June 1, 2023

FISCAL AND POLICY NOTE

TO: Jennifer A. Jenkins
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin p.p.
Director of Budget and Policy Analysis

FROM: David Williams D. W.
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CR-048-2023 Payment in Lieu of Taxes – Queens Park Plaza

CR-048-2023 (*Proposed and introduced by:* The Chair of the Council at the request of the County Executive)

Assigned to the Government Operations and Fiscal Policy Committee

A RESOLUTION CONCERNING PAYMENTS IN LIEU OF TAXES for the purpose of approving the terms and conditions of an agreement between Prince George's County, Maryland (the "County") and Queens Park Plaza MD LLC.

Fiscal Summary

Direct Impact:

Expenditures: No additional expenditures.

Revenues: Forgone tax revenues totaling approximately $506,303 over a 15-year period.

Indirect Impact:

Potentially favorable.

Legislative Summary:

CR-048-2023, proposed by Council Chair Dernoga at the request of the County Executive and sponsored by Councilmembers Hawkins, Watson, Harrison, Fisher, Olson, Franklin, and Ivey. This Resolution was introduced on May 16, 2023 and assigned to the Government Operations and Fiscal Policy (GOFP) Committee. CR-048-2023 approves the terms and conditions of an agreement between Prince George’s County, Maryland, and Queens Park Plaza MD LLC (the "Owner") for a payment in lieu of taxes or “PILOT” (the “Agreement”). The Owner agrees to acquire and renovate a 94-unit apartment community located at 2500 Queens Chapel Road Hyattsville, MD 20782, pledging to make 57 (61%) of the units rent-restricted for those making 60% or less of the Area Median Income. These units will remain rent-restricted for at least 15 years following project completion. The remaining 37 units will be leased at market rate. The Owner is acquiring the Project subject to the terms of a Written Agreement for a Right of First Refusal (ROFR) Exception with the County’s Department of Housing and Community Development (DHCD).

Current Law/Background:

This resolution is pursuant to §7-506.3[1] of the Tax Property Article of the Annotated Code of Maryland which provides that real property may be exempt from county property tax if it meets the following criteria:

- 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,
  - ✓ provides interest subsidy, rent subsidy, or rent supplements, or
  - ✓ is acquired under the Right of First Refusal program under Subtitle 13, Division 14 of the County Code.
- 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

[1] Maryland Code, Tax Property Article, Section 7-506.3

- ✓ 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 for a term of at least five (5) years.

Resource Personnel:

- Aspasia Xyopolia, Director, DHCD
- Adedamola George, Senior Compliance Manager, DHCD

Discussion/Policy Analysis:

The property that is the subject of this Resolution (the "Project") is located at 2500 Queens Chapel Road Hyattsville, Maryland 20782 and is located within one-half (1/2) mile of the West Hyattsville Metro rail transit station along the Yellow Line, which provides access to Washington, DC to the south, and a connection to the future College Park stop along the Purple Line to the north. The Project will be a 4.39 acre, 94-unit garden-style apartment complex, and will offer 57 of the 94 units at rent-restricted rates for tenants with household incomes that are 60% below the Area Median Income.[2] The remaining 37 units will be leased at market rate. The specific unit mix under the agreement is as follows:

40% or less of the AMI:	5 units
50% or less of the AMI:	19 units
60% or less of the AMI:	33 units
Unrestricted/Market Rate:	37 units

The Agreement will allow the Owner to make payments in lieu of property taxes at a rate of $300 per affordable unit or $11,100 for the affordable unit property tax liability in the first year of the agreement. The remainder of the units will be assessed at their market rate which is listed as $813.63 per market rate unit or $30,104.31 in year one, with an increase of 2% annually on both the PILOT and the property tax liability according to CR-048-2023 Attachment B.[3] The Project's total acquisition cost is projected to be $17,823,091, with financing from the City First Bank and an equity investment by the owner[4]. The term of the project (and the time duration for the rent restriction) is 15 years. When accounting for the effects of the PILOT program the County will be providing annual support of $29,277 to this affordable housing project for the first year of its term.

Fiscal Impact:

[2] Department of Housing and Community Development-2022 Income Limits
[3] CR-048-2023-Attachment B
[4] CR-048-2023-Transmittal

Direct Impact

The adoption of CR-048-2023 will have an adverse financial impact on the County in the form of forgone tax revenue. As described above, accepting the PILOT on the Project of $300 per affordable unit will result in a loss of approximately $29,277 in the first year of the term. Factoring in the 2% estimated average annual increase in the property tax assessment, the total impact is estimated at $506,303 over the 15-year period that the PILOT agreement remains in effect.

However, should CR-048-2023 not be adopted, the Owner may raise rents, making the units unaffordable to tenants at or below 60% of AMI.

Indirect Impact

Adoption of CR-048-2023 may have a favorable indirect fiscal impact. The County may experience increased consumer spending increase due to savings passed down from the County-subsidized affordable housing units. Additionally, the County may experience a reduction in population displacement due to rising housing costs.

Appropriated in the Current Fiscal Year Budget

No.

Effective Date of Proposed Legislation:

The proposed Legislation shall be effective on the date of adoption.

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