



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

July 10, 2019

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-057-2019 Payment in Lieu of Taxes Agreement (PILOT) for Glenarden Phase 2A

Legislative Summary

CR-057-2019 approves the terms and conditions of a Payment in Lieu of Taxes (PILOT) Agreement (the "Agreement") by and between Residences at Glenarden Hills 2, LLC (Owner) and the County.

Background

The Owner proposes to establish a development team which will construct fifty-five (55) multi-family rental housing units with related facilities, for seniors, aged sixty-two years and older. The Project is located inside the Capital Beltway at the 3171 Rolland Kenner Loop, Glenarden, MD (previously referred to as 4805 Hamlin Street, Glenarden, MD). The Project will consist of forty-seven (47) one-bedroom units, and eight (8) two-bedroom units. Proposed rental rates are \$1,207 per month for the one-bedroom, and \$1,395 per month for the two-bedroom units. Units are proposed to be rented to seniors earning sixty percent (60%) of the Area Median Income (AMI), or approximately \$49,260. 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.

Resource Personnel

- Pamela Wilson, Housing Development Program Manager, Department of Housing and Community Development
 - Donald Fulp, Senior Underwriter, Department of Housing and Community Development
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Assumptions and Methodology

According to staff in the Department of Housing and Community Development (DHCD), the development of the Residences at Glenarden Hills 2 will increase annual County real property tax revenue. Upon completion the Project's annual real property assessed value will be approximately \$5,297,752, and the annual County real property tax due on the Project will be an estimated \$52,978, should the assessment and County real property tax rate remain constant. Factoring in an annual 3% increase, the County would receive real property taxes equating to approximately \$3,994,572 (see Exhibit 1) over a 40-year period.

CR-057-2019 proposes a PILOT agreement for the Project that shall become effective on the date of execution of the PILOT agreement. Under the Agreement the obligation to pay negotiated payments in lieu of taxes shall commence beginning the first full tax year from the date of substantial completion of the Project, as defined within the Agreement. The Agreement shall remain effective until the termination date, as defined within the Agreement. Under the PILOT, the Owner agrees to pay an annual payment of \$192.65 for each of the fifty-five (55) units within the Project, or \$10,596, for the first year, which shall increase by 3% each year thereafter for the forty (40) year term of the Agreement. All other agency taxes are to be paid in full, each year. Over the 40-year period, the estimated PILOT payments total \$798,933 (see Exhibit 1) and the estimated cumulative deferred real property tax is \$3,195,639. Upon transfer or conveyance of the Property due to a foreclosure or a deed in lieu of foreclosure, the exemption from payment of real property taxes shall expire and all deferred real property taxes (the accumulation of the annual assessed real property tax less the total amount paid as minimum annual payments) shall be due. Should termination occur, as defined within the PILOT Agreement, all payments due under the PILOT Agreement shall be paid to the County within sixty (60) days.

Currently, the property is owned by the Redevelopment Authority and no real property tax is assessed or collected.

Fiscal Impact

- Direct Impact

Development of the Project will result in approximately \$798,933 in additional real property tax revenue to the County over the next 40 years, as a result of development of the Residences at Glenarden Hills 2. This amount is the difference between the current annual County real property tax being collected on the property and the estimated County real property tax of the Project after development, combined over a 40-year period.

Adoption of CR-057-2019 would result in an adverse fiscal impact for the County of approximately \$3,195,639 (see Exhibit 1) related to the Project's PILOT Agreement, over a 40-year period. This amount is the difference between the developed Project's estimated annual County real property tax and the annual PILOT payments, combined over the 40-year period.

Should CR-057-2019 not be adopted the Owner may decide not to purchase and develop the Property as proposed and the County would receive no real property tax revenue from this property.

- Indirect Impact

Adoption of CR-057-2019 may result in indirect economic benefit to the County derived from the result of improvements made to the Property, and which may occur within the surrounding community. The proposed Resolution may have a minimal adverse effect on the workload of staff within the Office of Finance who track the annual payments and ensure compliance with the PILOT provisions. Should the

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Project not be developed, the County would not realize the economic benefits which may result from development.

