

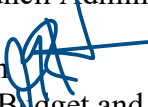



October 4, 2024

**FISCAL AND POLICY NOTE**

TO: Jennifer A. Jenkins  
Council Administrator

Colette R. Gresham, Esq.  
Deputy Council Administrator

THRU: Josh Hamlin   
Director of Budget and Policy Analysis

FROM: Roger G. Banegas   
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement  
CR-077-2024 PILOT The Highlands Senior Apartments

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**CR-077-2024** (*Proposed by:* The Chair of the Council at the request of the County Executive)

*Introduced by Council Members Ivey, Blegay, Watson, and Dernoga*

Assigned to the Committee of the Whole

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A RESOLUTION CONCERNING PAYMENTS IN LIEU OF TAXES (“PILOT”) AGREEMENT FOR THE HIGHLANDS SENIOR APARTMENTS 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 Highland Senior Living, LLLP (the “Owner”).

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**Fiscal Summary**

**Direct Impact**

*Expenditures:* No expenditure impact.

*Revenue:* \$4,965,043 in tax revenue to be forgone over a 40-year period.

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## Indirect Impact

Potentially favorable.

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## Legislative Summary:

CR-077-2024<sup>1</sup>, proposed by the Council Chair at the request of the County Executive, was introduced on September 10, 2024, by Council Members Ivey, Blegay, Watson, and Dernoga, and referred to the Committee of the Whole. CR-077-2024 approves the terms and conditions of a Payments in Lieu of Taxes (“PILOT”) Agreement between Prince George’s County, Maryland (the “County”) and Highland Senior Living, LLLP (the “Owner”) for The Highlands Senior Apartments (the “Project”).

### Project Information

<b>Developer:</b>	Community Housing Initiative, Inc.
<b>Owner:</b>	Highland Senior Living, LLLP
<b>Description:</b>	A one hundred thirty-seven (137) unit senior rental apartment community will be constructed in a one-elevator building with four stories on an 8.25-acre site in Landover, Maryland. All units will be affordable, and rents will be restricted for forty (40) years.
<b>Duration:</b>	At least 40 years

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## Current Law/Background

Section 7-506.3 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,
  - ✓ provides interest subsidy, rent subsidy, or rent supplements, or

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<sup>1</sup> [CR-077-2024](#)

- ✓ is acquired under the Right of First Refusal program under Subtitle 13, Division 14 of the County Code.
  - 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.
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#### **Resource Personnel:**

- Aspasia Xypolia, Director, Department of Housing and Community Development, DHCD
  - Adedamola George Esq., Chief Compliance and Program Manager, DHCD
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#### **Discussion/Policy Analysis**

The Highlands Senior Apartments (the “Project”) is located at 6801 Sheriff Rd, Landover, Maryland 20785, and is a 137-unit rental apartment community. Under the proposed agreement, for at least a 40-year term, Highland Senior Living, LLLP, and Community Housing Initiative, Inc. (the “Developer”) will construct a building that is four (4) stories in the front and five (5) stories in the rear with elevator service for senior residents whose incomes are at or below 60% of the Area Median Income (“AMI”). Five percent (5%) of the units will be ADA accessible, and two percent (2%) will be adaptable for residents with audio, visual, or hearing needs.

The Project is expected to cost \$41,349,323. Financing includes tax-exempt Bond financing in the amount of \$20,900,000, equity from the sale of Low-Income Housing Tax Credits in the amount of \$12,780,000, State of Maryland Rental Housing Works loan in the amount of \$3,500,000, and a deferred developer fee in the amount of \$1,669,323. Additionally, The Highlands Senior Apartments project will be financed by the Prince George’s County Housing Investment Trust Fund (“HITF”) Program loan in the amount of \$2,500,000.

The project will receive approximately \$7,465,043, or 18.05% of its total funding, from the County, as demonstrated below. The terms of the PILOT agreement include 100% tax waivers of 137 units for the next 40 years, with a 2% annual escalation per unit over that period.

<b>Total aid received from the County:</b>	
PILOT Agreement:	\$ 4,965,043
HITF	\$ 2,500,000
<b>County Subsidy as a percentage of Total Cost:</b>	<b>18.05%</b>

According to staff in the Department of Housing and Community Development, the Project’s annual real property assessed value is approximately \$25,902,969, and the County real property tax that will be due on the Project is an estimated \$259,030 (\$1,891/unit) in the first year. The PILOT reduces the aggregate tax burden on the entire 137-unit Project of 31.73% of that amount, or approximately \$176,830, equivalent to a \$1,291 per unit tax burden on the 137 affordable units. Under the agreement, the County would forgo real property tax revenue of approximately \$82,200, or approximately \$600 per affordable unit, in year one<sup>2</sup>.

Increasing the availability of affordable housing through the construction of new housing and the rehabilitation of existing housing is a stated objective of the Council and a key component of the Comprehensive Housing Strategy<sup>3</sup>.

The Median Household income for the Washington-Arlington-Alexandria-DC-VA-MD-WV Metro Area region is \$117,432, and the average household size is 2.6.<sup>4</sup> The median household income in Prince George’s County is \$94,441, and the average household size is 2.7<sup>5</sup>. Based on the Washington-Arlington-Alexandria-DC-VA-MD-WV Metro Area regional guidelines, this project includes 175 affordable housing units at 60% or less than AMI.

When considering the AMI of the general DMV region, 60% is \$64,980 for a one-person household and \$74,280 for a two-person household.<sup>6</sup>

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<sup>2</sup> Tax Analysis, provided by DHCD

<sup>3</sup> [Comprehensive Housing Strategy Report](#)

<sup>4</sup> [Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area - Profile data - Census Reporter](#)

<sup>5</sup> [Prince George's County, MD - Profile data - Census Reporter](#)

<sup>6</sup> [FY 2024 Income Limits Documentation System -- Summary for Washington-Arlington-Alexandria, DC-VA-MD HUD Metro FMR Area \(huduser.gov\)](#)

2024 Adjusted Home Income Limits								
Program	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
<b>30% Limits</b>	32,490	37,140	41,790	46,410	50,130	53,850	57,550	61,250
<b>50% Limits</b>	54,150	61,900	69,650	77,350	83,550	89,750	95,950	102,150
<b>60% Limits</b>	64,980	74,280	83,850	92,820	100,260	107,100	115,140	122,580
<b>80% Limits</b>	86,640	99,040	111,440	123,760	133,680	143,600	153,520	163,440

Washington-Arlington-Alexandria-DC-VA-MD-WV Metro Area Adjusted Home Income Limits

**Fiscal Impact:**

- *Direct Impact*

Adoption of CR-077-2024 will have an adverse fiscal impact in the form of forgone tax revenue. As described above, accepting the PILOT on the entire Project will result in a loss of approximately \$82,200 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 \$4,965,043, forgoing 31.73% of the tax revenue cumulatively over the 40-year period that the PILOT agreement remains in effect.

- *Indirect Impact*

Adoption of CR-077-2024 aligns with County Plan 2035<sup>7</sup> goals and will focus on the initial goals set in place by the FY 2021-2025 Consolidated Plan to prioritize affordable housing, economic development, rental assistance, and homeowner’s assistance.

- *Appropriated in the Current Fiscal Year*

N/A

**Questions for Committee Consideration:**

1. How much is the rent for the 5 units at 50% AMI rent levels?
2. How much is the rent for the 132 units at 60% AMI rent levels?

**Effective Date of Proposed Legislation:**

The proposed Resolution shall be effective upon its adoption.

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

<sup>7</sup> [Plan 2035](#)