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2020-09-04

To: Montgomery County Council

RE: Fair taxation for developments on WMATA properties, Bill 29-20

This letter expresses my concern that Bill 29-20, "Payments in Lieu of Taxes - WMATA property," is not a good deal for Montgomery County, and could be an especially bad deal for our working class and low-income residents. I am a Montgomery County resident, living in the Forest Knolls neighborhood (District 5) near Wheaton Metro (my regular transit point to work).

I am a member of the Montgomery County Branch of the Democratic Socialists of America (DSA). We have approximately 400 members in Montgomery County. One of our early and ongoing activities has been to call public attention to the ways in which Maryland and Montgomery County have regressive tax policies that lighten the taxes our wealthiest citizens pay while shifting the burden to low-income and working class residents.

We conducted a series of protests at Montgomery County country clubs to call attention to the special tax breaks country clubs receive under state law – saving these enclaves for the affluent about $10 million from the property taxes they would otherwise owe.

Our Branch is also concerned about the inadequate supply of safe and affordable housing in our county and urges the Council to support social housing and rent control policies. Our report on the Moderately Priced Development Units (MPDU) program documented how it is a drop in the bucket compared to the needs of our County's low-income population.

The Branch asked me to investigate Bill 29-20 to assess if our Branch should take a position on it. Initially, I find that the bill and its Legislative Request Report do not provide the basic information necessary to evaluate what its economic effects will be:

1. The bill states that we have this problem: "The market does not currently support the construction of a high-rise building at a Metro station." The author of this problem has apparently overlooked the high-rise buildings that already sit atop the Wheaton Metro Station, or the developments at Friendship Heights and Bethesda. The building booms around Silver Spring and White Flint are also testaments to the market forces that seek housing development near Metro stations. This bill was apparently inspired by a development at the Grosvenor-Strathmore Metro Station. That WMATA has already leased its property for this development is an indicator that tax incentives are not necessary. Many Montgomery County residents want to live close to Metro stations. We know it. Developers know it. And it is curious that anyone thinks they need a tax break to have an incentive to build there.

2. The bill does not make clear to the public how the amount of the Payment-In-Lieu-Of-Taxes (PILOT) will be computed. Without definition of this amount, it remains impossible to compute if the payment will approximate in any way for the amount of taxes that would otherwise be due. The bill requires the Director of Finance to offer such a PILOT, and adds that the Director will use, "guidelines included in a regulation adopted by the Executive under method (1)". As a lay reader, I do not understand what this means or how I would know what the outcome is for

our County finances. My calls to my District councilmember's office on this issue have not been returned. Our experience is that when agreements are made between government officials and private parties, transparency is necessary for accountability. When the amounts that affluent developers pay for taxes is left to private negotiation between that developer and a government official, the public loses confidence that our tax system is fair.

3. The Legislative Request Report highlights how much is unknown:

   FISCAL IMPACT: To be provided

   ECONOMIC IMPACT: To be provided

   EVALUATION: To be provided

   EXPERIENCE ELSEWHERE: Unknown

I ask that Council schedule another public hearing on this bill after this information is known and provided. This bill poses a potential for becoming a tax give-away to the rich that makes our County taxes even more regressive – shifting the burden to those who can afford it least. I believe our County should not adopt such any policy that could have this affect. The public deserves a worthy economic analysis showing us how it will affect the overall tax balance between rich and poor.

Even without this analysis, the bill raises other obvious concerns:

4. Nothing in the bill requires that the high-rises be devoted to housing. The text of the bill would entitle a developer to the same PILOT for building a high-rise office building. That will not draw in more tax-paying residents to our County or alleviate the shortage of affordable housing.

5. I understand that developments on WMATA properties already enjoy a 15-year tax break. The Council has not explained why any additional tax break is necessary.

6. The Montgomery County Charter Amendment generally prohibits property tax increases. When combined with the effect of this bill, the developments on WMATA properties will enjoy their 100% tax exemption in perpetuity. The rest of us tax-payment County residents will have to make up for this loss of revenue for generations to come. This cost is grossly disproportionate to any benefit the County would receive from the development.

7. When high-rises include residential units, the current market trend indicates that they will be one-bedroom luxury apartments. The developer will have to comply with the MPDU requirements, but this benefit will meet a tiny sliver of the County's need for affordable housing, and developers will choose residents at the higher end of the moderately priced market. Our County's low-income residents, who need housing assistance most desperately, are likely to see no benefit at all from these developments, but will be saddled with an increasing share of the County's tax burden to pay for it.

Our Montgomery County DSA Branch is also campaigning against Robin Ficker's latest ballot initiative, Question B. In addition to waiting for the missing information about the effects of this bill on our economic growth, and the regressivity of our taxes, I urge the Council to wait until the effect of Question B and the Council's consideration of overall tax policy can be assessed.

In short, we don't have enough information to know that Bill 29-20 would be a good deal for our County, and there are too many indicators that it would be a really bad deal for our low-income and working class residents who need a new direction in our County's tax and development policies.

Thank you for your attention to my concerns.

Sincerely,

Richard R. Renner