

County Council Of Howard County, Maryland

2017 Legislative Session

Legislative Day No. 14

Resolution No. 146 -2017

Introduced by: The Chairperson at the request of the County Executive

A RESOLUTION approving the terms and conditions of a Payment in Lieu of Taxes Agreement by and between the Howard County, Maryland and Shalom Heritage Limited Partnership, a limited partnership of the State of Maryland, for a rental housing development to be known as Shalom Square.

Introduced and read first time November 6 2017.

By order 
Jessica Feldmark, Administrator

Read for a second time at a public hearing on November 20 2017.

By order 
Jessica Feldmark, Administrator

This Resolution was read the third time and was Adopted___, Adopted with amendments , Failed___, Withdrawn___, by the County Council
on December 4, 2017

Certified By 
Jessica Feldmark, Administrator

NOTE: [[text in brackets]] indicates deletions from existing law; TEXT IN SMALL CAPITALS indicates additions to existing law; Strike-out indicates material deleted by amendment; Underlining indicates material added by amendment

1 **WHEREAS**, Shalom Heritage Limited Partnership, a limited partnership of the State of
2 Maryland (the "Partnership"), has contracted to renovate certain real property located on
3 Foreland Garth Road in Columbia, Maryland; and
4

5 **WHEREAS**, The Partnership proposes to renovate the Property by rehabilitating and
6 operating a rental housing development comprised of approximately 50 low-income, age-
7 restricted units to be known as Shalom Square (the "Development"); and
8

9 ~~**WHEREAS**, the Partnership has applied to the Maryland Department of Housing and
10 Community Development, Community Development Administration for both an equity
11 financing from Low Income Housing Tax Credits in the approximate amount of Two Million
12 Nine Hundred Seventy One Thousand Six Hundred Eighty One Dollars (\$2,971,681), and an
13 emPOWER grant in the approximate amount of Three Hundred Eighty Four Thousand Two
14 Hundred Sixty Four Dollars (\$384,264), and to the Howard County Department of Housing and
15 Community Development for a Community Development Block Grant in the approximate
16 amount of Two Hundred Forty Seven Thousand Five Hundred Forty One Dollars (\$247,541) to
17 fund a portion of the rehabilitation costs of the Development (collectively, the "State and County
18 Financing"); and~~

19 **WHEREAS**, the Partnership has applied to (A) the Maryland Department of Housing
20 and Community Development, either directly or through its Community Development
21 Administration for (i) equity financing derived from Low Income Housing Tax Credits in the
22 approximate amount of Three Million One Hundred Fifty-Three Thousand Nine Hundred
23 Ninety-Seven Dollars (\$3,153,997), (ii) a Mortgage Bond Program loan derived from the sale of
24 tax-exempt bonds in the approximate aggregate principal amount of Six Million Two Hundred
25 Twenty Thousand Dollars (\$6,220,000); and (iii) financing through an affiliate of the Partnership
26 derived from an EmPOWER grant in the approximate amount of Two Hundred Eighty Four
27 Thousand Three Hundred Sixty Four Dollars (\$284,364); and (B) to the Howard County
28 Department of Housing and Community Development for financing through an affiliate of the
29 Partnership through a Community Development Block Grant in the approximate amount of Two
30 Hundred Forty Seven Thousand Five Hundred Forty One Dollars (\$247,541) to fund a portion of
31 the rehabilitation costs of the Development (collectively the "State and County Financing"); and

1
2 **WHEREAS**, pursuant to the State and County Financing programs, the Development
3 will provide housing for lower income persons; and
4

5 **WHEREAS**, the Partnership has requested that the County permit the Partnership to
6 make payments in lieu of County real property taxes pursuant to Section 7-506.1 of the Tax-
7 Property Article of the Annotated Code of Maryland; and
8

9 **WHEREAS**, the Partnership has demonstrated to the County that an agreement for
10 payments in lieu of taxes is necessary to make the Project economically feasible; and
11

12 **WHEREAS**, in order to induce the Partnership to provide affordable housing in Howard
13 County, it is in the interest of the County to accept payments in lieu of County real property
14 taxes subject to the terms and conditions of the Payment in Lieu of Taxes Agreement attached to
15 this Resolution as "Exhibit 1".
16

17 **NOW, THEREFORE, BE IT RESOLVED** by the County Council of Howard County,
18 Maryland this 4th day of December, 2017, that:

- 19 (1) In accordance with Section 7-506.1 of the Tax-Property Article of the Annotated Code of
20 Maryland, the County shall abate all County real property taxes for the Project subject to
21 the terms and conditions of the Payment in Lieu of Taxes Agreement (the "Agreement")
22 attached to this Resolution as "Exhibit 1".
- 23 (2) The County Executive is hereby authorized to execute and deliver the Agreement in the
24 name and on behalf of the County in substantially the form attached.
- 25 (3) The County Executive, prior to execution and delivery of the Agreement, may make such
26 changes or modifications to the Agreement as he deems appropriate in order to
27 accomplish the purpose of the transactions authorized by this Resolution, provided that
28 such changes or modifications shall be within the scope of the transactions authorized by
29 this Resolution; and the execution of the Agreement by the County Executive shall be
30 conclusive evidence of the approval by the County Executive of all changes or

1 modifications to the Agreement, and the Agreement shall thereupon become binding
2 upon the County in accordance with its terms.

