




June 1, 2023

**FISCAL AND POLICY NOTE**

TO: Jennifer A. Jenkins  
Council Administrator

William M. Hunt  
Deputy Council Administrator

THRU: Josh Hamlin   
Director of Budget and Policy Analysis

FROM: Malcolm Moody - *MM*  
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement  
CR-034-2023, Payment in Lieu of Taxes ("PILOT") – Agreement for the Addison  
Park Apartments

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**CR-034-2023** (*Proposed by:* The Chair of the Council at the request of the County Executive)

Assigned to the Committee of the Whole

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A RESOLUTION CONCERNING PAYMENTS IN LIEU OF TAXES ("PILOT") AGREEMENT for the Addison Park Apartments 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 Addison Park, L.P. (the "Owner").

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**Fiscal Summary**

**Direct Impact:**

*Expenditures:* No additional expenditures.

*Revenues:* Forgone tax revenues totaling approximately \$17,694,603 over a 40-year period.

**Indirect Impact:**

Potentially favorable.

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**Legislative Summary:**

CR-034-2023, proposed by the Chair at the request of the County Executive, was introduced on May 9, 2023, and referred to the Committee of the Whole (COW). CR-034-2023 would approve the terms and conditions of a Payments in Lieu of Taxes (“PILOT”) Agreement between Prince George’s County, Maryland (the “County”) and Addison Park, L.P. (“Owner”) for the Addison Park project (“Project”).

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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
  - ✓ 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.

CR-096-2022<sup>1</sup> was introduced on September 6, 2022, and considered by the Council, which dealt with a previous Payment in Lieu of Taxes (“PILOT”) Agreement between Prince George’s County, Maryland (the “County”) and Addison Park, L.P. (the “Owner”). The Resolution was later withdrawn after Office of the County Executive was informed by the Maryland Community Development Administration (“MD CDA”) that the Addison Park Project did not secure the State funding needed. The Resolution was put on hold until the development team would be able to secure all the appropriate public and private funding.

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#### **Resource Personnel:**

- Aspasia Xypolia, Director, Department of Housing and Community Development (DHCD)
  - Adedamola George, Senior Compliance Manager, DHCD
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#### **Discussion/Policy Analysis:**

The Addison Park Project (“Project”) is located at 216 Yolanda Avenue, Capitol Heights, Maryland,<sup>2</sup> and is a 293-unit transit-oriented senior affordable housing development. Under the proposed Agreement, for the 40-year term, Addison Park, L.P. (“Owner”) will reserve all units for seniors, ages 62 and older, whose incomes are at or below 60% of the Area Median Income (“AMI”).<sup>3</sup> The unit mix will consist of a mix of one- and two-bedroom units. CR-034-2023 would authorize the County to accept a payment in lieu of taxes equal to a \$106 payment per affordable unit in year one, which will escalate by two percent (2%) per year during the term of the PILOT agreement. The project is being proposed by Atlantic Pacific Communities (“APC”) and Cober Johnson Romney (“CJR”) (together, the “Development Team”) to construct or rehabilitate the Project to provide housing to Eligible Households as described in the details of the PILOT.

The Project is expected to cost \$83,301,738. Financing includes Tax-Exempt Bonds totaling approximately \$42,598,814; approximately \$3,500,000 in loans by the Community Development Administration (“CDA”)<sup>4</sup>; approximately \$29,111,337 from an investor member in connection with Low-Income Housing Tax Credits (“LIHTC”) awarded by CDA; approximately \$5,091,587 from the developer equity; and approximately \$3,000,000 from the County’s Housing Investment Trust Fund (“HITF”) Program loan.<sup>5</sup> The 40-year value of the County PILOT is approximately \$32,400,538.

According to staff in the Department of Housing and Community Development, the Project’s annual real property assessed value is approximately \$32,400,538, and the County real property

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<sup>1</sup> [CR-096-2022](#)

<sup>2</sup> The Project is located 0.25 miles from the Seat Pleasant - Addison Road Metro Station along the Blue Line, locating it within the Blue Line Transit Corridor.

<sup>3</sup> [Department of Housing and Urban Development - FY 2023 Income Limits Documentation System](#)

<sup>4</sup> [Community Development Administration - Maryland](#)

<sup>5</sup> The HITF loan is before the Council for approval via [CR-035-2023](#).

tax that will be due on the Project is an estimated \$324,005.38 (\$1,105.82/unit) in the first year. The PILOT reduces the aggregate tax burden on the entire 293-unit Project to roughly ten percent (10%) of that amount, or approximately \$31,058; this is equivalent to \$106 per unit tax burden. Under the agreement, the County would be forgoing real property tax revenue of approximately \$292,947, or approximately \$1,000 per affordable unit, in year one.

Increasing the availability of affordable housing, both through 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>6</sup>. This Resolution will also help elderly residents in the County to age-in-place and remain a part of their communities.

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### **Fiscal Impact:**

#### *Direct Impact*

Adoption of CR-034-2023 will have an adverse fiscal impact in the form of forgone tax revenue. As described above, accepting the PILOT on the entire Project of \$31,058 will result in a loss of approximately \$292,947 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 \$17,694,603 in foregone tax revenue over the 40-year period that the PILOT agreement remains in effect.

However, should CR-034-2023 not be adopted the Owner may charge rents unaffordable to tenants at 60% AMI. Additionally, due to the appeal of fixed rent, the property may attract new residents.

#### *Indirect Impact*

Adoption of CR-034-2023 may have a favorable indirect fiscal impact on the County to the extent that new residents generate additional economic activity, though the exact impact is unknown.

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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)?

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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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<sup>6</sup> [Draft Comprehensive Housing Strategy Report](#)

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