

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1578
Ways and Means

(Prince George's County Delegation)

Budget and Taxation

**Prince George's County - Property Tax Exemption for Economic Development
Projects - Sunset Extension**
PG 407-17

This bill extends the June 30, 2017 sunset provision of Chapter 402 of 2012 to June 30, 2021. Chapter 402 authorized Prince George's County, by resolution, to exempt specified economic development projects located in designated focus areas from county real property taxes. The bill also extends a specified reporting deadline regarding the implementation of Chapter 402 from December 31, 2016, to December 31, 2018.

The bill takes effect June 1, 2017.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County property tax revenues may continue to decrease beginning in FY 2018 through 2021 to the extent that certain economic development projects are exempt from real property taxes. The amount of any decrease depends on the number and type of development projects taking place in the county and the assessed value of each affected property. Property tax decreases will be mitigated by negotiated payment in lieu of taxes (PILOT) agreements between the county and developers.

Small Business Effect: Minimal.

Analysis

Current Law: Chapter 402 of 2012 authorized Prince George’s County, by resolution, to exempt specified economic development projects located in designated focus areas from county real property taxes. Specifically, the exemption may be granted if (1) the owner or owners of the economic development project demonstrate to the satisfaction of the county executive and county council that the county or its designated agency has conducted an economic analysis of the project; (2) the owner or owners of the economic development project and the county enter into a specified PILOT agreement; (3) prior to or no later than 18 months from the date of entering into the PILOT agreement, construction of the project has commenced and all conditions for the financing required for the construction of the project have been satisfied or waived; and (4) the authorizing resolution states that the project may not involve gambling activities.

By January 1 of each year, the county executive or the county executive’s designated agency must submit a report to the county council and legislative delegation to the General Assembly. The report must contain a description of each project for which the county entered into a PILOT agreement during the prior fiscal year, including a statement of the basis on which each project met the requirements for the definition of an economic development project and the analysis of the project. In addition, for those projects that have a PILOT agreement and for which construction or rehabilitation has been completed, the report must contain the number and types of jobs created during the preceding fiscal year and estimated to be created during the following fiscal year; the total taxes that the project is estimated to have generated directly and indirectly for the county during the preceding fiscal year and estimated to be generated during the following fiscal year; and any other economic benefits of the project.

By December 31, 2016, the Prince George’s County Office of the County Executive must report to the chairs of the county’s legislative delegations on the implementation of the legislation.

A “designated focus area” is defined as (1) a transit-oriented development, defined as a development or project within one-half mile of a Washington Metropolitan Area Transit Authority transit station or one-half mile of a Maryland Area Regional Commuter transit station; (2) a revitalization tax credit district, as defined in the Prince George’s County code and designated by the county; or (3) an urban renewal area, as designated by the county governing body.

An “economic development project” is defined as a real estate development project that consists of newly constructed or rehabilitated commercial property if the real estate development project (1) has a certificate of occupancy issued on or after October 1, 2012;

(2) is located on one or more parcels of land, all of which are situated in a designated focus area; and (3) includes at least one of the following:

- a hotel that provides at least 100 full-time equivalent job opportunities and has a private capital investment of equity and debt combined of at least \$20 million;
- an office building that provides at least 100 full-time equivalent job opportunities and has a private capital investment of equity and debt combined of at least \$20 million;
- a retail facility that provides at least 100 full-time equivalent job opportunities and has a private capital investment of equity and debt combined of at least \$10 million;
- an off-street parking facility that contains at least 250 parking spaces and has a private capital investment of equity and debt combined of at least \$2.5 million; or
- a mixed-use facility that contains one or more of the above facilities and at least one of which satisfies the minimum criteria.

Background: Prince George's County indicates that two economic development projects currently receive the property tax exemption under Chapter 402 of 2012, both of which are located within the county's Jump Start Transit Oriented Development priority area.

The first project is a \$23.5 million commercial development project at University Town Center located near the Prince George's Plaza Metro Station. The county advises that the project has increased the county's commercial property tax base by approximately \$18.1 million (from \$2.1 million to \$20.2 million), with county property tax revenues increasing by \$62,100 (from \$17,900 to \$80,000). Due to the PILOT incentive, the project has created 100 full-time jobs and 150 part-time jobs.

The second project is a \$165 million mixed-use project located near the New Carrollton Metro Station. This project consists of 113,000 square feet of office space for the Maryland Department of Housing and Community Development, 61,000 square feet of retail space, and 556 multifamily units. The county advises that this project has increased the county's commercial property tax base by approximately \$38 million (from \$3.1 million to \$41.1 million), with county property tax revenues increasing by \$95,400 (from \$29,400 to \$124,800). Due to the PILOT incentive, the project has created 450 full-time jobs.

Prince George's County also indicates that two additional economic development projects are pending before the county. The projects, which will be located at transit-oriented development sites near Metro Stations, could result in approximately \$1.3 billion in private investment, 7,000 full-time jobs, and 5.1 million square feet of mixed use development.

Local Fiscal Effect: Prince George's County property tax revenues may continue to decrease beginning in fiscal 2018 through 2021 to the extent that economic development

projects are exempt from real property taxes. The amount of any decrease depends on the number of focus areas designated in the county, the number and type of development projects taking place, and the assessed value of each affected property. For fiscal 2017, the county real property tax rate is \$1.374 per \$100 of assessed value. Property tax decreases will be mitigated by negotiated PILOT agreements between the county and developers.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Prince George's County; State Department of Assessments and Taxation; Department of Legislative Services

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