



Howard County

Internal Memorandum

Subject: Testimony – Deep Falls Local Resolution & PILOT

To: Lonnie R. Robbins, Chief Administrative Officer

From: Thomas P. Carbo, Director
Housing and Community Development

Date: September 4, 2013

Resolution 119-2013 expresses the local governing body's support for the development of the Deep Falls Apartments multifamily rental housing community to be financed either directly by the Department of Housing and Community Development ("DHCD") of the State of Maryland or through the Department's Community Development Administration ("CDA"). The Howard County Housing Commission (the "Commission"), as managing member of the ownership entity, will construct and operate the 60-unit mixed-income rental community to be located near Port Capital Drive in Elkridge (the "Development").

Resolution 120-2013 supports approval of the terms and conditions of a Payment in Lieu of Taxes Agreement (the "PILOT") by and between the Commission and Howard County, Maryland for the Development.

Background

The Commission owns approximately 6.3 acres of unimproved land located at Maidstone Place and Deep Falls Way, adjacent to the Village Towns community on Port Capital Drive in Elkridge. The Commission proposes to construct and operate a 60-unit, mixed-income, green-designed garden apartment community on the property. The Commission has retained the Ingerman Group to act as developer of the project.

The Development will consist of two three-story garden apartment buildings with a mix of one-, two-, and three-bedroom units. Units will rents will range from \$500 to \$1,375 and serve households with annual incomes ranging from \$24,000 to \$80,000. The structures will be built to Enterprise Green Community Standards and include an on-site community building. The community will be served by an on-site property manager.

In order to obtain financing for the redevelopment, including federal Low Income Housing Tax Credits, it will be necessary for title to the development to be transferred via long-term lease to a limited partnership to be made up of the Commission, as general partner, and the tax credit investor.

The total development budget for the development is expected to be approximately \$13,425,000. The Commission will apply to DHCD and CDA for financing in the form of (1) a loan in the approximate amount of \$2,000,000 from the DHCD's Rental Housing Fund, and (ii) a

Low Income Housing Tax Credit (“LIHTC”) reservation in the approximate amount of \$630,000. The LIHTC credits will produce approximately \$5,600,000 in equity proceeds for the Development. The Commission will also apply for an FHA-insured first mortgage loan for the Development. Except for the PILOT, it is anticipated that no County funds will be needed for this project.

Closing of the financing and construction of the buildings is expected to commence in approximately one year with a 14-month construction period.

According to State law and DHCD regulations, projects to be financed through State funding programs must be approved by the County Executive and County Council. The County Executive has indicated his approval of this project.

In addition to the FHA loan, State loan and LIHTC, the Commission is seeking additional funding from Howard County for the Development in the form of a PILOT. Under the proposed PILOT, the Commission has requested a full tax abatement of County property taxes.

As a condition of the PILOT, the County will require the Commission to restrict the occupancy of 42 of the units to persons of low income for a period of 42 years. By its terms, the PILOT terminates upon, among other things, the repayment of the State loan. The low income restrictions, however, continue in force.

Under the government programs, the Project will operate on a limited distribution basis. The Commission and Ingerman have demonstrated that the proposed PILOT is necessary in order to make the Project financially feasible.

Fiscal Impact

Because the property is unimproved and is owned by the Commission, no State or County property taxes have been due. Consequently, should this PILOT be approved, there will be no adverse fiscal impact; in fact, State property taxes and County ad valorem and fire taxes will now be collected.

The Howard County Department of Housing and Community Development recommends approval of the Resolutions.

cc: Ken Ulman, County Executive
Jennifer Sager, Legislative Coordinator