Development: Shalom Square

PAYMENT IN LIEU OF TAXES AGREEMENT

THIS AGREEMENT (this “Agreement”) is made as of this ____ day of _____, 2017, by and between SHALOM HERITAGE LIMITED PARTNERSHIP, a limited partnership of the State of Maryland (the “Partnership”) and HOWARD COUNTY, MARYLAND, a body corporate and politic of the State of Maryland (the “County”).

RECITALS

A. The Partnership has contracted to acquire certain real property located on Foreland Garth in Columbia, Maryland, which real property is more particularly described on Exhibit “A” attached hereto (the “Property”). The Partnership proposes to rehabilitate and operate on the Property a fifty (50) unit low-income, age restricted, rental housing development to be known as “Shalom Square” (the “Development”).

~~B. The Partnership has applied to the Maryland Department of Housing and Community Development, Community Development Administration for both an equity financing from Low Income Housing Tax Credits in the approximate amount of Two Million Nine Hundred Seventy One Thousand Six Hundred Eighty One Dollars (\$2,971,681.00), and an emPOWER grant in the approximate amount of Three Hundred Eighty Four Thousand Two Hundred Sixty Four Dollars (\$384,264.00), and to the Howard County Department of Housing and Community Development for a Community Development Block Grant in the approximate amount of Two Hundred Forty Seven Thousand Five Hundred Forty One Dollars (\$247,541.00) to fund a portion of the rehabilitation costs of the Development (collectively, the “State and County Financing”). Under those State and County programs, the Development will provide housing for lower income persons.~~

B. In order to fund a portion of the rehabilitation costs of the Development, the Partnership has applied to (A) the Maryland Department of Housing and Community Development, either directly or through its Community Development Administration for (i) equity financing derived from Low Income Housing Tax Credits in the approximate amount of Three Million One Hundred Fifty-Three Thousand Nine Hundred Ninety-Seven Dollars (\$3,153,997), (ii) a Mortgage Bond Program loan derived from the sale of tax-exempt bonds in the approximate aggregate principal amount of Six Million Two Hundred Twenty Thousand Dollars (\$6,220,000); and (iii) financing through an affiliate of the Partnership derived from an EmPOWER grant in the approximate amount of Two Hundred Eighty Four Thousand Three Hundred Sixty Four Dollars (\$284,364); and (B) to the Howard County Department of Housing and Community Development for financing through an affiliate of the Partnership through a Community Development Block Grant in the approximate amount of Two Hundred Forty Seven Thousand Five Hundred Forty One Dollars (\$247,541). All of the financing referenced in this recital shall be collectively referred to herein as the “State and County Financing”. Under the State and County Financing programs, the Development will provide housing for lower income persons.

C. The Partnership has requested that the County permit the Partnership 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 (the "Act"). The Act provides, among other things, that real property may be exempt from County property tax if:

(1) the real property is owned or leased by a person engaged in constructing or operating housing structures or projects;

(2) the real property is used for a housing structure or project that is constructed or substantially rehabilitated under a federal, State, or local government program that funds construction, or insures its financing in whole or in part, or provides interest subsidy, rent subsidy or rent supplements;

(3) the owner of the real property agrees to (A) continue to maintain the real property as rental housing for lower income persons under the requirements of the governmental programs described in item (2) of this paragraph and agrees to renew any annual contributions contract or other agreement for rental subsidy or supplement or (B) enters into an agreement with the governing body of the County to allow the entire property or the portion of the property which was maintained for lower income persons to remain as housing for lower income persons for a term of at least five years; and

(4) the owner and the governing body of the county where the real property is located agree that the owner shall pay a negotiated amount in lieu of the applicable county property tax.

D. In order to induce the Partnership to provide housing for lower income persons, the County agrees to accept payments in lieu of County real property taxes, subject to the terms and conditions of this Agreement.

E. The County Council of Howard County, Maryland has approved this Agreement by resolution, a copy of which is attached hereto as Exhibit "B".

NOW, THEREFORE, in consideration of the premises and the mutual promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Partnership and the County agree as follows:

1. Definitions. In this Agreement, the term:

(a) "Distribution" means any withdrawal or taking of cash or any assets of the Development, excluding payment for reasonable expenses incident to the operation and maintenance of the Development. Such expenses shall include a reasonable property management fee and a reasonable guaranteed distribution to the limited partner as an investor services fee.

(b) "Gross Rental Income" means the total of all charges paid by all tenants of the Development, less the cost of all utilities paid by the Partnership.

(c) "Household of Low Income" means a household whose annual income meets the requirements of the federal Low Income Housing Tax Credit program, 26 USC 42(g)(1)(B), which requires, among other things, that the initial annual income of an eligible household is sixty percent (60%) or less of the median income as set from time to time by the United States Department of Housing and Urban Development for Section 8 Programs in the Baltimore Metropolitan Statistical Area.

(d) "Initial Closing" means the date of the initial closing of the State and County Financing.

(e) "Residual Receipts" means any cash remaining at the end of a calendar year after deducting from Surplus Cash:

(i) the Payment required by Section 5(b) of this Agreement; and

(ii) any Distributions, the aggregate of which do not exceed 10% of the Partnership's initial equity investment in the Development, as determined by the County.

