




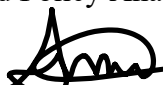
April 22, 2024

**FISCAL AND POLICY NOTE**

TO: Jennifer A. Jenkins  
Council Administrator

Colette R. Gresham, Esq.  
Deputy Council Administrator

THRU: Josh Hamlin   
Director of Budget and Policy Analysis

FROM: Shalene Miller-Whye   
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement  
CR-020-2024, Payment in Lieu of Taxes ("PILOT") – Agreement for the Cassidy Project

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**CR-020-2024** (*Proposed by:* The Chair of the Council at the request of the County Executive)  
(*Sponsored by:* Council Members Ivey, Harrison, Fisher, Hawkins, Watson and Dernoga)

Assigned to the Committee of the Whole

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**A RESOLUTION CONCERNING PAYMENTS IN LIEU OF TAXES ("PILOT") AGREEMENT** The Cassidy 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 KCG SSP Capitol Heights, LP (the "Owner").

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**Fiscal Summary**

**Direct Impact:**

*Expenditures:* No additional expenditures

*Revenues:* Forgone tax revenues totaling approximately \$8,456,278 over a 40-year period.

**Indirect Impact:**

Potentially favorable.

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**Legislative Summary:**

CR-020-2024<sup>1</sup>, proposed by the Chair at the request of the County Executive and sponsored by Council Members Ivey, Harrison, Fisher, Hawksin, Watson and Dernoga was introduced on March 26, 2024, and referred to the Committee of the Whole (COW). CR-020-2024 would approve the terms and conditions of a Payments in Lieu of Taxes (“PILOT”) Agreement between Prince George’s County, Maryland (the “County”) and KCG SSP Capitol Heights, LP (the “Owner”) for the Cassidy (the “Project”).

**Project Information**

**Developer:** KCG Development, LLC and Streetscape at Capitol Heights, LLC  
**Owner:** KCG SSP Capitol Heights, LP  
**Description:** A one hundred seventy-five (175) unit rental apartment community will be constructed in three (3) elevator buildings with four (4) stories or less on a 13.14-acre site in Capitol Heights, Maryland. All units will be affordable, and rents will be restricted for forty (40) years.  
**Duration:** At least 40 years

The price range of units is provided below; very low rents include YES<sup>2</sup> units set aside for youth who are transitioning out of foster care; if YES units are not filled, units will be reserved for the lowest AMI:<sup>3</sup>

Unit Type	Units Price Range
1 BR	\$56 - \$1,610
2 BR	\$42 - \$1,908
3 BR	\$33 - \$2,189

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<sup>1</sup> [CR-020-2024 \(legistar.com\)](https://legistar.com/legislation/2024/03/26/CR-020-2024/)

<sup>2</sup> [Youth Empowered Society \(yesdropincenter.org\)](https://youthempoweredsociety.org/)

<sup>3</sup> Email from DHCD, April 17, 2024

### **Current Law/Background:**

Section 7-506.3 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,
  - ✓ 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
  - ✓ 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
  - Adedamola George, Esq., Chief Compliance and Program Manager, DHCD
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### **Discussion/Policy Analysis:**

The Cassidy (the “Project”) is located at Karen Boulevard and Wilberforce Court, Capitol Heights, Maryland 20743, and is a 175-unit apartment community. Under the proposed agreement, for at least a 40-year term, KCG Development and Streetscape at Capitol Heights (the “Developer”) will construct 175 units for family households whose incomes are at or below 60% of the Area Median Income (“AMI”). Three (3) units will be reserved for HOME-ARP to households earning no more

than 5% of the AMI. Additionally, 5% of the units will be ADA accessible, and 2% will be adaptable for residents with audio, visual, or hearing needs.

