



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

November 2, 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*  
Senior Legislative Auditor

RE: Fiscal Impact Statement  
CR-075-2016 Payments in Lieu of Taxes (PILOT) Agreement for The Belnor

Pursuant to your request, we have reviewed CR-075-2016 to estimate its fiscal impact on Prince George's County, Maryland.

CR-075-2016 approves the terms and conditions of a Payments in Lieu of Taxes (PILOT) Agreement (the "Agreement") by and between Belnor Residences, LLC (Owner) and the County.

The Owner proposes to acquire land located at the intersection of Saint Barnabas Road and Belnor Lane in Suitland, Maryland (the "Property" or "Project"), to construct and subsequently operate a rental housing project comprised of one hundred twenty-two (122) apartment units, along with related facilities for low to moderate-income seniors. The Project will consist of ninety-six (96) one bedroom units, and twenty-six (26) two bedroom units. The average proposed rent is \$1,305 per month for the two-bedroom units, and \$970 per month for the one-bedroom units. 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 Office of Finance, Treasury Division, the current annual County tax burden of the Property is approximately \$22,985, which includes the County's supplemental real property tax for education. Factoring in an annual 1% increase, the County would receive real property taxes equating to approximately \$1,123,653 (letter A on Attachment 1) over a 40 year period.

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After completion of the Project the annual County portion of the real property tax burden is estimated to become approximately \$72,788, based upon market value projections provided by staff in the Department of Housing and Community Development. Factoring in an annual 1% increase, the County would receive real property taxes equating to approximately \$3,558,341 (letter C on 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 as of the established completion and issuance of Certificate of Occupancy date. The PILOT agreement shall remain effective until the termination date as defined within the Resolution. Under the agreement, the Owner agrees to pay an annual PILOT payment of \$9,210, per year. Beginning in the year after the first full year from the Substantial Completion Date, the Owner shall make annual payments equal to 8.6253% of the Project's prior year Surplus Cash, as determined from the audited annual property income statement. All other agency taxes are to be paid in full, each year. Over the term of the agreement, estimated PILOT payment totals \$1,344,294 (letter B on Attachment 1). Upon the occurrence of any events listed in Section 5(e) of the PILOT Agreement, all payments then due under the agreement shall be paid to the County within sixty (60) calendar days.

Adoption of CR-75-2016 will result in a negative fiscal impact of \$2,214,047 (letter D on Attachment 1) to the County. 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. However, should the PILOT agreement not be approved, the Owner may decide not to continue with development of the vacant land and the County would forgo \$220,641 (letter E on Attachment 1) over the 40 year period. This is the difference between the estimated value of current County real property tax on the vacant property and the estimated annual PILOT payment, combined over a 40 year period. The County would also forgo any indirect economic benefits derived as a result of the improvements made to the Property, and any that may occur within the surrounding community.

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

**CR-75-2016 PILOT for The Belnor**

Year	RE Taxes with the PILOT	RE Taxes without the PILOT	RE Taxes of vacant property
1	\$ 9,210	\$ 72,788	\$ 22,985
2	10,257	73,516	23,215
3	11,312	74,251	23,447
4	12,373	74,994	23,681
5	13,441	75,743	23,918
6	14,515	76,501	24,157
7	15,596	77,266	24,399
8	16,681	78,039	24,643
9	17,773	78,819	24,889
10	18,869	79,607	25,138
11	19,969	80,403	25,390
12	21,073	81,207	25,644
13	22,181	82,019	25,900
14	23,292	82,840	26,159
15	24,406	83,668	26,421
16	28,424	84,505	26,685
17	30,190	85,350	26,952
18	31,457	86,203	27,221
19	32,724	87,065	27,493
20	33,990	87,936	27,768
21	35,256	88,815	28,046
22	36,519	89,703	28,327
23	37,779	90,600	28,610
24	39,035	91,506	28,896
25	40,286	92,421	29,185
26	41,532	93,346	29,477
27	42,771	94,279	29,771
28	44,001	95,222	30,069
29	45,223	96,174	30,370
30	46,434	97,136	30,674
31	47,634	98,107	30,980
32	48,821	99,088	31,290
33	49,994	100,079	31,603
34	51,150	101,080	31,919
35	52,290	102,091	32,238
36	53,411	103,112	32,561
37	54,512	104,143	32,886
38	55,591	105,184	33,215
39	56,646	106,236	33,547
40	57,676	107,298	33,883
Totals	\$ 1,344,294	\$ 3,558,341	\$ 1,123,653
	<b>B</b>	<b>C</b>	<b>A</b>

Difference between RE  
Taxes with and without the  
PILOT                    \$ (2,214,047)  
**D**

Taxes of vacant property  
and RE Taxes with the  
PILOT                    \$ (220,641)  
**E**