(f) "Surplus Cash" means any cash remaining at the end of a calendar year after the payment of:

(i) the Payment required by Section 5(a) of this Agreement;

(ii) all reasonable and actual operating costs and expenses of the Development including reasonable property management fees, reasonable asset management fees to the managing general partner, and a reasonable guaranteed distribution to the limited member as an investor services fee; and

(iii) all payments required under any mortgage on the Property approved by the County, including payments under the State and County Financing.

2. Acceptance of Payments. For the term of this Agreement, the Partnership shall make, and the County shall accept, annual payments in lieu of all County real property taxes due on the Property (the "Payments"). The Property shall be exempt from County real property taxes in accordance with the Act so long as this Agreement is in effect.

3. Conditions Precedent. This Agreement shall not take effect unless and until each of the following conditions precedent have been fulfilled:

(a) Title. The Partnership shall have taken fee simple and/or leasehold title to the Property;

(b) Financing. The Partnership shall have received the State and County Financing for construction of the Development; and

(c) PILOT Covenants. The Partnership shall have executed and recorded covenants on the Property, in a form acceptable to the County, that require the Partnership and all subsequent owners of the Property to offer for rent not fewer than fifty (50) of the rental units in the Development to Households of Low Income for a period of not fewer than forty (40) years from the date of Initial Closing (the "PILOT Covenants").

4. Effective Date. This Agreement shall take effect when each of the conditions precedent set forth in Section 3 are fulfilled (the "Effective Date"); provided, however, that if all of the conditions precedent are not fulfilled by February 1, 2018, this Agreement shall be null and void.

5. Amount of Payments. Each Payment made under this Agreement shall be in an amount calculated as follows:

(a) Minimum Payment. The Partnership shall pay to the County an amount equal to (i) two percent (2%) of the Development's Gross Rental Income for the preceding calendar year, less (ii) the amount of County fire tax, front-foot benefit assessment charge, ad valorem charge, and, if applicable, Middle Patuxent Drainage Area Supplemental Ad Valorem Charge (the "County Assessments") paid by the Borrower for the Development for the current taxable year.

(b) Payment from Surplus Cash. To the extent funds are available from Surplus Cash, the Partnership shall pay to the County an additional two percent (2%) of the Development's Gross Rental Income.

(c) Payment from Residual Receipts. To the extent funds are available from Residual Receipts, the Partnership shall pay to the County an amount which, when added to the Payments made under (a) and (b), equals (i) the County real property taxes which would have been paid for the current taxable year, if the Development were not exempt from taxation, plus (ii) the County Assessments paid by the Partnership for the Development for the current taxable year.

(d) Total Payment. The intention of this Agreement is that each Payment shall at no time exceed the aggregate of (i) County real property taxes which would have been paid for the current taxable year, if the Development were not exempt from taxation, plus (ii) the County Assessments paid by the Partnership for the Development for the current taxable year.

6. Time and Place Payments Due. Each Payment shall be made by May 1 of each year for the prior calendar year. Payments shall be made to the Director of Finance, 3430 Courthouse Drive, Ellicott City, Maryland 21043. Payments of the County Assessments shall be made at the time and in the manner provided by law.

7. Penalties for Late Payment. The Partnership shall be subject to the following penalties for late payments:

(a) 1% per month or part of a month during the period May 2 to June 30 following the due date; and

(b) 1 1/2% per month or part of a month on or after July 1 following the due date.

8. Penalties for Failure to Pay. At the option of the County, if any Payment is due and unpaid on or after July 1 following the due date, this Agreement may be terminated and all County real property taxes for the preceding taxable year shall be immediately due and payable.

9. Reports and Records.

(a) By no later than March 31 of each year, the Partnership shall submit to the County's Director of Finance, in a form acceptable to the County, a report of the Development's income and expenses for the preceding calendar year, including an itemized breakdown of Gross Rental Income, Surplus Cash, and Residual Receipts.

(b) The Partnership shall submit such other reports as the County may reasonably require in order to verify the Partnership's compliance with this Agreement.

(c) The Partnership shall permit the County or any of its authorized agents to inspect the records of the Development in order to verify the Partnership's compliance with this Agreement.

10. Representation and Warranties.

(a) The Partnership represents and warrants to the County that it is eligible in all respects to enter in this Agreement to make payments in lieu of taxes under the Act.

(b) The Partnership covenants and agrees that it will do all things necessary to remain eligible to make payments in lieu of taxes in accordance with the Act.

(c) The Partnership agrees that it shall remain in good standing with the State Department of Assessments and Taxation.

11. Term of Agreement. This Agreement shall remain in effect until the earlier to occur of:

(a) the termination of the PILOT Covenants;

(b) the foreclosure, or the making of a deed in lieu of foreclosure, of any portion of the Property, unless the party acquiring the Property agrees to continue the PILOT Covenants under terms and conditions acceptable to the County;

(c) any default under the PILOT Covenants which is not cured within a reasonable period after notice, which period shall in all events be at least thirty (30) days; or

(d) any default under this Agreement which is not cured ~~which~~ with a reasonable period after notice.

12. Sale; Liens; Partnership Interests. During the term of this Agreement, the Partnership shall not, without the prior written consent of the County, make any transfer, exchange, encumber or otherwise convey its interest in the Property except as permitted by the State and County Financing documents. If the Partnership transfers the Property to a new owner (other than a holder of a mortgage or deed of trust in the event of foreclosure or deed in lieu of foreclosure), then the Partnership shall be permitted to assign this Agreement to the new owner, provided that (i) the transfer to the assignee was permitted by the State and County Financing documents and (ii) the assignee shall be subject to the terms and conditions of this Agreement.

