



Howard County

Internal Memorandum

Subject: Testimony on Council Resolution No. __-2022
Resolution requesting approval of a Payment in Lieu of Taxes Agreement for
Ranleagh Court

To: Lonnie Robbins, Chief Administrative Officer

From: Kelly Cimino, Director - Department of Housing and Community Development
K. Cimino

Date: September 6, 2022

Summary

Resolution __-2022 supports approval of the terms and conditions of a Payment In Lieu Of Taxes Agreement (PILOT) by and between Howard County, Maryland and Ranleagh Court, LLC, a limited liability company, (Ranleagh) for the re-development of an 82-unit mixed-income rental housing development to be known as Ranleagh Court.

Background

Enterprise Community Development plans to construct and operate an 82-unit mixed-income rental housing development; 66 units will be rented to households that earn at or below 80 percent of Area Median Income (AMI), of which 31 of the units will be rented to households that earn at or below 50% of AMI; and 16 units will be rented at market rate.

Enterprise Community Development has received approval from the MD Department of Housing and Community Development for 4% Low Income Housing Tax Credits in the approximate amount of \$10,284,719; and a Rental Housing Works loan in the approximate amount of \$3,500,000; as well as multiple state loans, bonds and grants for a total of almost \$36,000,000 to redevelop the 100% affordable Ranleagh project into a mixed income community.

The Developer submitted a request to the Department of Housing and Community Development on August 19, 2022, for consideration by the County to permit Ranleagh 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 and in accordance with the Payment in lieu of Taxes Agreement.



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Financial statements for the Ranleagh redevelopment project demonstrate that an agreement for a PILOT is necessary to make the Development economically feasible. As a condition of the PILOT, the County will require the owner to restrict the occupancy of a certain number of units to persons of lower income for 40 years. A PILOT is critical to the project's viability given the volatility of pricing in the construction industry and capital markets. The Developer expects Ranleagh to make a minimum PILOT payment of \$300 per unit per year, with additional revenues to be paid out of surplus cash and residual receipts beginning in Year 15.

The Developer requested, and the County agreed to provide, \$2.5M for gap financing for the project as a budget amendment in April 2022. Unfortunately, since the passage of the budget amendment, construction costs have increased by an estimated \$3.8M and interest rates have increased leading to a \$1M loss in loan proceeds. The Developer is requesting an additional \$1M in funding from the County's Department of Housing with this PILOT request to help fill the additional financing gap. A budget amendment is not needed for the Department of Housing to provide this funding.

The Ranleagh project has received a Preliminary Development Plan amendment approval and its Site Development Plan is currently under review. The project has received the approval of the Harper's Choice Village Board and its architectural review process. The project's tax credit financing is expected to close in July 2023.

Fiscal Impact

Should the PILOT be approved, the fiscal impact to the County is expected to be approximately \$143,463 in property tax revenue in Year 1. The County property tax revenue for Years 1 - 5 is expected to be \$754,946. Based on the attached fiscal impact analysis, the proposed PILOT is necessary to make the project financially feasible.

Attachments for Council consideration:

1. Ranleagh Court Draft PILOT Agreement.
2. Ranleagh Court Fiscal Impact Analysis

Cc: Dr. Opel Jones, Council Chair
Christiana Rigby, Council Vice Chair
Elizabeth Walsh, Councilperson
Deb Jung, Councilperson
David Yungmann, Councilperson
Michelle Harrod, Administrator
Craig Glendenning, County Auditor