

Citizens Coordinating Committee on Friendship Heights

October 26, 2020

Council President Sidney Katz
Montgomery County Council Office Building
100 Maryland Avenue, 6th flr.
Rockville, MD 20850

Dear Council President Katz, Vice-President Hucker and Council Members Albornoz, Friedson, Glass, Jawando, Navarro, Rice and Riemer,

I am writing to you on behalf of the Citizens' Coordinating Committee on Friendship Heights, representing 18 communities in the southwestern corner of our county.

We support County Executive Marc Elrich's veto of Bill 29-20 and are against any Council decision to override this veto. Our support of his veto is for the following reasons:

1. This is a blanket bill that sunsets in 2032 and "requires" the Director of Finance to negotiate a payment in lieu of taxes (PILOT) for property leased from WMATA for development higher than eight (8) stories. As the bill states, "The payment in lieu of taxes must exempt 100% of the real property tax that would otherwise be levied for a period of 15 years."

By current law, the Director of Finance is already authorized to negotiate a PILOT on a case-by-case basis. Discussion of the bill only mentioned one WMATA property — that by the Grosvenor/Strathmore Station — but there are properties by seven more Metro stations in the county that this bill would cover. This blanket bill, while giving developers some security, does not give the county the flexibility needed to negotiate with developers on other variables, such as the size of the lot, its proximity to the Metro, the assessment of the property, and the economic conditions in the county overall. Rather than a "one-size fits all" approach, which often produces poor results, to better serve our diverse county, the Council should give thoughtful attention to the differences of topography, demographics and need that should be reflected in good, effective legislation.

2. This is a giveaway to developers. By "right" it gives developers a 15-year tax break on high density development on Metro properties. We understand that there are additional costs in building highrises on Metro property and since the developers at Grosvenor/Strathmore agreed to the deal three years ago, their economic situation may have changed; the economic situation of our county *has* changed. The County Council on behalf of the citizens needs to balance the public benefit against the ultimate costs of the PILOT. The CCCFH believes Bill 29-20 tips the benefit towards the developers.

Clearly, the objective of the bill, which the CCCFH agrees with, is to support smart growth — transit-oriented growth in walkable communities where carbon footprints are minimized. While the bill requires that 25% of MPDU's must be included in residential buildings, an increase from the 12.5 % – 15% normally required, that leaves the other 75% of the housing units at market rate.

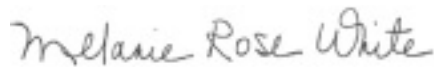
Representing the Communities of Brookdale, Chevy Chase Village, Chevy Chase West, Drummond, Kenwood, Kenwood Condominium, Kenwood Forest II, Kenwood House Cooperative, Little Falls Place, Somerset, Somerset House Condominiums, Springfield, Sumner Village, Village of Friendship Heights, Westbard Mews, Westmoreland, Westwood Mews, and Wood Acres

Taxpayers in effect will be subsidizing developers on mostly market rate housing. Developers don't need an incentive to build market-rate housing. As Mr. Elrich has pointed out, while in general the county has a need for more housing, a substantial portion of that need is for affordable housing, both MPDU's for those earning less than 50% of the area median income (AMI) and housing for those earning 70%-80% below the AMI. In return for the subsidies the county is giving to developers, this bill does not provide a significantly sizable increase in the percentage of affordable housing, which is the county's greatest need.

3. Finally, it is an embarrassment, that in this so-called progressive county, the bill does not include a requirement that "all contractors and subcontractors pay prevailing wages and be licensed, bonded, insured, and abide by wage and hour laws." Many labor unions and equity organizations supported this measure, yet an amendment by Councilmen Jawando and Hucker in support of this inclusion was defeated by the Council. When the county is providing financial support for a development, the ethical requirement for contractors and subcontractors would be to provide a decent job in a safe work environment that provides a living wage for workers.

We understand the objective of Bill 29-20, the Housing at Metrorail Stations Act, but this legislation falls short of what we really need now, namely the flexibility that the county currently has in issuing PILOTs. Bill 29-20 is an easy response to a complicated issue at a potential cost of between \$87 to \$106 million in lost tax revenue just for the Strathmore property and an estimated overall loss of \$400 million for property at all eight Metro sites. At a time when the county is suffering economically from the coronavirus pandemic, when we still don't know how large the expense to revenue gap will be nor how long it will take the county to dig itself out from an anticipated shortfall, it seems irresponsible to give a blanket tax exemption to developers of WMATA properties.

Sincerely,



Melanie Rose White
Chair, CCCFH