13. State Taxes. The Partnership acknowledges and agrees that it shall pay all State real property taxes.

14. Successors and Assigns. This Agreement shall be binding upon, and shall inure to the benefit of, all successors and assigns of the Partnership.

15. Entire Agreement. This Agreement represents the entire understanding and agreement of the parties.

[SIGNATURES BEGIN ON NEXT PAGE]

IN WITNESS WHEREOF, the Partnership and the County, by their duly authorized representatives have signed this Agreement as of the date first written above.

WITNESS/ATTEST:

SHALOM HERITAGE LIMITED PARTNERSHIP, a Maryland limited partnership

By: SHALOM HERITAGE DEVELOPMENT, LLC, a Maryland limited liability company, its General Partner

By: Heritage Housing Partners Corporation, a Maryland corporation, its Managing Member

Name: _____
Title: _____

By: _____(SEAL)
Name: Grace Morris
Title: Executive Director

[COUNTY SIGNATURES ON FOLLOWING PAGE]

WITNESS/ATTEST:

HOWARD COUNTY, MARYLAND

Name: Lonnie Robbins
Title: Chief Administrative Officer

By: _____(SEAL)
Name: Allan Kittleman
Title: County Executive

APPROVED for Form and Legal
Sufficiency this _____ day of
_____, 20__.

APPROVED by Department of Finance

Gary Kuc
County Solicitor

Stanley Milesky
Director

Reviewing Attorney:

Kristen Bowen Perry

Exhibit A: Property Description
Exhibit B: Council Resolution No. _____

EXHIBIT A

LEGAL DESCRIPTION

Being known and designated as Parcel A-2 as shown on a plat entitled "Columbia Village of Long Reach, Section 1, Area 7, Parcel A-1 and Parcel A-2, a Resubdivision of Parcel A" which plat is recorded in the Land Records of Howard County, Maryland as Plat No. 3918.

Amendment 1 to Council Resolution No. 146-2017

BY: Chairperson at the request
of the County Executive

Legislative Day No. 15
Date: December 4, 2017

Amendment No. 1

(This amendment:

1. Corrects the amount of Low Income Housing Tax Credits to be \$3,153,997;
2. Corrects the EmPower grant to be \$284,364;
3. Adds a Mortgage Bond Program loan derived from the sale of tax-exempt bonds in the approximate aggregate principal amount of \$6,220,000 as another source of financing for the project; and
4. Makes a technical correction.)

On page 1, strike lines 9 through 18, inclusive and in their entirety and substitute:

“WHEREAS, the Partnership has applied to (A) the Maryland Department of Housing and Community Development, either directly or through its Community Development Administration for (i) equity financing derived from Low Income Housing Tax Credits in the approximate amount of Three Million One Hundred Fifty-Three Thousand Nine Hundred Ninety-Seven Dollars (\$3,153,997), (ii) a Mortgage Bond Program loan derived from the sale of tax-exempt bonds in the approximate aggregate principal amount of Six Million Two Hundred Twenty Thousand Dollars (\$6,220,000); and (iii) financing through an affiliate of the Partnership derived from an EmPOWER grant in the approximate amount of Two Hundred Eighty Four Thousand Three Hundred Sixty Four Dollars (\$284,364); and (B) to the Howard County Department of Housing and Community Development for financing through an affiliate of the Partnership through a Community Development Block Grant in the approximate amount of Two Hundred Forty Seven Thousand Five Hundred Forty One Dollars (\$247,541) to fund a portion of the rehabilitation costs of the Development (collectively the “State and County Financing”); and”

In the Payment in Lieu of Taxes Agreement, substantially in the form attached to the Resolution as Exhibit 1:

- On page 1, strike Recital B, in its entirety and substitute:

B. In order to fund a portion of the rehabilitation costs of the Development, the Partnership has applied to (A) the Maryland Department of Housing and Community Development, either directly or through its Community Development Administration for (i) equity financing derived from Low Income Housing Tax Credits in the approximate amount of

1 Three Million One Hundred Fifty-Three Thousand Nine Hundred Ninety-Seven Dollars
2 (\$3,153,997), (ii) a Mortgage Bond Program loan derived from the sale of tax-exempt bonds in
3 the approximate aggregate principal amount of Six Million Two Hundred Twenty Thousand
4 Dollars (\$6,220,000); and (iii) financing through an affiliate of the Partnership derived from an
5 EmPOWER grant in the approximate amount of Two Hundred Eighty Four Thousand Three
6 Hundred Sixty Four Dollars (\$284,364); and (B) to the Howard County Department of Housing
7 and Community Development for financing through an affiliate of the Partnership through a
8 Community Development Block Grant in the approximate amount of Two Hundred Forty Seven
9 Thousand Five Hundred Forty One Dollars (\$247,541). All of the financing referenced in this
10 recital shall be collectively referred to herein as the "State and County Financing". Under the
11 State and County Financing programs, the Development will provide housing for lower income
12 persons."

- 13 • On page 5, in item 11.(d), strike the second "which" and substitute "with".
- 14

ADOPTED 12/4/17
FAILED _____
SIGNATURE Jessica Feldman

County Council Of Howard County, Maryland

2017 Legislative Session

Legislative Day No. 14

Resolution No. 146 -2017

Introduced by: The Chairperson at the request of the County Executive

A RESOLUTION approving the terms and conditions of a Payment in Lieu of Taxes Agreement by and between the Howard County, Maryland and Shalom Heritage Limited Partnership, a limited partnership of the State of Maryland, for a rental housing development to be known as Shalom Square.

