



Howard County

Internal Memorandum

Subject: Testimony on Council Resolution No. __-2025, a Resolution approving a Payment in Lieu of Taxes Agreement for Orchard Club, LLLP

To: Brandee Ganz, Chief Administrative Officer

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

Date: September 23, 2025

Summary

Resolution __-2025 supports approval of the terms and conditions of a Payment In Lieu Of Tax (PILOT) Agreement by and between Howard County, Maryland, and Orchard Club LLLP, to update the terms of the original PILOT and extend the term for an additional 15 years.

Background

Orchard Club Apartments (the “Project”) is an existing 196-unit housing community that has served low-income and moderate-income residents since 1991. On February 27, 1991, Orchard Club, LLLP, (formally Orchard Club Limited Partnership), entered into a PILOT agreement with Howard County and a 40-year Extended Use Agreement (EUA) with the Maryland Department of Housing and Community Development (MD DHCD). The PILOT and EUA require the Owner to offer for rent not less than twenty-five percent (25%) of the units in the Project to low income households. When the Project was refinanced in 2005, the loan to the County was paid off and the term of the PILOT agreement was extended for 20 years. The PILOT agreement is set to expire in November 2025.

Under the current PILOT agreement, the Owner is required to make a minimum payment of 4% of the Project’s gross rental income. The Owner is requesting an extension of the PILOT term for 15 years. The current EUA agreement with MD DHCD is set to expire in 2031. If the County agrees to the 15-year extension, the Owner will continue to lease 25% of the units to low income households earning up to 50% HUD Baltimore MSA income limits, to lease 25% of the units to moderate income households earning up to 80% HUD Baltimore MSA income limits, and request an extension of the EUA through 2040 to match the request for a PILOT extension.



Howard County

Internal Memorandum

Fiscal Impact

Should the PILOT be approved, the County will receive an annual property tax payment of \$168,969, from the Project. The Owner's request states that the PILOT extension is necessary to continue to support the affordable units and maintain high property standards and reserves.

The proposed full County tax bill for the Project would be \$4,565,215 over 15 years. If the PILOT extension is approved, the projected revenue to the County for the same period will be \$2,534,538. This represents a net revenue loss of \$2,030,677. However, the importance of preserving the affordable units and maintaining the community standards for residents should not be overlooked.

Conclusion

A "Memo to HCDB – Orchard Development Corporation – Developer's Request for PILOT Extension - August 11, 2025" is attached. Bob DeSantis, Sr. Vice President of Orchard Development Corporation, on behalf of the owner, Orchard Club, LLLP, presented the request for an extension to the PILOT term to the Housing and Community Development Board on August 14, 2025. The Board recommended approval of the PILOT term extension because (1) the Owner will continue to lease at least 50% of the units at below market rents to Households of Low and Moderate Income for 15 years; (2) the Owner will continue to pay 4% of gross rental income to the County towards County property tax payments; (3) the Owner will continue to pay the County's fire tax, ad valorem and watershed fees; (4) the community is well maintained because the Owner has replacement reserves to address maintenance issues; (5) the Owner's current Extended Use Agreement with MD DHCD requires the units to remain affordable at least through 2031; (6) the Owner is prepared to request an extension to the Extended Use Agreement with MD DHCD to match the term of the PILOT extension; and (7) the County supports the preservation of affordable rental units in the community to serve low- and moderate-income residents.

If there are any questions, please contact my office. Thank you for your consideration.

Cc: Liz Walsh, Council Chair
Opel Jones, Council Vice Chair
Christiana Rigby, Councilperson
Deb Jung, Councilperson
David Yungmann, Councilperson
Michelle Harrod, Administrator



To: Housing & Community Development Board

Through: Kelly Cimino, Director – *K. Cimino*

From: Tom Wall, Fiscal Specialist - *tfwall*

Date: August 11, 2025

Re: **Orchard Development Corporation - Request for PILOT Extension**

This is a request for consideration by the Housing and Community Development Board (the “Board”) concerning a PILOT renewal application from Orchard Development Corporation (the “Developer”) for the Orchard Club Apartments community in Elkridge, Maryland.

Developer’s Proposal. Orchard Club Apartments is an existing 196-unit housing community that has served low-income and moderate-income residents since 1991. In that same year, Orchard Club entered into a PILOT agreement with Howard County and a 40-year Extended Use Agreement (EUA) with Department of Housing and Community Development of the State of Maryland (MD DHCD). The PILOT and EUA require the Developer to lease 49 units (25%) to households earning up to 50% Gross Median Income (GMI) and 99 units (50%) to households earning up to 85% GMI. When Orchard Club refinanced in 2005, they paid off a loan to the County and amended the PILOT agreement to a term of 20 years. The PILOT agreement is set to expire in November 2025.

Under the current PILOT agreement, the Developer is required to make a minimum payment of 4% of gross rental income. The Developer is requesting a 15-year extension of the PILOT. The current EUA agreement with the state is set to expire in 2031. If the County agrees to the 15-year extension, the Developer will continue to lease 49 units to households earning up to 50% GMI and request an extension of the EUA through 2040 to match the PILOT extension term.

The mix of units is:

Unit Size/#Baths	50% GMI	85% GMI	Market	Total
1BR/1Den	11	11	13	35
2BR/2Den	38	39	84	161
Total	49	50	97	196

Materials Provided with Application. The Developer submitted a package to the Department on July 29, 2025. The materials were sent to the Board on August 11, 2025. The Developer will make a presentation to the Board on August 14, 2025.

Staff Analysis. Staff analyzed the audited financial statements, agreements, and other documentation to determine the fiscal impact to Howard County with and without a PILOT.

Fiscal Impact	
Proposed PILOT and Local Tax Revenue (15 Years)	2,534,538.00
Proposed No PILOT	4,565,215.00
Proposed PILOT over(under) No PILOT	<u>(2,030,677.00)</u>
1 assume annual increase of 3% peryear	

Assuming an annual property tax increase of 3%, the County will receive \$2,534,538 in County tax revenue from the extension of the current PILOT program over the next 15 years. In the absence of a PILOT, the County tax revenue would be \$4,565,215 over the same time.

Board Consideration. The Developer submitted a cover letter and supporting documentation for the PILOT extension request. Factors for the Board to consider the Developer’s request:

- The Developer will continue to lease 99 units at below market rents for 15 years.
- The Developer will continue to pay 4% of surplus cash to the County towards County property tax payments.
- The Developer will continue to pay the County’s fire tax, ad valorem and watershed fees.
- The community is well maintained because the Developer has replacement reserves to address maintenance issues.
- The Developer is prepared to request an extension to the EUA with MD DHCD to match the term of the PILOT extension.
- The County supports the preservation of affordable units in this community for the County’s low- and moderate-income residents.

Thank you for your consideration.

cc: Felix Facchine, Deputy Chief of Staff
Carl DeLorenzo, Director of Policy and Programs
Constance A. Tucker, Principal Counsel