



THE PRINCE GEORGE'S COUNTY GOVERNMENT
Office of Audits and Investigations

June 29, 2017

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*
Senior Legislative Auditor

RE: Fiscal Impact Statement
CR-049-2017 Payments in Lieu of Taxes Agreement (PILOT) for Parkview Manor

Pursuant to your request, we have reviewed CR-049-2017 to estimate its fiscal impact on Prince George's County, Maryland.

CR-049-2017 approves the terms and conditions of a Payments in Lieu of Taxes (PILOT) Agreement (the "Agreement") by and between MHP Parkview Manor, LLC (Owner) and the County.

The Owner proposes to acquire Parkview Manor, a rental housing project located at 5034 38th Avenue, Hyattsville, Maryland (the "Property" or "Project"), to rehabilitate and subsequently operate a rental housing project comprised of fifty-three (53) apartment units, along with common areas. The Project will consist of twenty-four (24) one-bedroom, one bathroom units, and twenty-nine (29) two-bedroom, one bathroom units. Proposed rent for the units within the Project are anticipated to be offered between \$486 and \$1,040 per month. 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.

According to staff in the Department of Housing and Community Development, the Project's annual real property assessed value is approximately \$2,237,600, and the County real property tax due on the Project is an estimated \$19,333. Factoring in an annual 2% increase, the County would receive real property taxes equating to approximately \$1,167,740 (see Attachment 1) over a 40 year period.

If adopted, the proposed PILOT agreement shall become effective on the date of execution of the PILOT agreement, and the obligation to pay negotiated payments in lieu of taxes shall commence beginning the first full tax year from the date of substantial completion of the Project, as defined within the Agreement. The Agreement shall remain effective until the termination date, as defined within the Agreement. Under the Agreement, the Owner agrees to pay an annual PILOT payment of \$150 per unit, or \$7,950 per year, which shall increase by 2% each year. All other agency taxes are to be paid in full, each year. Over a 40 year period, the estimated PILOT payment totals \$480,196 (see Attachment 1). Upon refinance, sale, transfer, or conveyance of the Property, the exemption from payment of real property taxes shall expire and all deferred real property taxes (the accumulation of the annual assessed real property tax less the total amount paid as minimum annual payments) shall be due.

Adoption of CR-049-2017 will result in a negative fiscal impact to the County. Assuming the real property assessment after rehabilitation remains constant, at today's value, the County will forgo approximately \$687,544 (see Attachment 1) in tax revenue over a 40 year period. This amount is the difference between the Project's estimated annual County real property tax and the annual PILOT payment, combined over a 40 year period. *An estimate of the Property's assessed value after rehabilitation was not provided, therefore, the forgone value of County real property taxes after rehabilitation compared to the estimated value of the 40 year PILOT payments, could not be determined.* However, should the PILOT agreement not be approved, the Owner may decide not to continue with rehabilitation of the Property, and the County would forgo any indirect economic benefits derived as a result of the improvements made to the Property, and that which may occur within the surrounding community.

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

**PARKVIEW MANOR
PILOT CALCULATIONS
2% ESCALATING FACTOR**

Year	County Tax Burden per Affordable Unit (avg)	County Tax Burden for all Affordable Units	County PILOT per affordable unit	County PILOT for all Affordable Units	Annual Value of Deferred Tax	Cumulative Value of Deferred Tax
1	364.77	19,333	150.00	7,950	(11,383)	(11,383)
2	372.07	19,719	153.00	8,109	(11,610)	(22,993)
3	379.51	20,114	156.06	8,271	(11,843)	(34,836)
4	387.10	20,516	159.18	8,437	(12,080)	(46,915)
5	394.84	20,926	162.36	8,605	(12,321)	(59,237)
6	402.74	21,345	165.61	8,777	(12,568)	(71,804)
7	410.79	21,772	168.92	8,953	(12,819)	(84,623)
8	419.01	22,207	172.30	9,132	(13,075)	(97,698)
9	427.39	22,651	175.75	9,315	(13,337)	(111,035)
10	435.93	23,104	179.26	9,501	(13,604)	(124,639)
11	444.65	23,567	182.85	9,691	(13,876)	(138,514)
12	453.55	24,038	186.51	9,885	(14,153)	(152,667)
13	462.62	24,519	190.24	10,083	(14,436)	(167,103)
14	471.87	25,009	194.04	10,284	(14,725)	(181,828)
15	481.31	25,509	197.92	10,490	(15,019)	(196,848)
16	490.93	26,019	201.88	10,700	(15,320)	(212,167)
17	500.75	26,540	205.92	10,914	(15,626)	(227,794)
18	510.77	27,071	210.04	11,132	(15,939)	(243,732)
19	520.98	27,612	214.24	11,355	(16,257)	(259,990)
20	531.40	28,164	218.52	11,582	(16,583)	(276,572)
21	542.03	28,728	222.89	11,813	(16,914)	(293,487)
22	552.87	29,302	227.35	12,050	(17,253)	(310,739)
23	563.93	29,888	231.90	12,291	(17,598)	(328,337)
24	575.21	30,486	236.53	12,536	(17,950)	(346,286)
25	586.71	31,096	241.27	12,787	(18,309)	(364,595)
26	598.44	31,718	246.09	13,043	(18,675)	(383,270)
27	610.41	32,352	251.01	13,304	(19,048)	(402,318)
28	622.62	32,999	256.03	13,570	(19,429)	(421,747)
29	635.07	33,659	261.15	13,841	(19,818)	(441,565)
30	647.77	34,332	266.38	14,118	(20,214)	(461,779)
31	660.73	35,019	271.70	14,400	(20,618)	(482,397)
32	673.94	35,719	277.14	14,688	(21,031)	(503,428)
33	687.42	36,433	282.68	14,982	(21,451)	(524,879)
34	701.17	37,162	288.33	15,282	(21,880)	(546,760)
35	715.20	37,905	294.10	15,587	(22,318)	(569,078)
36	729.50	38,663	299.98	15,899	(22,764)	(591,842)
37	744.09	39,437	305.98	16,217	(23,220)	(615,062)
38	758.97	40,225	312.10	16,541	(23,684)	(638,746)
39	774.15	41,030	318.34	16,872	(24,158)	(662,903)
40	789.63	41,851	324.71	17,210	(24,641)	(687,544)
TOTAL		1,167,740		480,196		(687,544)