Howard County
Internal Memorandum

Subject: Testimony on Council Resolution No. 146-2017, a Resolution approving a Payment in Liew of Taxes Agreement for Shalom Square

To: Lonnie R. Robbins,
Chief Administrative Officer

From: Carl DeLorenzo,
Director of Policy and Programs

Date: November 16, 2017

Summary

Resolution 146-2017 supports approval of the terms and conditions of a Payment in Lieu of Taxes Agreement (the "PILOT") by and between Howard County, Maryland and Shalom Heritage Limited Partnership (the "Partnership") for renovation of the 50-unit low-income, age restricted, rental housing development known as Shalom Square (the "Development").

Background

The Partnership plans to renovate the Development, a 50-unit low-income, age restricted, rental housing property located in Columbia's Long Reach village and near the Long Reach Village Center. The Development is currently part of the U.S. Department of Housing and Urban Development's ("HUD)" Section 202 program, which provides capital advances to finance supportive housing for the elderly. The Development consists of both efficiency and one-bedroom apartments. All units are age-restricted and affordable to households with incomes at or below 60 percent of the Baltimore area median income (currently $54,660) with all tenant utilities paid by the Partnership. A percentage of the units are reserved for individuals with disabilities. Existing residents will be able to remain in their units during the renovation.

The Partnership has applied for public financing from the Maryland Department of Housing and Community Development in the form of (1) equity financing from Low Income Housing Tax Credits in the approximate amount of $2,971,681.00, and (2) an emPOWER grant in the approximate amount of $384,264.00. The Partnership has also applied for public financing from the Howard County Department of Housing and Community Development in the form of (3) a Community Development Block Grant in the approximate amount of $247,541.00. The Partnership is utilizing other private funding sources to meet its cost obligations.

In addition to the funding sources listed above, the Partnership is seeking additional funding from Howard County for the project in the form of a PILOT. Under its terms, in lieu of payment of County property taxes, the Partnership will be required to pay to the County a portion (2%) of its gross rental income from the project, currently estimated at approximately $14,000 per annum. To the extent funds are available in any given year, the Partnership is also required to pay additional amounts from the project's surplus cash (2%) and residual receipts up to the full amount of taxes otherwise due.

As a condition of the PILOT, the County requires the owner to restrict the occupancy of all units to persons of lower income for 40 years. By its terms, the PILOT terminates upon, among other things, a foreclosure or a default under the PILOT or the lower income covenants.

The Partnership has demonstrated that the proposed PILOT is necessary to make the project financially feasible. Specifically, the tax savings will enable the Partnership to borrow the necessary funds to accommodate cosmetic and energy efficient improvements at an acceptable debt coverage ratio.

Fiscal Impact

Should the PILOT be approved, the fiscal impact is expected to result in an annual County property tax revenue loss of approximately $12,000 per annum.