



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

October 17, 2022

FISCAL AND POLICY NOTE

TO: Robert J. Williams, Jr.
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-093-2022, Payment in Lieu of Taxes ("PILOT") – Agreement for the Haven
Largo Project

CR-093-2022 (*Proposed by:* The Chair of the Council at the request of the County Executive;
Introduced by: Council Members Hawkins, Taveras, Glaros, Franklin, Turner and Medlock)

Assigned to the Committee of the Whole (COW)

A RESOLUTION CONCERNING PAYMENTS IN LIEU OF TAXES ("PILOT") AGREEMENT for Villas at Langley 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 8100 15th Ave Owner, LLC (the "Owner").

Fiscal Summary

Direct Impact:

Expenditures: No additional expenditures

Revenues: Foregone tax revenues totaling approximately \$6,396,721 over a 10-year period.

Indirect Impact:

Potentially positive.

Legislative Summary:

CR-093-2022, proposed by the Chair at the request of the County Executive and sponsored by Council Chair Hawkins, Vice Chair Harrison, and Council Members Taveras, Glaros, Franklin, Turner and Medlock, was introduced on April 26, 2022, and referred to the Committee of the Whole (COW). CR-093-2022 would approve the terms and conditions of a Payment in Lieu of Taxes (“PILOT”) Agreement between Prince George’s County, Maryland (the “County”) and 8100 15th Ave Owner, LLC (“Owner”) for the Villas at Langley project (“Project”).

Current Law/Background:

Section 7-506.1 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, or
 - ✓ provides interest subsidy, rent subsidy, or rent supplements.
 - 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
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Discussion/Policy Analysis:

The Villas at Langley Project (“Project”)¹ is located at 8100 15th Avenue, Hyattsville, Maryland, and is a five hundred ninety (590) unit garden style apartment complex being proposed to be renovated. Under the proposed agreement, for the ten (10) year term, 8100 15th Ave Owner, LLC (“Owner”) will reserve four hundred and forty-three (443) units for residents whose incomes are at or below sixty percent (60%) of the Area Median Income (“AMI”)². The remaining one hundred forty-seven (147) units will be rented at market rate. The unit mix will consist of one hundred sixty-four (164) one-bedroom units, three hundred thirty (330) two-bedroom units, and ninety-six (96) three-bedroom units. CR-093-2022 would authorize the County to accept a payment in lieu of taxes equal to approximately twenty five percent (25%)³ of the amount that would otherwise be payable on the entire Project, equivalent to a zero-dollar (\$0) payment per affordable unit during the term of the PILOT agreement.

The Project is expected to cost one hundred eight million, four hundred eighty-four thousand, two hundred twenty-four dollars (\$108,484,224), including acquisition, infrastructure development and rehabilitation. Financing includes a private mortgage loan totaling approximately sixty-eight million (\$68,000,000); approximately thirty million, eighty-seven thousand, five-hundred and three dollars (\$32,087,503) from an equity investor; and approximately two million dollars (\$2,000,000) from the County Housing Investment Trust Fund (“HITF”) Loan. The 10-year value of the County PILOT is approximately six million, three hundred ninety-six, seven hundred twenty-one dollars (\$6,396,721).

The Villas at Langley project was acquired in April 2020 by 8100 15th Ave Owner, LLC and an investor entity lead by Jair Lynch Real Estate Partners for eighty seven million five hundred thousand dollars (\$87,500,000) in order to construct or rehabilitate the Project to provide housing to Eligible Households as described in the details of the PILOT, and is subject to rent restrictions on seventy-five percent (75%) of the units or four hundred and forty three (443) units for up to ten (10) years, the remaining twenty-five percent (25%) of units are priced at levels at the market rate. The Developer intends to make improvements that were recommended in a property condition report by a third party. Some improvements planned are replacing the obsolete, centrally controlled and powered HVAC system with systems that are unit-based and unit-controlled. There will also be repairs to the exterior of the building; installment of vinyl flooring and upgrading kitchens once units are turned over between tenants; and improvements to landscaping and amenities to make the community more attractive for residents. The PILOT will remain in effect for ten (10) years.

¹ [The Villas at Langley](#)

² [2022 Maryland Income and Rent Limits \(Pg. 6\)](#), 60% limit would equate to \$76,842 income limit for a three-person household and a max gross rent of \$1,921

³ [Project Facts & Terms \(Pg. 2\)](#) state that annual payment is 24.92% of the tax assessment annually due per the phased-in tax assessed value as determined by the Maryland State Department of Assessments and Taxation.

According to staff in the Department of Housing and Community Development, the Project's annual real property assessed value is approximately \$77,804,133, and the County real property tax that will be due on the Project is an estimated \$778,041 (\$1,319/unit) in the first year. The PILOT reduces the aggregate tax burden on the entire five hundred ninety (590) unit Project to twenty-five (25%) of that amount, or \$193,851; this is equivalent to a zero dollar (\$0) per unit tax burden on the four hundred forty-three (443) affordable units. Under the agreement, the County would be forgoing real property tax revenue of approximately \$584,190, or \$1,319 per affordable unit, in year one.

Together with the conjoining Housing Investment Trust Fund (HITF) loan (CR-094-2022) of \$2,000,000, the project will receive County support amounting to approximately \$8,396,721, or 7.76%, of the project's total funding.

Total aid received from the County:	
PILOT Agreement:	\$ 6,396,721
HITF Loan:	\$ 2,000,000
TOTAL Received:	\$ 8,396,721
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Total Estimated Project Cost:	\$108,184,556
County Share of Total Cost:	7.76%

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 Strategy⁴. According to the Project Information Sheet (Attachment A-2), "the Project is presently not subject to any rent restrictions however most of its units are priced at levels affordable to households earning sixty percent (60%) of the AMI. Local market rents are projected to increase at greater rates as the Purple Line nears completion and begins service. As such, this project will not increase the availability of affordable housing, per se, but instead will ensure that existing naturally occurring affordable housing remains affordable for the term of the PILOT agreement.

Fiscal Impact:

Direct Impact

Adoption of CR-093-2022 will have an adverse fiscal impact in the form of forgone tax revenue. As described above, accepting the PILOT on the entire Project of \$193,851 will result in a loss of approximately \$584,190 in the first year of the term. Factoring in the 2% estimated average annual

⁴ [Draft Comprehensive Housing Strategy Report](#)

increase in the property tax assessment, the total impact is estimated at \$6,396,721.00 over the 10-year period that the PILOT agreement remains in effect.

However, should CR-093-2022 not be adopted the Owner may not be able to complete the necessary renovations that will negatively impact current County residents. Alternatively, the Owner may raise rents, making the units unaffordable to tenants at 60% AMI. Additionally, due to the appeal of renovation and fixed rent, the property may attract new residents.

Indirect Impact

Adoption of CR-093-2022 may have a positive indirect fiscal impact upon the County to the extent that new residents generate additional economic activity, though the exact impact is unknown.

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)?
 - Does encouraging this type of development provide a reasonable return, economic or otherwise, to the County for the forgone tax revenue?
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Effective Date of Proposed Legislation:

The proposed Resolution shall become effective as of the date of adoption.

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