THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

November 5, 2019

M E M O R A N D U M

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: David H. Van Dyke DHV
County Auditor

FROM: Inez N. Claggett INC
Senior Legislative Auditor

RE: Fiscal Impact Statement
CR-092-2019 PILOT Agreement for Carillon Project

Legislative Summary

CR-092-2019 sponsored by Councilmember Turner, by the request of the County Executive, was presented on October 22, 2019. The Resolution seeks to provide approval of the terms and conditions of a negotiated Payment in Lieu of Taxes (PILOT) Agreement between Prince George's County and RPAI Capital Centre II, LLC for the Carillon Project.

Background

Pursuant to Law, the State may grant authority to a local government to exempt the assessment of County property taxes upon real property under any of the following conditions: (1) the property is located in a designated focus area; (2) the owner of the real property agrees to maintain the real property as rental housing for lower income persons; (3) the project is an economic development project; (4) the property is an electricity generation facility; and (5) the owner enters into an agreement with the governing body of the County to pay a negotiated amount in lieu of the applicable County property tax.

Section 7-516 of the Tax-Property Article of the Annotated Code of Maryland provides authority to the governing body of Prince George's County to exempt, or partially exempt, by Resolution, an economic development project from the County real property tax under certain conditions.

Resource Personnel

Adewale Dada, Office of the County Executive
Raymond Gilley, Deputy Chief Administrative Officer for Economic Development

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Assumptions and Methodology

RPAI Capital Centre II, LLC, an affiliate of Retail Properties of America, Inc. (the "Developer"), has negotiated a Payment in Lieu of Taxes Agreement with the County for their proposed development located at 801 Capital Centre Blvd, Tax ID 13-3438892, consisting of 38.7 acres of real property, also known as Carillon (the "Project"). The Project will be developed in phases and is discussed in terms of Blocks. Parcels 2 through 5 of the Project are Blocks 1 through 3, and Parcels 1, and 6 through 14 are Blocks 4 through 9. Carillon is anticipated to be a mixed-used development that will include offices, residences, multifamily, retail, and structured parking facilities. Projections for the Project indicate a $974 million capital investment which is anticipated to result in 1,493 multi-family residences, 183 condominium units, 300 hotel rooms, 5,400 parking spots, 248,500 square feet of retail space, 719,000 square feet of office space, and 2,633 permanent jobs, according to information obtained from the Office of the County Executive.

Terms of the PILOT Agreement with the Developer requires, for a fifteen (15) year term, payment of 100% of the real property taxes on the development, with a subsequent refund by the County of up to 75% of the incremental County real property taxes to the Developer, subject to certain terms and conditions as fully described within the PILOT Agreement (Exhibit C to the Resolution).

The Developer has agreed to commit to a Minority Business Enterprise (MBE) Plan for the Project to assist in ensuring that County-Based Businesses (CBBs), County-Based Small Businesses (CBSBs), Minority Business Enterprises (MBEs), and County-Based Minority Business Enterprises (CMBEs) are given an opportunity to participate in business opportunities created by Carillon. The MBE Plan goal is thirty-five (35%) participation for the Project, with a minimum twenty-five (25%) participation requirement for total building costs, site work costs, and related construction services. A minimum of twenty percent (20%) of the total building costs, site work costs, and related construction services must be allocated to CMBEs.

Should the PILOT agreement be adopted, the financial analysis of the Project provided by the Office of the County Executive estimates the County will receive approximately $24M in property taxes, and will forgo approximately $72M, over the next 15 years. We have not been provided, nor reviewed, the required targets and assumptions used by the Developer as a basis in the financial analysis provided to us, and therefore are not able to assess the reasonableness of these estimates.

Fiscal Impact

- Direct Impact

  Adoption of CR-092-2019 will result in adverse fiscal impact to the County of approximately $72M in forgone property tax revenue over the next 15 years. However, the County will receive $24M in property taxes as a result of the Project. Should the PILOT agreement not be approved by the County the Developer may decide not to proceed with the Project as intended which may negatively impact the estimated assessed values of the properties encompassing the Project.

- Indirect Impact

  Adoption of CR-092-2019 may assist in the expansion of the County's commercial tax base which may lead to an increase in indirect economic benefits realized by the County. A positive indirect fiscal impact may be realized by the County related to any positive economic changes and business capacity increases incurred by CBBs, CBSBs, MBEs, and CMBEs, as a result of the MBE Plan. The proposed Resolution may also have a minimal effect on the workload of staff within the Office of Finance who track the annual payments and ensure compliance with the PILOT provisions.

- Estimated Impact Beyond the Current Fiscal Year

Year	Fiscal Impact
2021	$ 168,264
2022	$ 1,106,588
2023	$ 1,216,205
2024	$ 2,166,398
2025	$ 2,986,017
2026 - 2035	$64,616,259
Total	**$72,259,732**

Appropriated in the Current Fiscal Year Budget

Not applicable.

Effective Date

Date of execution of the PILOT agreement.

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