

Committee GO

Staff: Robert H. Drummer, Senior Legislative Attorney **Purpose:** To introduce agenda item – no vote expected

Keywords: #WMATAPilot

Search terms: WMATA, Metro property, taxes

AGENDA ITEM #15B July 7, 2020 Introduction

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 and

Council Vice President Hucker

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

• To introduce Bill – 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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MEMORANDUM

July 2, 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: Introduction – 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, is scheduled to be introduced on July 7, 2020. A public hearing is tentatively scheduled for July 28 at 1:30 p.m.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).

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

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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 No. <u>29-20</u>
Concerning: Taxation - Payments in Lieu
of Taxes - WMATA property -
Established
Revised: <u>June 30, 2020</u> Draft No. <u>4</u>
Introduced: July 7, 2020
Expires: January 7, 2022
Enacted:
Executive:
Effective:
Sunset Date: None
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.

Existing law unaffected by bill.

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

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

Sec. 1. Section 52-24A is added as follows:

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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 The goal is to encourage the construction of high-rise buildings at

OBJECTIVES: Metro stations in the County.

COORDINATION: DHCA, Finance, County Attorney

FISCAL IMPACT: To be provided

ECONOMIC To be provided

IMPACT:

EVALUATION: To be provided

EXPERIENCE Unknown

ELSEWHERE:

SOURCE OF Robert H. Drummer, Senior Legislative Attorney **INFORMATION:**

APPLICATION N/A

WITHIN

MUNICIPALITIES:

PENALTIES: N/A

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