The Project is expected to cost \$68,632,581. Financing includes funding from the Housing Authority of Prince George's County Bonds in the amount of \$36,800,000<sup>4</sup>, Prince George's County HITF in the amount of \$3,500,000, Prince George's County HOME-ARP in the amount of \$1,050,000, Low-Income Housing Tax Credits in the amount of \$23,289,846, a deferred developer fee in the amount of \$3,451,467, cash from operations in the amount \$541,168 and GP equity in the amount of \$100. The 40-year value of the County PILOT is approximately \$8,456,278<sup>5</sup>.

**Total aid received from the County:**

PILOT Agreement:	\$ 8,456,278
HOME ARP	\$ 1,050,000
HITF Loan:	\$ 3,500,000
Total Estimated Project Cost:	\$ 68,632,581
<b>County Subsidy as a percentage of Total Cost:</b>	<b>18.95%</b>

According to staff in the Department of Housing and Community Development, the Project's annual real property assessed value is approximately \$24,293,114, and the County real property tax that will be due on the Project is an estimated \$242,931 (\$1,388/unit) in the first year. The PILOT reduces the aggregate tax burden on the entire 175-unit Project to 52.62% of that amount, or approximately \$102,931, equivalent to \$588 per unit tax burden on the 175 affordable units. Under the agreement, the County would forgo real property tax revenue of approximately \$140,000, or approximately \$800 per affordable unit, in year one<sup>6</sup>.

Increasing the availability of affordable housing through the 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 Strategy<sup>7</sup>.

The Median Household income for the Washington-Arlington-Alexandria-DC-VA-MD-WV Metro Area region is \$117,432, and the average household size is 2.6.<sup>8</sup> The median household income in Prince George's County is \$94,441, and the average household size is 2.7<sup>9</sup>. Based on

<sup>4</sup> The Prince George's County Housing Authority indicated this is not County financing but is from the State bond allocation.

<sup>5</sup> Tax Analysis provided by DHCD

<sup>6</sup> Tax Analysis, provided by DHCD

<sup>7</sup> [Draft Comprehensive Housing Strategy Report](#)

<sup>8</sup> [Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area - Profile data - Census Reporter](#)

<sup>9</sup> [Prince George's County, MD - Profile data - Census Reporter](#)

the Washington-Arlington-Alexandria-DC-VA-MD-WV Metro Area regional guidelines, this project includes 175 affordable housing units at 60% or less than AMI.

When considering the AMI of the general DMV region, 60% is \$64,980 for a one-person household and \$74,280 for a two-person household.<sup>10</sup>

2024 Adjusted Home Income Limits								
Program	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
30% Limits	32,490	37,140	41,790	46,410	50,130	53,850	57,550	61,250
50% Limits	54,150	61,900	69,650	77,350	83,550	89,750	95,950	102,150
60% Limits	64,980	74,280	83,850	92,820	100,260	107,100	115,140	122,580
80% Limits	86,640	99,040	111,440	123,760	133,680	143,600	153,520	163,440

Washington-Arlington-Alexandria-DC-VA-MD-WV Metro Area Adjusted Home Income Limits

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### Fiscal Impact:

#### *Direct Impact*

Adoption of CR-020-2024 will have an adverse fiscal impact in the form of forgone tax revenue. As described above, accepting the PILOT on the entire Project will result in a loss of approximately \$140,000 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 \$8,456,278, forgoing 57.62% of the tax revenue cumulatively over the 40-year period that the PILOT agreement remains in effect.

#### *Indirect Impact*

Adoption of CR-020-2024 aligns with County Plan 2035<sup>11</sup> goals and will create housing in a State-designated Opportunity Zone and Priority Funding Area. It is located between the Blue and Green Metrorail lines and 2 Metrobus lines to Metrorail stations. It may have a favorable indirect fiscal impact on the County to the extent that new residents generate additional economic activity, though the exact impact is unknown.

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### Effective Date of Proposed Legislation:

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

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

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<sup>10</sup> [FY 2024 Income Limits Documentation System -- Summary for Washington-Arlington-Alexandria, DC-VA-MD HUD Metro FMR Area \(huduser.gov\)](#)

<sup>11</sup> [Plan 2035](#)