Introduced and read first time _____, 2017.

By order _____
Jessica Feldmark, Administrator

Read for a second time at a public hearing on _____, 2017.

By order _____
Jessica Feldmark, Administrator

This Resolution was read the third time and was Adopted __, Adopted with amendments __, Failed __, Withdrawn __, by the County Council on _____, 2017

Certified By _____
Jessica Feldmark, Administrator

NOTE: [[text in brackets]] indicates deletions from existing law; TEXT IN SMALL CAPITALS indicates additions to existing law; Strike-out indicates material deleted by amendment; Underlining indicates material added by amendment

1 **WHEREAS**, Shalom Heritage Limited Partnership, a limited partnership of the State of
2 Maryland (the "Partnership"), has contracted to renovate certain real property located on
3 Foreland Garth Road in Columbia, Maryland; and
4

5 **WHEREAS**, The Partnership proposes to renovate the Property by rehabilitating and
6 operating a rental housing development comprised of approximately 50 low-income, age-
7 restricted units to be known as Shalom Square (the "Development"); and
8

9 **WHEREAS**, the Partnership has applied to the Maryland Department of Housing and
10 Community Development, Community Development Administration for both an equity
11 financing from Low Income Housing Tax Credits in the approximate amount of Two Million
12 Nine Hundred Seventy One Thousand Six Hundred Eighty One Dollars (\$2,971,681), and an
13 emPOWER grant in the approximate amount of Three Hundred Eighty Four Thousand Two
14 Hundred Sixty Four Dollars (\$384,264), and to the Howard County Department of Housing and
15 Community Development for a Community Development Block Grant in the approximate
16 amount of Two Hundred Forty Seven Thousand Five Hundred Forty One Dollars (\$247,541) to
17 fund a portion of the rehabilitation costs of the Development (collectively, the "State and County
18 Financing"); and
19

20 **WHEREAS**, pursuant to the State and County Financing programs, the Development
21 will provide housing for lower income persons; and
22

23 **WHEREAS**, the Partnership has requested that the County permit the Partnership to
24 make payments in lieu of County real property taxes pursuant to Section 7-506.1 of the Tax-
25 Property Article of the Annotated Code of Maryland; and
26

27 **WHEREAS**, the Partnership has demonstrated to the County that an agreement for
28 payments in lieu of taxes is necessary to make the Project economically feasible; and
29

30 **WHEREAS**, in order to induce the Partnership to provide affordable housing in Howard
31 County, it is in the interest of the County to accept payments in lieu of County real property

1 taxes subject to the terms and conditions of the Payment in Lieu of Taxes Agreement attached to
2 this Resolution as "Exhibit 1".

3

4 **NOW, THEREFORE, BE IT RESOLVED** by the County Council of Howard County,
5 Maryland this ____ day of _____, 2017, that:

6 (1) In accordance with Section 7-506.1 of the Tax-Property Article of the Annotated Code of
7 Maryland, the County shall abate all County real property taxes for the Project subject to
8 the terms and conditions of the Payment in Lieu of Taxes Agreement (the "Agreement")
9 attached to this Resolution as "Exhibit 1".

10 (2) The County Executive is hereby authorized to execute and deliver the Agreement in the
11 name and on behalf of the County in substantially the form attached.

12 (3) The County Executive, prior to execution and delivery of the Agreement, may make such
13 changes or modifications to the Agreement as he deems appropriate in order to
14 accomplish the purpose of the transactions authorized by this Resolution, provided that
15 such changes or modifications shall be within the scope of the transactions authorized by
16 this Resolution; and the execution of the Agreement by the County Executive shall be
17 conclusive evidence of the approval by the County Executive of all changes or
18 modifications to the Agreement, and the Agreement shall thereupon become binding
19 upon the County in accordance with its terms.

Development: Shalom Square

PAYMENT IN LIEU OF TAXES AGREEMENT

THIS AGREEMENT (this "Agreement") is made as of this _____ day of _____, 2017, by and between SHALOM HERITAGE LIMITED PARTNERSHIP, a limited partnership of the State of Maryland (the "Partnership") and HOWARD COUNTY, MARYLAND, a body corporate and politic of the State of Maryland (the "County").

RECITALS

A. The Partnership has contracted to acquire certain real property located on Foreland Garth in Columbia, Maryland, which real property is more particularly described on Exhibit "A" attached hereto (the "Property"). The Partnership proposes to rehabilitate and operate on the Property a fifty (50) unit low-income, age restricted, rental housing development to be known as "Shalom Square" (the "Development").

B. The Partnership has applied to the Maryland Department of Housing and Community Development, Community Development Administration for both an equity financing from Low Income Housing Tax Credits in the approximate amount of Two Million Nine Hundred Seventy One Thousand Six Hundred Eighty One Dollars (\$2,971,681.00), and an emPOWER grant in the approximate amount of Three Hundred Eighty Four Thousand Two Hundred Sixty Four Dollars (\$384,264.00), and to the Howard County Department of Housing and Community Development for a Community Development Block Grant in the approximate amount of Two Hundred Forty Seven Thousand Five Hundred Forty One Dollars (\$247,541.00) to fund a portion of the rehabilitation costs of the Development (collectively, the "State and County Financing"). Under those State and County programs, the Development will provide housing for lower income persons.

