

Committee Joint **Staff:** Robert H. Drummer, Senior Legislative Attorney **Purpose:** To receive testimony – no vote expected **Keywords:** #WMATAPilot Search terms: WMATA, Metro property, taxes

SUBJECT

Bill 29-20, Taxation – Payments in Lieu of Taxes – WMATA property - Established

Lead Sponsors: Councilmembers Riemer and Friedson Co-Sponsors: Councilmembers Glass, Navarro, Council President Katz, Councilmember Albornoz, Council Vice President Hucker and Councilmember Rice

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

• Public Hearing – no vote expected.

DESCRIPTION/ISSUE

Bill 29-20 would require the Director of Finance to offer a payment in lieu of taxes for a residential or commercial high-rise building constructed by a private developer on property leased from the Washington Metropolitan Area Transit Authority (WMATA) at a Metro Station. The Bill would require the payment in lieu of taxes that would exempt 100% of the real property tax that would otherwise be levied for a period of 15 years beginning in the year a use and occupancy permit is issued for the qualifying development.

SUMMARY OF KEY DISCUSSION POINTS

- Does encouraging this type of development provide a reasonable return to the County for the loss of property tax and the expansion of the Charter limit cap on property tax revenue from new construction?
- Should the exemption be automatic or should each proposed development be reviewed independently?

This report contains:

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Agenda Item 7 July 28, 2020 **Public Hearing**

MEMORANDUM

July 23, 2020

TO:	County Council
FROM:	Robert H. Drummer, Senior Legislative Attorney
SUBJECT:	Bill 29-20, Taxation – Payments in Lieu of Taxes – WMATA property - Established
PURPOSE:	Public Hearing – no Council votes required

Bill 29-20, Taxation – Payments in Lieu of Taxes – WMATA property - Established, sponsored by Lead Sponsors Councilmember Riemer and Friedson and Co-Sponsors Councilmembers Glass, Navarro, Council President Katz, Councilmember Albornoz and Vice President Hucker and Councilmember Rice, was introduced on July 7, 2020. A joint Government Operations and Fiscal Policy/Planning, Housing and Economic Development Committee worksession is tentatively scheduled for September 16.¹

Bill 29-20 would require the Director of Finance to offer a payment in lieu of taxes for a high-rise building constructed by a private developer on property leased from the Washington Metropolitan Area Transit Authority (WMATA) at a Metro Station. The Bill would require the payment in lieu of taxes that would exempt 100% of the real property tax that would otherwise be levied for a period of 15 years beginning in the year a use and occupancy permit is issued for the qualifying development.

WMATA does not currently pay property tax because it is an instrumentality of the State of Maryland.² Property tax can be levied against a lessee of government property used for a private purpose under Md. Tax-Property Code Ann. 6-102(e). WMATA has agreed to a long-term lease with a developer of some of its property at the Grosvenor-Strathmore Metro Station. Md. Tax-Property Code Ann. 7-501 authorizes the Council to enact a law providing for a payment in lieu of taxes for property leased from a government agency that is otherwise subject to a tax levy under 6-102(e).

¹#WMATAPilot

Search terms: WMATA, Metro property, taxes

² WMATA is a regional transportation agency that is an instrumentality of Maryland, Virginia, and the District of Columbia. See Md. Transportation Code Ann. §10-204.

Bill 29-20 would apply to any property leased from WMATA at a Metro Station in the County for a qualifying development of a residential or commercial high-rise building.

This packet contains: Bill 29-20 Legislative Request Report <u>Circle #</u> 1 3

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Concerning: <u>Taxation – Payments in Lie</u>	
of Taxes – WMATA property	-
Established	
Revised: <u>July 6, 2020</u> Draft No. <u>5</u>	
Introduced: July 7, 2020	
Expires: January 7, 2022	
Enacted:	
Executive:	
Effective:	
Sunset Date: <u>None</u>	
Ch, Laws of Mont. Co	

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsors: Councilmembers Riemer and Friedson Co-Sponsors: Councilmembers Glass, Navarro, Council President Katz, Councilmember Albornoz and Council Vice President Hucker

AN ACT to:

- (1) authorize the Director of Finance to negotiate a payment in lieu of taxes for certain property leased from WMATA;
- (2) establish the amount of the payment in lieu of taxes; and
- (3) generally amend the law governing payments in lieu of taxes.

By adding

Montgomery County Code Chapter 52, Taxation Section 52-24A

Boldface	Heading or defined term.
<u>Underlining</u>	Added to existing law by original bill.
[Single boldface brackets]	Deleted from existing law by original bill.
<u>Double underlining</u>	Added by amendment.
[[Double boldface brackets]]	Deleted from existing law or the bill by amendment.
* * *	Evicting law unaffected by bill
* * *	Existing law unaffected by bill.

The County Council for Montgomery County, Maryland approves the following Act:

1	Sec. 1	1. Section 52-24A is added as follows:
2	<u>52-24A.</u> <u>Pa</u>	<u>yments in lieu of taxes for certain property leased from WMATA.</u>
3	<u>(a)</u>	Definitions. In this Section, the following words have the following
4		meanings:
5		Director means the Director of the Department of Finance or the
6		Director's designee.
7		High-rise building means a building with an occupied floor that is more
8		than 8 stories above ground level.
9		Metro station means a mass transit train station owned and operated by
10		the Washington Metropolitan Area Transit Authority.
11		Qualifying development means a project to construct one or more high-
12		rise buildings located on land leased from WMATA at a metro station.
13		<u>Washington Metropolitan Area Transit Authority or WMATA means the</u>
14		regional transit instrumentality of the State of Maryland, Commonwealth
15		of Virginia, and the District of Columbia created by Compact and
16		described in Md. Transportation Code Ann. §10-204, as amended.
17	<u>(b)</u>	When authorized by state law, the Director must offer a payment in lieu
18		of taxes for a qualifying development.
19	<u>(c)</u>	The payment in lieu of taxes must exempt 100% of the real property tax
20		that would otherwise be levied for a period of 15 years beginning in the
21		year a use and occupancy permit is issued for the qualifying development,
22		regardless of subleases executed by the lessee.
23	<u>(d)</u>	Any payment accepted by the Director must conform to guidelines
24		included in a regulation adopted by the Executive under method (1) to
25		implement this Section.
26	<u>(e)</u>	This Act must be known as the "Housing at Metrorail Stations Act."

LEGISLATIVE REQUEST REPORT

Bill 29-20

Taxation – Payments in Lieu of Taxes – WMATA property - Established

DESCRIPTION:	Bill 29-20 would require the Director of Finance to offer a payment in lieu of taxes for a high-rise building constructed by a private developer on property leased from the Washington Metropolitan Area Transit Authority (WMATA) at a Metro Station. The Bill would require the payment in lieu of taxes that would exempt 100% of the real property tax that would otherwise be levied for a period of 15 years beginning in the year a use and occupancy permit is issued for the qualifying development.
PROBLEM:	The market does not currently support the construction of a high-rise building at a Metro station.
GOALS AND OBJECTIVES:	The goal is to encourage the construction of high-rise buildings at Metro stations in the County.
COORDINATION:	DHCA, Finance, County Attorney
FISCAL IMPACT:	To be provided
ECONOMIC IMPACT:	To be provided
EVALUATION:	To be provided
EXPERIENCE ELSEWHERE:	Unknown
SOURCE OF INFORMATION:	Robert H. Drummer, Senior Legislative Attorney
APPLICATION WITHIN MUNICIPALITIES:	N/A
PENALTIES:	N/A

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