



Howard County

Internal Memorandum

Subject: Hickory Ridge Village PILOT

To: Lonnie R. Robbins, Chief Administrative Officer

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

Date: August 29, 2012

Resolution 140-2012 supports approval of the terms and conditions of the Payment in Lieu of Taxes Agreement (the "PILOT") by and between Hickory Ridge Village LLLP, a Maryland limited liability limited partnership ("the Partnership") and Howard County, Maryland for the 100-unit senior multi-family rental housing project known as "Hickory Ridge Place Apartments" (the "Project").

Background

The Shelter Group, through its affiliate, Hickory Ridge Village LLLP, plans to refinance the 108-unit multi-family rental housing development known as "Hickory Ridge Place Apartments" located at 10799 Hickory Ridge Road in Columbia, Maryland. This affordable community was originally built in 1981.

Shelter has applied to the United States Department of Housing and Urban Development ("HUD") for a HUD 223 (a) (7) loan in the approximate amount of \$4,997,900 to refinance the existing debt of the Project. Under the HUD program, the Project will provide housing for low and moderate income persons.

All of the 108 units in the Project must be rented to persons with incomes at or below 60% of the Baltimore area median income for a period of 40 years. (The former staff and unrestricted/market rate units have been eliminated, thereby increasing the total number of units to 108.)

As a condition of financing from DHCD and in compliance with the applicable State law, approval of the project and the project financing by the Howard County Council and County Executive is required.

In addition to the refinancing the existing debt, Shelter is seeking additional funding from Howard County for the project in the form of a PILOT. This PILOT will replace an existing PILOT on the property under the same terms. Under its terms, in lieu of payment of County property taxes, Hickory Ridge Village LLLP will be required to pay to the County a portion (2 1/2%) of the Project's gross rental income for the preceding calendar year, less the amount of the

County fire tax, front-foot benefit assessment charge, ad valorem charge, and if applicable, Middle Patuxent Drainage Area Supplemental Ad Valorem Charge paid for the Project for the current taxable year. To the extent funds are available from surplus cash in any given year, Hickory Ridge Village LLLP is also required to pay an additional (5 1/2%) of the Project's gross rental income up to amount of the County's real property taxes.

As a condition of the PILOT, the County also requires the owner to restrict the occupancy of the units to persons of low income. By its terms, the PILOT terminates upon, among other things, the repayment of the HUD 223 (a) (7) loan. The low to moderate income restrictions, however, continue in force for a period of 40 years.

Under the government programs, the Project will operate on a limited distribution basis. Shelter has demonstrated that the proposed PILOT is necessary in order to make the Project financially feasible.

Fiscal Impact

Should this PILOT be approved, the fiscal impact is expected to result in an annual County property tax revenue loss of about \$-0-.

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

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