



Howard County

Internal Memorandum

Subject: Testimony on Council Resolution No. __-2026
Resolution requesting approval of a Payment in Lieu of Taxes Agreement for
Annapolis Junction (10010 Junction Drive)

To: Brandee Ganz, Chief Administrative Officer

From: Kelly Cimino, Director - Department of Housing and Community Development
K. Cimino

Date: March 21, 2026

Summary

Resolution __-2026 supports approval of the terms and conditions of a Payment In Lieu Of Taxes Agreement (PILOT) by and between Howard County, Maryland and Midway 32, LLC, a wholly owned subsidiary of Chesapeake Realty Partners, LLC, for the re-development of an existing office building into a new housing development of 623 units in 2 separate buildings to be known as Annapolis Junction (AJ).

Background

The Developer, Midway 32, LLC (Midway), plans to demolish an existing office building near the Annapolis Junction MARC station and construct a new, amenity-rich, mixed income rental housing development. The development is in a TOD (transit oriented development) zoning district. TOD zoning districts require 15% of the units to be rented or sold as Moderate Income Housing Units (MIHUs). Annapolis Junction would be the first TOD zoned project built under the guidelines of CB18-2025. CB18-2025 provides incentives, such as waivers of APFO (adequate public facilities ordinance) tests and PILOTs (payment in lieu of taxes) for developments located near transit that provide at least 5% of the units to be rented as DIHUs (disability income housing units) under the County's MIHU program. Adding a requirement for DIHUs will increase the County's affordable housing inventory for households of very low, low and moderate income.

Midway is proposing the redevelopment of an existing office building into 623 new rental housing units. There will be 2 separate buildings with 325 units in one and 298 units in the other. Each building will be built and financed as separate projects and provide at least 15% of the units as affordable. The total development is offering 95 affordable rental units, 50 in Building 1 and 45 in Building 2, at 3 levels of affordability: 32 units as DIHUs affordable to households earning up to 20% of the County's median income (HC MI); 32 units as LIHUs for households earning up to



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40% of HC MI; and 31 units as MIHUs for households earning up to 60% HC MI. The proposed number of units offered at deeper affordability levels exceeds the 15% MIHU requirement for the development. If the total number of units falls below 623, the number of affordable units may be adjusted proportionately if at least 5% MIHUs, 5% LIHUs and 5% DIHUs are provided to satisfy the 15% requirement in TOD zoning districts.

The Developer submitted a request to the Department of Housing and Community Development on February 6, 2026, for consideration by the County to permit the Development to make payments in lieu of County real property taxes pursuant to Section 7-506.1 of the Tax-Property Article of the Annotated Code of Maryland and in accordance with the Payment in lieu of Taxes (PILOT) Agreement.

Financial statements for the AJ redevelopment project demonstrate that a PILOT is necessary to make the Development economically feasible. As a condition of the PILOT, the County will require Midway to restrict the occupancy of a certain number of units to income-eligible households for 30 years. A PILOT is critical to the project's viability given the volatility of pricing in the construction industry and capital markets, and loan financing requirements. The Developer is offering a minimum PILOT payment of \$200 per unit per year for 20 years, in addition to the County fire tax, front foot benefit assessment charge, ad valorem charges, and any other charges that may appear on the Property's real property tax bill.

AJ is aligned with Howard County's goal of providing much-needed housing for young professionals, older adults, families, and persons with disabilities across a wide range of affordability levels, as detailed in the Housing Opportunities Master Plan. This redevelopment approach is costly. While AJ is leveraging a range of financing tools, such as construction loans, developer equity and private investment, the development cannot attract sufficient debt and equity funding to complete the development without a PILOT.

Fiscal Impact

When evaluating the impact of the request for a PILOT, the County should consider not only the variance between the tax revenue lost with a PILOT versus without a PILOT, but the County should also consider the effects of the PILOT by comparing the current tax revenue generated by the outdated office building and the expected revenue from a new, mixed-income development. Based on the projected tax assessment upon completion, the County tax revenue generated by the re-development, even with the reduced PILOT payments, could increase County tax revenue by almost \$13M.

Conclusion

The Developer presented the PILOT request to the Housing and Community Development Board and answered questions on February 19, 2026. The Board met on March 17, 2026, to consider the Developer's request. At that meeting, the Board recommended approval of the PILOT request because the development will provide 95 units at below market rates, particularly DIHUs and LIHUs for very low and low income households; the development will create housing in a walkable community near transit; and the redevelopment of this parcel is in line with key priorities in the County's general plan, HoCo by Design, and the Housing Opportunities Master Plan.