Appropriated in the Current Fiscal Year Budget

Not applicable.

Effective Date

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

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

**Residences at Glenarden Hills 2
PILOT CALCULATIONS
3% Annual Escalating Factor**

Year	Annual County Tax Burden per Unit	Full Amount of Annual County Tax Burden for all 55 Affordable Units	Annual County PILOT per Affordable Unit	Annual County PILOT Units for all 55 Affordable	Annual Value of Deferred Tax	Cumulative Value of Deferred Tax
1	963.23	52,978	192.65	10,596	(42,382)	(42,382)
2	992.12	54,567	198.43	10,914	(43,653)	(86,035)
3	1,021.89	56,204	204.38	11,241	(44,963)	(130,998)
4	1,052.54	57,890	210.51	11,578	(46,312)	(177,310)
5	1,084.12	59,627	216.83	11,926	(47,701)	(225,011)
6	1,116.64	61,415	223.33	12,283	(49,132)	(274,143)
7	1,150.14	63,258	230.03	12,652	(50,606)	(324,749)
8	1,184.65	65,156	236.94	13,031	(52,124)	(376,873)
9	1,220.19	67,110	244.04	13,422	(53,688)	(430,561)
10	1,256.79	69,124	251.36	13,825	(55,299)	(485,859)
11	1,294.50	71,197	258.91	14,240	(56,958)	(542,817)
12	1,333.33	73,333	266.67	14,667	(58,666)	(601,483)
13	1,373.33	75,533	274.67	15,107	(60,426)	(661,910)
14	1,414.53	77,799	282.91	15,560	(62,239)	(724,149)
15	1,456.97	80,133	291.40	16,027	(64,106)	(788,255)
16	1,500.68	82,537	300.14	16,508	(66,029)	(854,284)
17	1,545.70	85,013	309.15	17,003	(68,010)	(922,295)
18	1,592.07	87,564	318.42	17,513	(70,051)	(992,345)
19	1,639.83	90,191	327.97	18,039	(72,152)	(1,064,497)
20	1,689.03	92,896	337.81	18,580	(74,317)	(1,138,814)
21	1,739.70	95,683	347.95	19,137	(76,546)	(1,215,360)
22	1,791.89	98,554	358.39	19,711	(78,843)	(1,294,203)
23	1,845.64	101,510	369.14	20,303	(81,208)	(1,375,411)
24	1,901.01	104,556	380.21	20,912	(83,644)	(1,459,055)
25	1,958.04	107,692	391.62	21,539	(86,153)	(1,545,208)
26	2,016.78	110,923	403.37	22,185	(88,738)	(1,633,946)
27	2,077.29	114,251	415.47	22,851	(91,400)	(1,725,346)
28	2,139.61	117,678	427.93	23,536	(94,142)	(1,819,488)
29	2,203.80	121,209	440.77	24,242	(96,966)	(1,916,455)
30	2,269.91	124,845	453.99	24,970	(99,875)	(2,016,330)
31	2,338.01	128,590	467.61	25,719	(102,872)	(2,119,202)
32	2,408.15	132,448	481.64	26,490	(105,958)	(2,225,160)
33	2,480.39	136,421	496.09	27,285	(109,137)	(2,334,296)
34	2,554.80	140,514	510.97	28,103	(112,411)	(2,446,707)
35	2,631.45	144,730	526.30	28,947	(115,783)	(2,562,490)
36	2,710.39	149,071	542.09	29,815	(119,256)	(2,681,746)
37	2,791.70	153,544	558.35	30,709	(122,834)	(2,804,580)
38	2,875.45	158,150	575.10	31,631	(126,519)	(2,931,100)
39	2,961.72	162,894	592.36	32,580	(130,315)	(3,061,414)
40	3,050.57	167,781	610.13	33,557	(134,224)	(3,195,639)
TOTAL		\$ 3,994,571.50		\$ 798,932.90	\$	(3,195,638.60)

of Affordable Units: 55
 Annual Escalating Factor: 3%
 Full Amount of Annual County Tax per Unit \$ 963.23
 Amount of County PILOT per Unit \$ 192.65