



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

March 4, 2016

MEMORANDUM

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*
Legislative Auditor

RE: Fiscal Impact Statement
CR-010-2016 PILOT Agreement for Arnold Gardens

Pursuant to your request, we have reviewed CR-010-2016 to estimate its fiscal impact on Prince George's County, Maryland.

CR-010-2016 approves the terms and conditions of a Negotiated Payments in Lieu of Taxes (PILOT) Agreement (the "Agreement") by and between 2521 Ventures Investors, LLC (Owner) and the County.

The Owner proposes to acquire the existing apartment complex located at 2521 Ewing Avenue, Suitland, Maryland (the "Property" or "Project.") Subsequent to the acquisition, Gragg Cardona Partners, LLC (the "Developer") proposes to rehabilitate the property, which includes sixty-eight (68) apartment rental units and related facilities for low to moderate income persons. The rehabilitated unit mix will consist of thirty-four (34) one bedroom, one bathroom units, twenty-seven (27) two bedroom, one bathroom units, and seven (7) three bedrooms, one bathroom units. Fifty-Five (55) of the total units within the Project are currently operating under a Housing Assistance Payments (HAP) Contract which will be extended for an additional twenty (20) years by the U.S. Department of Housing and Urban Development (HUD), according to information provided within the proposed legislation. The remaining thirteen (13) units will be restricted for rent to income qualified families under the Low Income Housing Tax Credit (LIHTC) Program. Attachments A-1 to A-3 to the Resolution provide a description of the Project along with the anticipated financing estimate. Attachment B to the Resolution provides the terms of the proposed forty (40) year PILOT Agreement.

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Analysis prepared by the staff of the Department of Housing and Community Development (DHCD) indicates the **current** assessed value of the Property is \$3,191,400 and estimated County real property taxes are \$30,637. Should this amount increase 1% annually over the next twenty (20) years, the County would receive an estimated \$674,606 (see letter D on Attachment A) in revenue. Under the proposed agreement, anticipated PILOT payments to be received by the County over the next twenty (20) years (*the time under which Project income projections were available**) are \$445,370 (see letter B on Attachment A). It should be noted that under the proposed forty (40) year PILOT agreement terms the County will receive less annual County real property tax from this Project, than what is currently estimated to be received, should the Project not be purchased and renovated.

If adopted, the proposed Agreement shall become effective on the date of execution, under which all Prince George's County real property taxes will be deferred for the following forty (40) years. In lieu, the Owner agrees to pay the County \$145.00 per unit, totaling \$9,860, annually on September 30th until the end of the first full tax year following substantial completion of the Project. Substantial completion in this case is defined as the date upon which the Architect issues a Certificate of Substantial Completion. Beginning the first full tax year from substantial completion, and continuing until the termination date, as defined in the proposed legislation, the Owner agrees to pay the County 15% of the Project's prior year Surplus Cash annually on September 30th, as determined from the audited annual property income statement. All other agency taxes assessed on an annual basis are due and payable in full as assessed. Under the PILOT agreement, over a twenty (20) year period, DHCD estimates the County will receive \$445,370 (see letter B on Attachment A), as stated above.

Upon substantial completion of the Project, DHCD estimates the Project's assessed value will increase to \$5,055,900 and County real property taxes will be approximately \$52,238. Given this scenario and factoring in an annual 1% increase, the County would receive real property tax revenue equating to approximately \$1,117,765 (see letter A on Attachment A) over a twenty (20) year period, if the PILOT agreement is not agreed upon.

Adoption of CR-010-2016 will have a negative fiscal impact on the County of approximately \$672,395 (see letter C on Attachment A) in forgone County real property taxes over the next twenty (20) years. This is the difference between the 20 year sum of the estimated County real property taxes on the developed Project and the 20 year sum of the estimated PILOT payments. Should the PILOT Agreement not be adopted, the Owner may decide not to acquire and rehabilitate the Property and the County would forgo potential economic development that may occur in the area as a result of the rehabilitation and development of this Project.

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

* The proposed PILOT agreement term is 40 years. Project income projections were provided by the Developer for a 20 year term. Analysis has been conducted on the information provided and the results should be doubled to determine the anticipated 40 year impact.

CR-10-2016 Payment in Lieu of Taxes Agreement for Arnold Gardens

Current Project Assessment Value = \$3,191,400
 Current estimated County Real Property Tax = \$30,637

Project's Re-Assessed Value (after purchase and renovation as proposed in CR-10-2016) = \$5,0556,900
 Project's estimated County Real Property Tax (after purchase and renovation as proposed in CR-10-2016) = \$52,238

Provided by Department of Housing and Community Development			
Estimated Impact	Tax Year	Estimated County real property tax with an annual 1% increase after year completion of improvements in Year 2	Deferred Amount
	1	30,637.44	20,777.44
	2	52,238.36	39,280.36
	3	52,760.75	38,709.75
	4	53,288.35	38,140.35
	5	53,821.24	37,571.24
	6	54,359.45	37,004.45
	7	54,903.04	36,440.04
	8	55,452.07	35,878.07
	9	56,006.59	35,319.59
	10	56,566.66	34,764.66
	11	57,132.33	34,214.33
	12	57,703.65	33,669.65
	13	58,280.69	33,130.69
	14	58,863.49	32,598.49
	15	59,452.13	32,074.13
	16	60,046.65	31,557.65
	17	60,647.12	31,050.12
	18	61,253.59	30,553.59
	19	61,866.12	30,067.12
	20	62,484.78	29,592.78
Totals		1,117,764.50	672,394.50

Provided by A&I
CURRENT - Estimated County real property taxes based upon current assessment with an annual 1% increase
30,637.44
30,943.81
31,253.25
31,565.79
31,881.44
32,200.26
32,522.26
32,847.48
33,175.96
33,507.72
33,842.79
34,181.22
34,523.03
34,868.26
35,216.95
35,569.12
35,924.81
36,284.06
36,646.90
37,013.37
674,605.91

D

C

B

A