Attachments for Council consideration:

1. Annapolis Junction PILOT Agreement Draft
2. Annapolis Junction PILOT Fiscal Analysis

Cc: Dr. Opel Jones, Council Chair
Christiana Rigby, Council Vice Chair
Elizabeth Walsh, Councilperson
Deb Jung, Councilperson
David Yungmann, Councilperson
Michelle Harrod, Administrator
Janine McGregor, Acting County Auditor



Kelly A. Cimino, Director

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To: Housing & Community Development Board
 Through: Kelly Cimino, Director – *K. Cimino*
 From: Tom Wall, Fiscal Specialist - *tfwall*
 Date: 03/09/2026 – REVISED 3/16/26
 Re: Annapolis Junction – **Developer’s Request for a PILOT**

This is a request for a recommendation from the Housing and Community Development Board (the “Board”) concerning an application from Chesapeake Realty Partners (the “Developer”) for a PILOT for the redevelopment of the Annapolis Junction project in Annapolis Junction, Maryland.

Materials Provided with Application. The developer, Chesapeake Realty Partners (CRP) submitted a PILOT request and supporting documentation to the Department on February 6, 2026. This report is based on the information received thus far and is subject to change as the Annapolis Junction project moves through the development process. CRP made an initial presentation to the Board on February 12, 2026. An additional board meeting is scheduled for March 17, 2026, to consider the PILOT request.

Developer’s Proposal. CRP is redeveloping an existing office building into a new housing development of 623 units in 2 separate buildings. Building 1 will be 325 units and Building 2 will be 298 units. The development will provide 95 affordable rental units at multiple affordability levels, 50 units in Building 1 and 45 in Building 2.

Unit Type	Annapolis Junction
DIHU (< 20% AMI)	32
LIHU (< 40% AMI)	32
MIHU (< 60% AMI)	31
	<u>95</u>

The development is in a TOD (transit-oriented development) zoning district. TOD zoning districts require 15% of the units to be rented or sold as MIHUs. MIHU rental units are affordable for households earning up to 60% of the Howard County median income. The MIHU requirement for Annapolis Junction is 94 units. Annapolis Junction is proposing to provide 95 affordable units at 3 different affordability levels. LIHUs support households earning up to 40% HC MI and DIHUs are affordable for households earning up to 20% HC MI.

Financially, Annapolis Junction redevelopment will be supported with construction loans and the developer’s equity. It should be noted that there is a gap in the financing stack that CRP will have to close with additional resources above the PILOT before the financial closing can occur.

Financing Sources	With PILOT	Without PILOT
Construction Loan (Building 1)	69,100,000	67,210,000
Construction Loan (Building 2)	63,100,000	61,220,000
Developer Equity (Building 1)	37,243,368	37,243,368
Developer Equity (Building 2)	33,916,203	33,916,203
Gap	5,852,463	9,622,463
	209,212,034	209,212,034

Fiscal Impact. When assessing the impact of this PILOT request, focus should not be only on the variance between the tax revenue lost with a PILOT versus without a PILOT, but further consideration should also be given to the effects of the PILOT as compared to current tax revenue from an outdated office building and expected revenue from a new, vibrant, mixed-income rental development. When comparing a re-developed Annapolis Junction housing development with a PILOT, there is a tax revenue loss of \$31.9 million over 20 years. Yet under the assumption that the current assessed value of Annapolis Junction before redevelopment is \$7 million, and with an estimated 2% annual increase, the new Annapolis Junction development’s projected tax revenue with a PILOT, exceeds the current Annapolis Junction’s projected tax revenue by \$12.75 million (See Attachment A).

Fiscal Impact PILOT vs No PILOT	
Proposed PILOT and Local Tax	15,649,147
No PILOT	47,548,855
Net Revenue Lost	(31,899,708)

Fiscal Impact PILOT vs Existing Tax Revenue	
Proposed PILOT and Local Tax	15,649,147
Existing Tax Revenue	2,899,076
Net Revenue Gained	12,750,071

Board Consideration. The Developer submitted a cover letter and financial documentation for the PILOT request. Factors for the Board to consider in making its recommendation:

- The development will provide 95 units at below market rents, including LIHUs and DIHUs that will be offered at even lower rent levels to low- and very low income households.
- The development will pay \$200 per unit (623 units) in PILOT payments for 20 years.
- The development will continue to pay State and County local taxes (fire tax, ad valorem and watershed).
- The redevelopment of this parcel into housing is responsive to the key priorities in the County’s general plan, HoCo by Design.
- The number of affordable units exceeds the County’s minimum affordability requirement.
- The development creates housing in a walkable community near transit.
- The redevelopment of this parcel aligns with the County’s goal of increasing housing for people of all ages, income levels and abilities.

cc: Felix Facchine, Deputy Chief of Staff
 Constance A. Tucker, Principal Counsel