

Eileen Finnegan

To: Montgomery County Council via e-mail

Date: March 9, 2025

Subject: Bill 2-25, Payment in Lieu of Taxes for Office-to-Residential
Conversion/Redevelopment

Dear Council President Stewart, GO Committee and fellow Councilmembers,

Bill 2-25, which provides a 25-year tax abatement for office-to-residential conversions, requires a critical evaluation. Adoption will have long-lasting negative impact to future County budgets. Given the current budget pain, please do not embed lower tax revenue into 2026 thru 2050 and beyond!

During a public outreach event at the Wheaton High School, Councilmember Fani-Gonzales stated that she had an unpublished list of 100 properties which would qualify for this 25-year tax abatement. She further indicated that without this incentive, these properties would fall into disrepair, experience vandalism and become a blight in the community. This speculation is highly questionable. Bill 2-25 is not limited to these 100 properties, but open to any and all meeting the criteria of 50% vacancy at time of application. And a note of caution: possibly the property owner's actions, or lack thereof, is cause for the high vacancy rate.

At a different meeting, Councilmember Friedson advanced the concept that a commercial property owner can appeal to the County for a reduction in their property taxes if the property's revenue declines, AND so he concluded that with the property tax being lowered, forgoing the future property tax income for 25 years is OK. To paraphrase: Little-to-nothing now, so absolutely nothing later! What a weak argument for a huge give away.

The history of office-to-residential conversions in Montgomery County needs to be brought into this discussion. Two relatively recent conversions are in Silver Spring, i.e. The Octave and The Elan. Both of these office-to-residential conversions created for-sale condominiums. In looking at the tax records for these properties, the revenue is remarkable. These conversions were a WIN in

providing more “affordable” housing for purchase AND providing County revenue. To see the property-tax income, check the addresses on the County Department of Finance site at

<https://apps.montgomerycountymd.gov/realpropertytax/default.aspx>

The Octave 1320 Fenwick Lane 101 condos

The Elan 700 Roeder Road 36 condos

Bill 2-25 ties a 15% MPDU requirement to the receipt of this generous 25-year abatement as a work-around to officially qualify under the law for a PILOT. Given that the base requirement in the County is 12.5%, or 15% in some areas, with new higher requirements being considered, this should not be considered an impressive “payment.” Also, since this incentive is not immediate, but spread over future years, whether this incentive “pencils” any conversion project is highly questionable.

Although some local governments (i.e. District of Columbia*) are offering tax-abatement incentives and the sponsors may want to match those offers, Montgomery’s properties are not in those jurisdictions—just matching incentives provided elsewhere does not make sense; it is not justification.

Given the uncertainty of future office occupancy and status of GSA leases as the Trump economic impacts hit our region, keeping an eye on maintaining and growing County revenue must be a priority for this Council. An open-ended 25-year abatement is not good County policy. But, if the sponsors and co-sponsors continue to support this fiscally irresponsible legislation, a shorter time frame, 5 years AND a sunset should be given consideration.

Thank you for the opportunity to provide comments on Bill 2-25.

*The District’s 20-year abatement is a competitive program with “caps” on the amount of abatement by fiscal year. Note: The District has different tax rates for commercial and residential. <https://dmped.dc.gov/featured-content/housing-downtown-program>