

# County Council of Howard County, Maryland

2022 Legislative Session

Legislative Day No. 14

Resolution No. 185-2022

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 Ranleigh Court, LLC for property located at 6001 Turnabout Lane, Columbia, which will comprise a mixed-income, rental housing development to be known as Ranleigh Court Apartments.

Introduced and read first time 10-3, 2022.

By order Michelle Harrod  
Michelle Harrod, Administrator

Read for a second time at a public hearing on Oct 17, 2022.

By order Michelle Harrod  
Michelle Harrod, Administrator

This Resolution was read the third time and was Adopted , Adopted with amendments , Failed , Withdrawn , by the County Council on Oct 31, 2022.

Certified By Michelle Harrod  
Michelle Harrod, Administrator

Approved by the County Executive November 9, 2022

Calvin Ball  
Calvin Ball, County Executive

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**, Ranleagh Court, LLC, a limited liability company organized and existing  
2 under the laws of the State of Maryland, (the “Company”), has contracted to acquire real property  
3 located at 6001 Turnabout Lane in Columbia, Maryland (the “Property”); and  
4

5           **WHEREAS**, the Company proposes to construct and operate on the Property an 82-unit  
6 mixed-income, rental housing development to be known as “Ranleagh Court Apartments” (the  
7 “Development”) with the following mix of units:

- 8           1. 66 units, the “Affordable Dwelling Units”, will be rented to households that earn at or  
9           below 80 percent of Area Median Income of the Baltimore Metropolitan Statistical  
10           Area (“AMI”), of which 31 units will be rented to residents who earn at or below 50  
11           percent of AMI; and
- 12           2. 16 units will be rented at market rates; and

13  
14           **WHEREAS**, the Company has applied to the Maryland Department of Housing and  
15 Community Development, either directly or through its Community Development  
16 Administration for equity financing derived from 4% Low Income Housing Tax Credits in the  
17 approximate amount of \$ 10,284,719 (the “State Financing Program”); and  
18

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

22           **WHEREAS**, the Company will be the beneficiary of a Housing Assistance Payment  
23 contract for 29 project-based vouchers used to subsidize the rent of 29 households; and  
24

25           **WHEREAS**, the Company has requested that the County permit the Company to make  
26 payments in lieu of County real property taxes (the “PILOT”) pursuant to Section 7-506.1 of the  
27 Tax-Property Article of the Annotated Code of Maryland and in accordance with the Payment in  
28 Lieu of Taxes Agreement, substantially in the form attached as Exhibit 1; and  
29

30           **WHEREAS**, the Company has demonstrated to the County that an agreement for a PILOT  
31 is necessary to make the Development economically feasible; and

1           **WHEREAS**, in order to induce the Company to provide affordable housing in Howard  
2 County, it is in the interest of the County to accept a PILOT subject to the terms and conditions  
3 of the Payment in Lieu of Taxes Agreement (the “Agreement”), substantially in the form  
4 attached to this Resolution as “Exhibit 1”.

5  
6           **NOW, THEREFORE, BE IT RESOLVED** by the County Council of Howard County,  
7 Maryland this 31 day of October, 2022, that:

- 8 (1) In accordance with Section 7-506.1 of the Tax-Property Article of the Annotated Code of  
9 Maryland, the County shall abate all County real property taxes for the Development  
10 subject to the terms and conditions of the Payment in Lieu of Taxes Agreement attached to  
11 this Resolution as “Exhibit 1”.
- 12 (2) The County Executive is hereby authorized to execute and deliver the Agreement in the  
13 name and on behalf of the County in substantially the forms attached.
- 14 (3) The County Executive, prior to execution and delivery of the Agreement, may make such  
15 changes or modifications to the Agreement as he deems appropriate in order to accomplish  
16 the purpose of the transactions authorized by this Resolution, provided that such changes  
17 or modifications shall be within the scope of the transactions authorized by this Resolution;  
18 and the execution of the Agreement by the County Executive shall be conclusive evidence  
19 of the approval by the County Executive of all changes or modifications to the Agreements,  
20 and the Agreement shall thereupon become binding upon the County in accordance with  
21 its terms.

