, and the Small Area Fair Market Rents (SAFMR), effective April 1, 2022, is included below.²

PILOT Rent vs. Market Rent for 20782

Bedrooms	Baths	PILOT Rent	Market Rent
0	1	\$1,400	\$1,752 ³
1	1	\$1,600-\$1,775	\$1,780 (Owner Rate)
2	2	\$2,050-\$2,150	\$2,515 (Owner Rate)
3	2	N/A	\$3,050 (Owner Rate)

As with CB-039-2022, the determination of “Eligible Households” under the CR-047-2022 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*”⁴ (emphasis supplied) rather than the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area in which it is located.⁵ This may be a significant distinction in determining eligibility for County households.

Fiscal Impact

Direct Impact

Adoption of CR-047-2022 will have an adverse fiscal impact in the form of forgone tax revenue. As described above, accepting the PILOT of \$340/unit will result in a loss of approximately \$205,456 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 \$4,992,031 over the 20-year period that the PILOT agreement fiscal estimate provides, and approximately \$119,103,694 over the full 99 years of the PILOT.

² [Housing Choice Voucher Payment Standards | Prince George's County, MD \(princegeorgescountymd.gov\)](#)

³ Id.

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

⁵ Per [huduser.gov](#), “Prince George's County, Maryland is part of the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area . . .”

However, should CR-047-2022 not be adopted, the Owner may not be complete the Project and that will likely negatively impact current County residents. Alternatively, the Owner may build somewhere else, or develop the project at higher rents making the units unaffordable to tenants at 80% AMI. Additionally, due to the appeal of Project based on accessibility to Metro transit, retail, the outdoor kitchen, two courtyards, pool, and other desirable amenities, the property may attract new residents.

Indirect Impact

Adoption of CR-047-2022 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?
 - Is 80% at or below Area Median Income (AMI) sufficient to protect affordable housing in the County, given that Prince George’s County already has the lowest median household income in the region?
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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.