C. The Partnership has requested that the County permit the Partnership 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 (the "Act"). The Act provides, among other things, that real property may be exempt from County property tax if:

- (1) the real property is owned or leased by a person engaged in constructing or operating housing structures or projects;
- (2) the real property is used for a housing structure or project that is constructed or substantially rehabilitated under a federal, State, or local government program that funds construction, or insures its financing in whole or in part, or provides interest subsidy, rent subsidy or rent supplements;
- (3) the owner of the real property agrees to (A) continue to maintain the real property as rental housing for lower income persons under the requirements of the governmental programs described in item (2) of this paragraph and agrees to renew any annual contributions

contract or other agreement for rental subsidy or supplement or (B) enters into an agreement with the governing body of the County to allow the entire property or the portion of the property which was maintained for lower income persons to remain as housing for lower income persons for a term of at least five years; and

(4) the owner and the governing body of the county where the real property is located agree that the owner shall pay a negotiated amount in lieu of the applicable county property tax.

D. In order to induce the Partnership to provide housing for lower income persons, the County agrees to accept payments in lieu of County real property taxes, subject to the terms and conditions of this Agreement.

E. The County Council of Howard County, Maryland has approved this Agreement by resolution, a copy of which is attached hereto as Exhibit "B".

NOW, THEREFORE, in consideration of the premises and the mutual promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Partnership and the County agree as follows:

1. Definitions. In this Agreement, the term:

(a) "Distribution" means any withdrawal or taking of cash or any assets of the Development, excluding payment for reasonable expenses incident to the operation and maintenance of the Development. Such expenses shall include a reasonable property management fee and a reasonable guaranteed distribution to the limited partner as an investor services fee.

(b) "Gross Rental Income" means the total of all charges paid by all tenants of the Development, less the cost of all utilities paid by the Partnership.

(c) "Household of Low Income" means a household whose annual income meets the requirements of the federal Low Income Housing Tax Credit program, 26 USC 42(g)(1)(B), which requires, among other things, that the initial annual income of an eligible household is sixty percent (60%) or less of the median income as set from time to time by the United States Department of Housing and Urban Development for Section 8 Programs in the Baltimore Metropolitan Statistical Area.

(d) "Initial Closing" means the date of the initial closing of the State and County Financing.

(e) "Residual Receipts" means any cash remaining at the end of a calendar year after deducting from Surplus Cash:

(i) the Payment required by Section 5(b) of this Agreement; and

(ii) any Distributions, the aggregate of which do not exceed 10% of the Partnership's initial equity investment in the Development, as determined by the County.

(f) "Surplus Cash" means any cash remaining at the end of a calendar year after the payment of:

(i) the Payment required by Section 5(a) of this Agreement;

(ii) all reasonable and actual operating costs and expenses of the Development including reasonable property management fees, reasonable asset management fees to the managing general partner, and a reasonable guaranteed distribution to the limited member as an investor services fee; and

(iii) all payments required under any mortgage on the Property approved by the County, including payments under the State and County Financing.

2. Acceptance of Payments. For the term of this Agreement, the Partnership shall make, and the County shall accept, annual payments in lieu of all County real property taxes due on the Property (the "Payments"). The Property shall be exempt from County real property taxes in accordance with the Act so long as this Agreement is in effect.

3. Conditions Precedent. This Agreement shall not take effect unless and until each of the following conditions precedent have been fulfilled:

(a) Title. The Partnership shall have taken fee simple and/or leasehold title to the Property;

(b) Financing. The Partnership shall have received the State and County Financing for construction of the Development; and

(c) PILOT Covenants. The Partnership shall have executed and recorded covenants on the Property, in a form acceptable to the County, that require the Partnership and all subsequent owners of the Property to offer for rent not fewer than fifty (50) of the rental units in the Development to Households of Low Income for a period of not fewer than forty (40) years from the date of Initial Closing (the "PILOT Covenants").

4. Effective Date. This Agreement shall take effect when each of the conditions precedent set forth in Section 3 are fulfilled (the "Effective Date"); provided, however, that if all of the conditions precedent are not fulfilled by February 1, 2018, this Agreement shall be null and void.

5. Amount of Payments. Each Payment made under this Agreement shall be in an amount calculated as follows:

(a) Minimum Payment. The Partnership shall pay to the County an amount equal to (i) two percent (2%) of the Development's Gross Rental Income for the preceding calendar

year, less (ii) the amount of County fire tax, front-foot benefit assessment charge, ad valorem charge, and, if applicable, Middle Patuxent Drainage Area Supplemental Ad Valorem Charge (the "County Assessments") paid by the Borrower for the Development for the current taxable year.

(b) Payment from Surplus Cash. To the extent funds are available from Surplus Cash, the Partnership shall pay to the County an additional two percent (2%) of the Development's Gross Rental Income.

(c) Payment from Residual Receipts. To the extent funds are available from Residual Receipts, the Partnership shall pay to the County an amount which, when added to the Payments made under (a) and (b), equals (i) the County real property taxes which would have been paid for the current taxable year, if the Development were not exempt from taxation, plus (ii) the County Assessments paid by the Partnership for the Development for the current taxable year.