EXHIBIT 1

Development: Ranleagh Court,  
LLC

**PAYMENT IN LIEU OF TAXES AGREEMENT**

**THIS AGREEMENT** (this “Agreement”) is made as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between Ranleagh Court, LLC, a limited liability company organized and existing under the laws of the State of Maryland (the “Company”) and HOWARD COUNTY, MARYLAND, a body corporate and politic of the State of Maryland (the “County”).

**RECITALS**

A. The Company has contracted to acquire certain real property located on 6001 Turnabout Lane in Columbia, Maryland, which real property is more particularly described as set forth in the proposed description on Exhibit “A” attached hereto (the “Property”). The Company proposes to construct and operate on the Property an 82-unit mixed-income, rental housing development to be known as “Ranleagh Court Apartments” (the “Development”). Sixty-six (66) units (the “Affordable Dwelling Units”) will be rented to households that earn at or below 80 percent of Area Median Income of the Baltimore Metropolitan Statistical Area (“AMI”), of which thirty-one (31) units will be rented to residents who earn at or below 50 percent of AMI. An additional sixteen (16) units will be rented at market rates.

B. In order to fund a portion of the costs of the Development, the Company has applied to the Maryland Department of Housing and Community Development, either directly or through its Community Development Administration for equity financing derived from 4% Low Income Housing Tax Credits in the approximate amount of Ten Million Two Hundred Eighty-Four Thousand Seven Hundred Nineteen Dollars (\$10,284,719) (the “State Financing Programs”). Pursuant to the requirements of the State Financing Programs, the Development will provide housing for lower income persons.

C. The Company will be the beneficiary of a Housing Assistance Payment (“HAP”) contract for 29 project-based vouchers used to subsidize the rent of 29 households.

D. The Company has requested that the County permit the Company 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 by an entity 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 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 or other agreements for rental subsidy or supplement; 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.

E. In order to induce the Company 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.

F. 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 Company and the County agree as follows:

1. Definitions. In this Agreement, the term:

(a) "Affordable Dwelling Unit" means a rental dwelling unit reserved for households that earn at or below 80 percent of AMI.

(b) "County Assessments" means any and all County assessments, charges, fees or non-real property taxes, including but not limited to the County fire tax, front foot benefit assessment charge, ad valorem charges, and any other charges that may appear on the Property's real property tax bill, for which the Company shall continue to be obligated for, and required to pay to the County in full.

(c) "Distribution" means any withdrawal or taking of Surplus 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 investor member(s) (or its affiliate) as an investor services fee.

(d) "Gross Rental Income" means the total of all charges paid by all tenants of the Property, less the cost of all utilities paid by the Company.

(e) "Initial Closing" means the date of the initial closing of the financing under the State Financing Programs.

(f) "Market Rate Dwelling Unit" means a rental dwelling unit which is not an Affordable Dwelling Unit.

(g) “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 any Distributions to the managing member, the aggregate of which do not exceed 10% of the managing member’s initial equity investment in the Development, as determined by the County.

(h) “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 (whether paid as operating expenses or from available cash flow) including reasonable property management fees, reasonable asset management fees to the managing member, any payments of deferred developer fee, amounts owed to the investor member(s) pursuant to the Company’s operating agreement, and a reasonable guaranteed distribution to the investor member(s) (or its affiliates) as an investor services fee, as well as other taxes owed to the State of Maryland; and

(iii) all payments required under any mortgage on the Property approved by the Maryland Department of Housing and Community Development, either directly or through its Community Development Administration or the County, including payments under the State Financing Programs.

(iv) all payments required against any secondary debt or notes on the Property approved by the Maryland Department of Housing and Community Development.

