

PRINCE GEORGE'S COUNTY COUNCIL

COMMITTEE REPORT

2023 Legislative Session

Reference No.: CR-105-2023

Draft No.: 1

Committee: Government Operations and Fiscal Policy (GOFP)

Date: November 2, 2023

Action: FAV

REPORT: Committee Vote: Favorable 3-0 (In favor Council Members Burroughs, Oriadha, and Ivey)

Absent: Council Members Fisher and Harrison

The Government Operations and Fiscal Policy Committee convened on November 2, 2023, to consider CR-105-2023.

The resolution seeks the Council's approval for a Payment in Lieu of Taxes ("PILOT") for Petra's the "Promise" project located at 1502 Southern Avenue in Oxon Hill. The Promise project will consist of 841 residential units of all types, including age-restricted senior units and over 100 affordable units at 65% of the Area Median Income (AMI).

The Policy Analysis and Fiscal Impact Statement indicates that based upon the tax assessment projections supplied by the Administration and using a two percent (2%) annual escalator, the execution of the contemplated PILOT agreements after the adoption of CR-105-2023 will result in an estimated thirty-three million dollars (\$33M) in foregone real property tax revenue between 2027 and 2045 after accounting for the PILOT payments. However, the amount of the PILOT payments will substantially exceed the amount of real property tax revenue realized by the County should the property remain undeveloped. From a fiscal perspective, "foregone revenue" should more accurately be considered as the County's acceptance of a smaller return to ensure the project is completed.

Further, should CR-105-2023 not be adopted, the developer may not be able to complete the project on the projected timeline or at all. Given the modest rate of return on this project absent this incentive, such an outcome is likely if the resolution is not adopted.

A motion was made to approve CR-105-2023.

The Government Operations and Fiscal Policy Committee voted CR-105-2023 out favorably, 3-0.

CR-105-2023 Payment in Lieu of Taxes (“PILOT”) was discussed in a subsequent Government Operation and Fiscal Policy Committee on October 26, 2023.

Chris Ahn, Assistant Deputy Chief Administrative Officer, gave the committee an overview of the Promise project. Mr. Ahn indicated that there have been 22 years of unrealized potential for the Southern Avenue Station; despite the green line having the highest job growth rate on that whole rail; more needs to be done there. We see this as transformative in bringing development to the County's southern portion, which has yet to have that type of developer interest or neighborhood amenities other parts of the County have. The developer, between this development and another one, wants to bring over a billion dollars to Districts 7 and 8.

Mr. Ahn elaborated that the interest rates have increased from 3.5% to 5% since the developer first submitted their application in May. As a result, the returns on the project have become quite slim. He questioned why an external investor would choose to invest in a real estate project and get a treasury bond for 5%, given the rising cost of borrowing for the project. He further stated that we must get a quicker timeline to move this project forward.

The Administration representative indicated that a PowerPoint presentation had been provided, and Council Members Burroughs and Oriadha had received personal briefings. Council Member Oriadha had questions specific to the cost of the public safety and school surcharge waivers that were addressed.

Josh Hamlin, Director of the Budget & Policy Analysis Division, requested more details beyond the PowerPoint presentation to conduct a thorough evaluation. He emphasized the need for specifics to understand the economic aspects, especially for a phased project with multiple requests. He received the economic analysis on the morning of the meeting and expected to provide a report for the following Government Operations and Fiscal Policy Committee meeting.

Mr. Ahn indicated that HR&A was engaged to perform a comprehensive assessment on behalf of the County, providing two layers of analysis.

Chair Burroughs concluded the meeting with the agreement that the committee would reconvene to consider CR-105-2023 and the companion pieces once the Council's Budget and Policy Division has conducted its financial review.