Howard County
Internal Memorandum

Subject: Testimony on Council Resolution No. 96-2019, a Resolution approving a Payment in Liew of Taxes Agreement for Enterprise Community Homes Housing, LLC

To: Christiana Mercer Rigby,
Council Chairperson

From: Carl DeLorenzo,
Director of Policy and Programs

Date: June 17, 2019

Summary

Resolution 96-2019 supports approval of the terms and conditions of a Payment in Lieu of Taxes Agreement (PILOT) by and between Howard County, Maryland and Enterprise Community Homes Housing, LLC (Company) to preserve existing affordable housing units and address a 2019 property tax reassessment by the Maryland State Department of Assessments and Taxation (SDAT) on five properties that the Company acquired in 2017 from Community Homes Housing Inc. (CHHI).

Background

In 2019, the Company acquired five properties (Roslyn Rise, Ranleigh Court, Rideout Heath, Fall River Terrace, Waverly Winds) that, when combined, consist of 300 affordable housing units, of which 200 units are available to households that earn at or below 40 percent of Area Median Income (AMI), and of which 100 units are available to households that earn at or below 80 percent of AMI. All five properties are generally located north of Little Patuxent Parkway and west of Governor Warfield Parkway in Columbia, Maryland.

The Company is seeking funding from Howard County in the form of a PILOT to preserve the existing 300 affordable units and address an increase in the properties' assessed value from approximately $11.5 million in 2017 to approximately $28.6 million in 2019, a nearly

250 percent increase, which will be phased in over three years beginning July 1, 2019. Under its terms, in lieu of payment of County property taxes, the Company will be required to pay to the County a portion (4%) of its gross rental income from the project, currently estimated to be between $70,000 and $100,000 per annum, with the fluctuation attributable to the phased-in assessment's impact on other County taxes. 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 (4%) 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 pursuant to covenant restrictions contained in the Housing Assistance Payment Agreement and Use Agreement between the Company and the U.S. Department of Housing and Urban Development (HUD). By its terms, the PILOT terminates upon, among other things, a foreclosure or a default under the PILOT or the lower income covenants, or any redevelopment of the five properties.

Fiscal Impact or Foregone Revenue

Should the PILOT be approved, the fiscal impact, or foregone revenue, is estimated at approximately $80,000 in CY2019 and up to approximately $225,000 in CY2027. The County is using the term 'foregone revenue' to indicate that the County did not plan for the additional revenue from the property tax reassessment and believes that collecting the additional revenue has the potential to harm the five properties' financial feasibility and ongoing operations.

Cc: Opel Jones, Councilperson
Deb Jung, Councilperson
Liz Walsh, Councilperson
David Yungmann, Councilperson
Jessica Feldmark, Administrator
Craig Glendenning, County Auditor