2. Acceptance of Payments. For the term of this Agreement, the Company 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 Company shall have taken fee simple title to the Property;

(b) Financing. The Company shall have received financing under the State Financing Programs for construction of the Development; and

(c) PILOT Covenants. The Company shall have executed and recorded covenants on the Property, in a form acceptable to the County, that require the Company and all subsequent owners of the Property to offer for rent sixty-six (66) units to households that earn at or below 80 percent of AMI, of which thirty-one (31) units will be rented to residents who earn at or below 50 percent of AMI, 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 October 1, 2024, 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 Company shall pay to the County an amount equal to (i) Three Hundred Dollars \$300 for each Affordable Dwelling Unit and Market Rate Dwelling Unit of the Development, and (ii) the amount of County fire tax, front-foot benefit assessment charge, the ad valorem charges, and any other charges that may appear on the Property’s real property tax bill (the “County Assessments”) paid by the Company for the Development for the current taxable year.

(b) Payment from Surplus Cash. To the extent funds are available from Surplus Cash, the Company 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 Company 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, and (ii) the County Assessments paid by the Company for the Development for the current taxable year.

(d) Total Payment. The intention of this Agreement is that each annual 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, and (ii) the County Assessments paid by the Company 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 Company shall be subject to the following penalties for late payments, which penalties shall not be imposed unless such payments remain outstanding after five (5) days’ written notice:

(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 by the County upon ninety (90) days' prior notice, which termination will be void if the Company pays the outstanding Payment within such ninety (90) day period. If the Company fails to pay the outstanding Payment within such ninety (90) day period, then this Agreement will terminate, 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 Company 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 Company shall submit such other reports as the County may reasonably require in order to verify the Company's compliance with this Agreement.

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

10. Representation and Warranties.

(a) The Company 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 Company 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 Company 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 of this agreement;

(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, which period shall in all events be at least thirty (30) days.

12. Sale; Liens; Company Interests. During the term of this Agreement, the Company



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 Financing Programs' documents. If the Company transfers the Property to a new owner (subject to the terms in Section 11(b) above), then the Company shall be permitted to assign this Agreement to the new owner, provided that (i) the transfer to the assignee was permitted by the State Financing Programs' documents and (ii) the assignee shall be subject to the terms and conditions of this Agreement.

13. State Taxes. The Company 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 Company.

15. Entire Agreement. This Agreement represents the entire understanding and agreement of the parties relating to the subject matter hereof.

**[SIGNATURES BEGIN ON NEXT PAGE]**

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

**WITNESS/ATTEST:**

**RANLEAGH COURT, LLC**

By:

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_(SEAL)  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

[COUNTY SIGNATURES ON FOLLOWING PAGE]

**WITNESS/ATTEST:**

**HOWARD COUNTY, MARYLAND**

\_\_\_\_\_  
Lonnie Robbins  
Chief Administrative Officer

By: \_\_\_\_\_(SEAL)  
Calvin Ball  
County Executive

**APPROVED** for Form and Legal  
Sufficiency this \_\_\_\_\_ day of  
\_\_\_\_\_, 20\_\_.

**APPROVED** by Department of Finance

\_\_\_\_\_  
Gary Kuc  
County Solicitor

\_\_\_\_\_  
Rafiu Ighile  
Director

Reviewing Attorney:

\_\_\_\_\_  
Kristen Bowen Perry  
Deputy County Solicitor

**Exhibit A:** Legal Description of Property  
**Exhibit B:** Council Resolution No. \_\_\_\_\_

**EXHIBIT A**

All that lot of ground situated in the Fifteenth Election District of Howard County, Maryland and being more particularly described as follows:

BEING KNOWN AND DESIGNATED as Lot No. 18 (2.012 acres of land, more or less), as shown on Plat entitled, "Columbia, Village of Harper's Choice", Section 3, Area 2, Sheet 6 of 6, as recorded among the Land Records of Howard County, Maryland in Plat Book No. 13, page 89.

**EXHIBIT B**

Council Resolution No. \_\_\_\_\_



# Howard County

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## *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

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### **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.



# Howard County

## *Internal Memorandum*

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