

ANNE ARUNDEL COUNTY, MARYLAND  
OFFICE OF THE BUDGET

**Revised – October 25, 2017**

**Additional MuniCap Information**

**Revisions are highlighted**

**BILL NO. 89 -17**  
**DATE: October 16, 2017**

**FISCAL NOTE**

**BILL: AN ORDINANCE CONCERNING: PAYMENT IN LIEU OF TAXES – PPE  
CASINO RESORTS MARYLAND, LLC, PART OF 7000 ARUNDEL MILLS  
CIRCLE, HANOVER, MARYLAND**

**SUMMARY OF LEGISLATION**

The purpose of this Ordinance is to approve a 30 year agreement that grants an annual one dollar Payment In Lieu of Taxes rather than the property taxes that would otherwise be owing, but not to exceed \$1.2 million annually, for certain real and personal property taxes for a hotel/conference center development and perimeter parking lots adjacent to the Maryland Live! casino at the Arundel Mills Mall in Hanover, Maryland. The agreement provides for free utilization of the convention center space during the duration of the agreement for high school graduations and the annual Community College graduation. Additionally, the agreement provides for the free utilization of the conference center, on a space available basis, on weekday mornings, afternoons, and evenings for meetings and programs of County departments and the Board of Education and for meetings and events of Anne Arundel County based non-profit organizations and civic groups.

**FISCAL IMPACT**

The proposed hotel/convention center development is situated on 26.1 acres adjacent to the Maryland Live! casino. The development consists of a 310 room luxury hotel, a 30,000 square foot meeting facility/ballroom with a seating capacity of 4,000, a health club, spa, restaurant, gaming area, and a 140 space parking garage situated on 3.3 acres. The surface parking lots associated with the development contain approximately 1,900 parking spaces situated on 22.8 acres. The developer is building this facility in order to remain competitive with the recently opened MGM facility in Prince George's County. By remaining competitive with the MGM facility, the County's impact aid authorized under the state enabling legislation for VLT and Table Games will be stabilized.

MuniCap has been engaged to provide the County with a property tax analysis of the development as well as an economic impact analysis of the conference center space. The draft report is attached to this fiscal note. A final report is anticipated by October 23, and that will be utilized to update a revised fiscal note to be issued next week. This revised Fiscal Note



encompasses the information on personal property taxes and admissions taxes from MuniCap's final report dated October 20, 2017.

### **Real Property Taxes - Hotel/Conference Center Value**

The MuniCap report projects that the real property value of the hotel and meeting facility/ballroom (conference center) improvements are initially estimated to have a value of \$56.4 million. The phased in taxable assessment (at 80%) is initially estimated to be \$45.1 million, thereby generating \$409,000 in real property taxes at the current County real property tax rate of \$0.907. The taxable value of the hotel will increase over 3 years, reaching a taxable value of \$61.7 million in year four, which at the same County tax rate, would generate \$559,000 in real property taxes.

### **Personal Property Taxes – Hotel/Conference Center Value**

The personal property taxes estimated to be generated by the development are estimated by MuniCap to initially be \$183,000, based upon the County's current \$2.267 personal property tax rate. MuniCap has applied a depreciation schedule in subsequent years, as well as a 3% inflation factor, which results in personal property taxes of \$100,000 in FY2022. Subsequent year's personal property taxes then grow at the 3% inflation rate from the FY2022 amount.

### **Real Property Taxes – Land Value**

The land value of the assessment is covered by Paragraph 5 & 9 of the PILOT agreement, which provides that only the value of the land, subsequent to FY2014, is included under the PILOT agreement.

The 26.1 acres of the property under the PILOT agreement consists four parcels:

- 3.3 acres of the existing 12.6 acre casino tax parcel
  - 6.0 acres between the proposed development & Costco (Parcel 1)
  - 7.3 acres north of Costco (Parcel 2)
  - 9.5 acres north of Parcels 1 & 2 (Parcel 3)
- 26.1 acres

The land value of the 12.6 acre casino parcel was \$85 million in FY2014. Accordingly the proportional share of that value for the 3.3 acres would be \$22.2 million ( $3.3/12.6 = 26.1\%$  of 85). The value of that land in FY2019 is \$23.0 million, which means \$0.8 million ( $23.0 - 22.2$ ) of land value is included in the PILOT agreement. (The tax assessment of the land value of the Maryland Live! tax account is being challenged by the property owner, and is presently under review by the Maryland Tax Court. That challenge, to the extent it is successful, will modify the calculations of this paragraph)

Parcel 2 (7.3 acres) is a separate tax account. The 2014 value of this parcel was \$1.4 million, or \$195,000 per acre. Parcel 1 (6.0 acres) and Parcel 3 (9.5 acres) are part of two larger undetermined tax accounts. In order to determine the FY2014 value of these two parcels, the



same per acre value of Parcel 2 (\$195,000) is attributed to Parcels 1 and 3, resulting in a FY2014 value of \$3.0 million (15.5 x 195,000). Accordingly the value of these three parcels (Parcels 1, 2 & 3) in FY2014 is \$4.4 million (1.4 + 3.0).

