

PRINCE GEORGE'S COUNTY COUNCIL

COMMITTEE REPORT

2023 Legislative Session

Reference No.:	CR-034-2023
Draft No.:	1
Committee:	Committee Of the Whole
Date:	06/06/2023
Action:	FAV

REPORT: Favorable 9-0: Council Members Dernoga, Blegay, Burroughs, Fisher, Harrison, Hawkins, Ivey, Oriadha, and Watson. Absent: Franklin and Olson.

The Prince George's County Council convened as the Committee of the Whole on June 6, 2023, to consider CR-034-2023, which is a Resolution concerning Payments In Lieu Of Taxes (PILOT) for Addison Park Apartments for the purpose of approving the terms and conditions of a Payments in Lieu of Taxes ("PILOT") Agreement between Prince George's County, Maryland (the "County") and Addison Park, L.P. (the "Owner").

The Owner is an entity formed by the development team of Atlantic Pacific Communities and Cober Johnson Romney for the purpose of acquiring land and constructing the Project, which will be two hundred ninety-three (293) units of new affordable multi-family rental housing for low-income to moderate-income seniors, ages sixty-two (62) years and older, known as Addison Park, located at 216 Yolanda Avenue, Capitol Heights, Maryland 20743. All units will be reserved for senior households whose incomes are at or below sixty percent (60%) of the Area Median Income ("AMI"). The unit mix will consist of one-bedroom and two-bedroom units.

The Project's total development cost is approximately eighty-three million, three hundred one thousand, seven hundred thirty-eight dollars (\$83,301,738). Financing will consist of a tax-exempt bond loan, subordinate Rental Housing Works funds through the State of Maryland DHCD, equity from the sale of Low-Income Housing Tax Credits and deferred developer fee. The Project will also be financed with a Prince George's County Housing Investment Trust Fund ("HITF") loan in the amount of three million dollars (\$3,000,000).

The PILOT will require the Owner to make a mandatory annual payment to the County in an amount of no less than approximately thirty-one thousand, fifty-eight dollars (\$31,058) or approximately one hundred six dollars (\$106) per unit for the full tax year. Thereafter, the required payment for these affordable units will increase by two percent (2%) for each subsequent tax year. The PILOT agreement will remain in effect for forty (40) years which includes the extended affordability period. Without the

PILOT agreement, the estimated County property tax would be approximately three hundred twenty-four thousand, five dollars (\$324,005) or approximately one thousand, one hundred six dollars (\$1,105.82) per unit.

During the meeting, Harold Johnson, Managing Partner, CJR Development Partners and Gary McPherson, Development Manager, Atlantic Pacific provided a presentation for the Project

Aspasia Xypolia, Director, Department of Housing and Community Development, provided an overview and explained the rationale for AMI.

Sakinda Skinner, Council Liaison, CEX, acknowledged the County Executive's support for the legislation.

The Office of Law finds CR-034-2023 in proper legislative form with no legal impediments to its enactment.

The Policy Analysis Office reports that the adoption of CR-034-2023 Adoption of CR-034-2023 will have an adverse fiscal impact in the form of forgone tax revenue. As described above, accepting the PILOT on the entire Project of \$31,058 will result in a loss of approximately \$292,947 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 \$17,694,603 in foregone tax revenue over the 40-year period that the PILOT agreement remains in effect. However, should CR-034-2023 not be adopted the Owner may charge rents unaffordable to tenants at 60% AMI. Additionally, due to the appeal of fixed rent, the property may attract new residents.

After discussion, the Government Operations and Fiscal Policy Committee reported CR-034-2023 out favorably with amendments, 9-0.