(d) Total Payment. The intention of this Agreement is that each Payment shall at no time exceed the aggregate of (i) County real property taxes which would have been paid for the current taxable year, if the Development were not exempt from taxation, plus (ii) the County Assessments paid by the Partnership for the Development for the current taxable year.

6. Time and Place Payments Due. Each Payment shall be made by May 1 of each year for the prior calendar year. Payments shall be made to the Director of Finance, 3430 Courthouse Drive, Ellicott City, Maryland 21043. Payments of the County Assessments shall be made at the time and in the manner provided by law.

7. Penalties for Late Payment. The Partnership shall be subject to the following penalties for late payments:

(a) 1% per month or part of a month during the period May 2 to June 30 following the due date; and

(b) 1 1/2% per month or part of a month on or after July 1 following the due date.

8. Penalties for Failure to Pay. At the option of the County, if any Payment is due and unpaid on or after July 1 following the due date, this Agreement may be terminated and all County real property taxes for the preceding taxable year shall be immediately due and payable.

9. Reports and Records.

(a) By no later than March 31 of each year, the Partnership shall submit to the County's Director of Finance, in a form acceptable to the County, a report of the Development's income and expenses for the preceding calendar year, including an itemized breakdown of Gross Rental Income, Surplus Cash, and Residual Receipts.

14. Successors and Assigns. This Agreement shall be binding upon, and shall inure to the benefit of, all successors and assigns of the Partnership.

15. Entire Agreement. This Agreement represents the entire understanding and agreement of the parties.

[SIGNATURES BEGIN ON NEXT PAGE]

(b) The Partnership shall submit such other reports as the County may reasonably require in order to verify the Partnership's compliance with this Agreement.

(c) The Partnership shall permit the County or any of its authorized agents to inspect the records of the Development in order to verify the Partnership's compliance with this Agreement.

10. Representation and Warranties.

(a) The Partnership represents and warrants to the County that it is eligible in all respects to enter in this Agreement to make payments in lieu of taxes under the Act.

(b) The Partnership covenants and agrees that it will do all things necessary to remain eligible to make payments in lieu of taxes in accordance with the Act.

(c) The Partnership agrees that it shall remain in good standing with the State Department of Assessments and Taxation.

11. Term of Agreement. This Agreement shall remain in effect until the earlier to occur of:

(a) the termination of the PILOT Covenants;

(b) the foreclosure, or the making of a deed in lieu of foreclosure, of any portion of the Property, unless the party acquiring the Property agrees to continue the PILOT Covenants under terms and conditions acceptable to the County;

(c) any default under the PILOT Covenants which is not cured within a reasonable period after notice, which period shall in all events be at least thirty (30) days; or

(d) any default under this Agreement which is not cured within a reasonable period after notice.

12. Sale; Liens; Partnership Interests. During the term of this Agreement, the Partnership shall not, without the prior written consent of the County, make any transfer, exchange, encumber or otherwise convey its interest in the Property except as permitted by the State and County Financing documents. If the Partnership transfers the Property to a new owner (other than a holder of a mortgage or deed of trust in the event of foreclosure or deed in lieu of foreclosure), then the Partnership shall be permitted to assign this Agreement to the new owner, provided that (i) the transfer to the assignee was permitted by the State and County Financing documents and (ii) the assignee shall be subject to the terms and conditions of this Agreement.

13. State Taxes. The Partnership acknowledges and agrees that it shall pay all State real property taxes.

Amendment 1 to Council Resolution No. 146-2017

BY: Chairperson at the request
of the County Executive

Legislative Day No. 15
Date: December 4, 2017

Amendment No. 1

(This amendment:

1. Corrects the amount of Low Income Housing Tax Credits to be \$3,153,997;
2. Corrects the EmPower grant to be \$284,364;
3. Adds a Mortgage Bond Program loan derived from the sale of tax-exempt bonds in the approximate aggregate principal amount of \$6,220,000 as another source of financing for the project; and
4. Makes a technical correction.)

1 On page 1, strike lines 9 through 18, inclusive and in their entirety and substitute:

2
3 “WHEREAS, the Partnership has applied to (A) the Maryland Department of Housing
4 and Community Development, either directly or through its Community Development
5 Administration for (i) equity financing derived from Low Income Housing Tax Credits in the
6 approximate amount of Three Million One Hundred Fifty-Three Thousand Nine Hundred
7 Ninety-Seven Dollars (\$3,153,997), (ii) a Mortgage Bond Program loan derived from the sale of
8 tax-exempt bonds in the approximate aggregate principal amount of Six Million Two Hundred
9 Twenty Thousand Dollars (\$6,220,000); and (iii) financing through an affiliate of the Partnership
10 derived from an EmPOWER grant in the approximate amount of Two Hundred Eighty Four
11 Thousand Three Hundred Sixty Four Dollars (\$284,364); and (B) to the Howard County
12 Department of Housing and Community Development for financing through an affiliate of the
13 Partnership through a Community Development Block Grant in the approximate amount of Two
14 Hundred Forty Seven Thousand Five Hundred Forty One Dollars (\$247,541) to fund a portion of
15 the rehabilitation costs of the Development (collectively the “State and County Financing”); and”
16

17 In the Payment in Lieu of Taxes Agreement, substantially in the form attached to the Resolution
18 as Exhibit 1:

- 19 • On page 1, strike Recital B, in its entirety and substitute:

20 B. In order to fund a portion of the rehabilitation costs of the Development, the
21 Partnership has applied to (A) the Maryland Department of Housing and Community
22 Development, either directly or through its Community Development Administration for (i)
23 equity financing derived from Low Income Housing Tax Credits in the approximate amount of

1 Three Million One Hundred Fifty-Three Thousand Nine Hundred Ninety-Seven Dollars
2 (\$3,153,997), (ii) a Mortgage Bond Program loan derived from the sale of tax-exempt bonds in
3 the approximate aggregate principal amount of Six Million Two Hundred Twenty Thousand
4 Dollars (\$6,220,000); and (iii) financing through an affiliate of the Partnership derived from an
5 EmPOWER grant in the approximate amount of Two Hundred Eighty Four Thousand Three
6 Hundred Sixty Four Dollars (\$284,364); and (B) to the Howard County Department of Housing
7 and Community Development for financing through an affiliate of the Partnership through a
8 Community Development Block Grant in the approximate amount of Two Hundred Forty Seven
9 Thousand Five Hundred Forty One Dollars (\$247,541). All of the financing referenced in this
10 recital shall be collectively referred to herein as the “State and County Financing”. Under the
11 State and County Financing programs, the Development will provide housing for lower income
12 persons.”.

- 13 • On page 5, in item 11.(d), strike the second “which” and substitute “with”.

14

Testimony supporting CR 146-2017 PILOT for Shalom Heritage Limited Partnership

Good evening County Council Members

My name is Grace Morris and I reside at 5980 Avalon Drive in Elkridge, MD. I have lived in Howard County for 19 years. For the past 9 years I have served as the Executive Director of Heritage Housing Partners Corporation a 501 c 3 that has provided quality affordable housing in Columbia for 50 years. Currently, we own and or manage nearly 150 units of housing for the elderly and disabled.

I am here this evening to ask you to approve CR 146-2017, a PILOT for Shalom Heritage Limited Partnership. Our organization built the Shalom Square property located at 6240 Foreland Garth in Columbia in 1979 and has acted as the owner and management agent ever since. The property has 50 units, 35 one bedrooms and 15 efficiencies. Even though we have done our best to maintain this lovely property, it is showing its age.

Our organization is extremely excited about this project for a variety of reasons. First and fore most we are pleased to be preserving these affordable housing units in our community for seniors and the disabled by entering in to a new HAP contract with HUD (our current agreement ends in 2019 at which time we could have chosen to make it a market rate property). With the new HAP, the tax credits and hopefully, this PILOT agreement, this property will stay affordable for another 40 years. We are delighted that these sources will enable us to provide our current and future residents with more energy efficient, up to date homes and a property that will be more accessible for them as they age. We are pleased that the residents will be able to stay in place during the construction process and that we are upgrading our five barrier free units and will have an additional three units for persons with hearing and visual impairments.

We are also very pleased that this project will be our first ever Tax Credit deal. It has been a very long, challenging, frustrating, exciting, and interesting learning experience to say the least. You have heard Carl's very well organized detailed presentation of all of the funding sources involved and why this PILOT is such an important piece of the puzzle. Clearly, it takes a village to rehab affordable housing.

I want to share with you a little bit about our residents. We have 56 residents living at the property currently. All of the residents are below 60 percent of area median income (AMI) and a many fall at or below 30%. Several of the residents love to plant flower gardens around their units. They love to decorate for the holidays. Many participate in day programs and are they active in their churches. Our oldest resident is a beautiful lady who is 92 years young. Our longest tenured resident is a gentleman who has lived at the property for 22 years and the average age of our residents, is 74. Our Resident Council President Ms. Dolores who is testifying next, has 10 grandchildren and 11 great grandchildren. By approving this legislation, you will enable us to give our deserving residents a wonderful place to live that they will truly be proud to call home. I thank you for your time and your consideration.

Testimony supporting CR 146-2017 PILOT for Shalom Heritage Limited Partnership

Good evening County Council Members

My name is Dolores Foreman and I live at Shalom Square, 6220 Apt.C, Foreland Garth, Columbia MD 21045. I have lived at Shalom Square for 16 years. I am speaking with you this evening as the President of the Resident Council. I have served in this position for 14 years.

As you have heard by now, Shalom Square was built in 1979 for seniors and the disabled and while the owners have done their best to maintain the property, it is clearly time for a face lift.

We had a resident meeting on Friday where we learned more details of the project and the way the work will be handled. We are all pleased that we will be able to stay in our same units. We are excited to have new washers and dryers in each unit and to have all new appliances, flooring, lighting fixtures, doors and windows.

While all of this work will significantly improve the quality of life for the current and future residents, I think I am most excited for the changes that will be made to the community building. These changes will make it a much more inviting place to spend time. Our small galley kitchen which barely holds two people will be expanded, providing us with plenty of room to cook and serve. It will be great to have all new appliances. The rental office will be moved to the front of the building which will be much better for the residents and management. The restrooms will be made fully accessible. There will be new mailboxes and a new lobby area. There will also be a well-stocked library with new computers. But most of all I am really looking forward to hosting our monthly meetings and birthday celebrations in a comfortable attractive community room which will include new table and chair sets for eating together and playing cards and games, and other seating areas with couches and recliners which will be great for watching television, relaxing or having a conversation with our neighbors.

I ask that you please pass this legislation which will make it possible for the owners to provide us with all of these wonderful amenities. We will be sure to invite you all over for a visit when the work is done! Thank you for listening to my testimony this evening.