The value of the land in these three parcels in FY2019, based on the \$3.9 million current assessment of Parcel 2 (\$532,000 per acre) is \$12.1 million (22.8 x 532,000). This means the value included in the PILOT agreement is \$7.7 million (12.1 – 4.4) for FY2019.

Thus the total value of the land included in the PILOT calculation for FY2019 will be \$8.5 million (0.8 (from casino parcel) + 7.7 (from Parcels 1, 2, & 3)), which results in \$77,000 in annual real property taxes at the County's current \$0.907 tax rate.

### Summary Value of Taxes

Under the terms of the PILOT, the County will receive \$1 rather than the below tax amounts

| <u>FY2019</u>                             |               |
|---|---------------|
| Hotel/Conference Center Real Property     | \$409,000     |
| Hotel/Conference Center Personal Property | 183,000       |
| Land Real Property                        | <u>77,000</u> |
| Total                                     | \$669,000     |

| <u>FY2022</u>   |               |
|---|---------------|
| Hotel/Conference Center Real Property                       | \$559,000     |
| Hotel/Conference Center Personal Property (no depreciation) | 100,000       |
| Land Real Property (3% annual increase)                     | <u>84,000</u> |
| Total   | \$743,000     |

### Benefits Received by the County Under the PILOT

Under the terms of the Pilot, the County (including the Board of Education and the Community College) is able to utilize the facility free of charge for annual graduations. A high school graduation rental of the Equestrian Center in Prince George's County (the facility utilized by a majority of high schools) costs \$5,200 for rental and sound system rental. Currently there are 12 high schools in Anne Arundel County. Thus an annual cost of \$62,400 will be avoided. Over the next few years the capital program contains an additional two planned high schools (Crofton area and Old Mill being split into two high schools), increasing the cost avoidance in a few years to \$72,800 (before inflation). The cost of a tent rental, risers and chairs for the Community College is \$150,000, which will be an avoided cost.

Additionally, smaller meetings of the County, Board of Education and non-profit community groups are permitted use of the conference center on a space available basis, which



initially may result in an additional \$100,000 in cost avoidance (public safety graduations, fund raisers, community meetings, etc.)

The anticipated initial direct cost avoidance benefits are thus \$312,400.

Additional annual economic benefits will inure directly to the County by having a conference facility in the County according to the MuniCap Economic Impact analysis. These benefits include additional local income tax receipts from conference center employees, amusement taxes from events held at the conference center, energy tax receipts, and miscellaneous revenue. MuniCap estimates these benefits initially as follows:

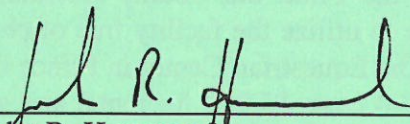
|  |                |
|--|----------------|
| Local Income Tax Revenue               | \$4,372        |
| Energy Taxes                           | 1,228          |
| Misc. Taxes (Telephone, Parking, etc.) | 466            |
| Admissions Taxes                       | <u>532,554</u> |
| Total                                  | \$538,620      |

The combined initial value (FY2019) of the annual cost avoidance (\$312,400) and additional tax receipts (\$538,620) from the conference facility is estimated to be \$851,020. In FY2022 this amount is estimated to be \$935,615 at an annual 3% inflation rate and the addition of the Crofton area high school.

To the extent that the conference center may generate room nights not able to be booked at the hotel component of the development, additional County room tax revenue will be generated. However, MuniCap made no assumption concerning this potential additional revenue to the County, as they had no basis upon which to make an estimate.

Additionally, the MuniCap analysis identifies one-time revenues coming to the County, during construction of the conference facility (FY2018) including:

|                   |               |
|-------------------|---------------|
| Income Tax        | \$28,208      |
| Recordation Taxes | <u>66,032</u> |
| Total             | \$94,240      |

  
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John R. Hammond  
Budget Officer

10/25/2017  
Date

cc: Karin McQuade, Controller

Prepared by: John Hammond