



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations


October 27, 2021

FISCAL AND POLICY NOTE

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin 
Senior Legislative Budget and Policy Analyst

FROM: Isabel Williams 
Senior Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CR-098-2021, Payment in Lieu of Taxes ("PILOT") Agreement for Villas at Langley Apartments

CR-098-2021 (*Proposed by:* The Chair of the Council at the request of the County Executive;
Introduced by: Council Members Hawkins, Glaros, Davis, Franklin, Taveras, and Turner)

Assigned to the Committee of the Whole

A RESOLUTION CONCERNING PAYMENTS IN LIEU OF TAXES ("PILOT") AGREEMENT FOR THE Villas at Langley Apartments for the purpose of approving the terms and conditions of a Payment in Lieu of Taxes ("PILOT") Agreement between Prince George's County, Maryland (the "County") and the 8100 15th Ave Owner, LLC (the "Owner").

Fiscal Summary

Direct Impact:

Expenditures: No additional expenditures

Revenues: Reduced revenues of approximately \$4,066,107.72 over a 10-year period.

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Indirect Impact:

None.

Legislative Summary:

CR-098-2021, proposed by Council Chair Hawkins by request of the County Executive was introduced by Council Members Hawkins, Glaros, Davis, Franklin, Taveras, and Turner, on September 28, 2021 and referred to the Committee of the Whole. CR-098-2021 would approve the terms and conditions of a Payments in Lieu of Taxes (“PILOT”) Agreement between Prince George’s County, Maryland (the “County”) and 8100 15th Ave Owner, LLC (the “Owner”) concerning 8100 15th Ave Owner, LLC project in Hyattsville, Maryland.

Current Law/Background:

Section 7-506.1 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, or
 - ✓ provides interest subsidy, rent subsidy or rent supplements.
 - 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
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Discussion/Policy Analysis:

The Villas at Langley Apartments are located at 8100 15th Avenue, Hyattsville, MD, and is a five hundred-ninety (590) unit garden style apartment community, a portion of which will provide housing for two-hundred ninety-five (295) low-income to moderate-income residents. Under the proposed agreement, for the ten (10) year term, the Owner will reserve half (eighty-two (82)) of the one-bedroom units for low-to-moderate-income families earning up to sixty percent (60%) of the Area Median Income (AMI), with the remaining half of one bedroom units being rented at market rate. Half (one hundred sixty-five (165)) of the two-bedroom units will be reserved for households whose income is up to sixty percent (60%) of the AMI. Half (forty-eight (48)) of the three-bedroom units will be reserved for households whose income is up to sixty percent (60%) of the AMI. The remaining half of apartment units will be rented at market rate. CR-098-2021 would authorize the County to accept a payment in lieu of taxes for each below-market rate unit of a residential multi-unit building equal to fifty percent (50%) of the amount that would otherwise be payable on the unit.

The Project is expected to cost one hundred and eight million, one hundred and eighty-four thousand, five hundred and fifty-six dollars (\$108,184,556), including acquisition, infrastructure development and construction. Financing proceeds include tax-exempt loan proceeds totaling approximately sixty eight million dollars (\$68,000,000) issued by the Fannie Mae (Permanent Loan); approximately thirty five million, one hundred and eighty four thousand, five hundred and fifty six dollars (\$35,184,556) from the investment of investor member equity; approximately one million, two hundred and eighty six thousand, five hundred and sixty dollars (\$1,286,560) from a Housing Investment Trust Fund (HITF); and the 10-year value of the County PILOT, which is valued at approximately three million, seven hundred and thirteen thousand, four hundred and forty dollars (\$3,713,440).

The Villas at Langley community was acquired in April of 2020, and is presently not subject to any rent restrictions, though most of its units are priced at levels affordable to households earning sixty percent (60%) of the AMI. The Developer intends to remedy deferred maintenance and make improvements that were recommended by a property condition assessment, the most significant of which is the replacement of the HVAC system. The PILOT will remain in effect for ten (10) years which includes the extended affordability period.

According to staff in the Department of Housing and Community Development, the Project's annual real property assessed value after Development will be approximately \$74,268,700, and the County real property tax that will be due on the Project is an estimated \$1,110,981.50 (\$1,883.02/unit) in the first year. The PILOT reduces the tax burden by 50% on the half of the units that are rent-restricted, meaning the County would receive real property taxes equating to approximately \$739,638, or \$624.23 per unit, in year one.

Increasing the availability of affordable housing, both through preservation of existing stock and the renovation of existing housing, is a stated objective of the Council, and a key component of the Comprehensive Housing Strategy.

Fiscal Impact:

Direct Impact

Development of the Project will result in a loss of approximately \$371,343.50 in the first year of the term, with subsequent years' cost dependent on the assessment. Factoring in the 2% estimated average annual increase in the property tax assessment the total impact is estimated at \$4,066,107.72 over the 10-year period that the PILOT agreement remains in effect.

However, should CR-098-2021 not be adopted the Owner may not be able to complete the necessary renovations that will negatively impact current County residents. Alternatively, the Owner may raise rents, making the units unaffordable to tenants at 60% AMI. Additionally, due to the appeal of renovation and fixed rent, the property may attract new residents.

Indirect Impact

Adoption of CR-098-2021 may have a positive indirect fiscal impact upon the County to the extent that new residents generate additional economic activity, though the exact impact is unknown.

Items for Committee Consideration:

- Is the acceptance of the PILOT agreement a condition precedent of the completion of the development as proposed (*i.e.*, does it pass the “but-for” test)?
 - Does encouraging this type of development provide a reasonable return, economic or otherwise, to the County for the forgone tax revenue?
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Effective Date of Proposed Legislation:

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

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