



Howard County

Internal Memorandum

Subject: Riverwatch PILOT

To: Lonnie R. Robbins, Chief Administrative Officer

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

Date: November 25, 2014

Resolution 123-2014 supports approval of the terms and conditions of the Payment in Lieu of Taxes Agreement (the "PILOT") by and between Riverwatch Elkridge LLLP ("the Partnership") and Howard County, Maryland for the 84-unit townhouse rental housing project known as "Riverwatch" (the "Development").

Background

KB Companies ("KB"), through its affiliate, Riverwatch Elkridge LLLP, plans to develop an 84-unit, mixed-income townhouse rental housing development to be known as "Riverwatch" located at 5673 Furnace Avenue in Elkridge, Maryland. The Development will consist of 2-bedroom and 3-bedroom townhomes. Half of the units, which are 42 units, will be affordable to households with income at or below 60% of the Baltimore area median income (currently \$50,100 for a family of four). The remaining 42 units will be leased at market rents.

KB has applied for financing from the State of Maryland's Department of Housing and Community Development ("DHCD") in the form of (1) a tax-exempt bond loan in the approximate amount of \$14,319,300 (the "Bond Loan"), (2) a Maryland Rental Housing Works Program loan in the approximate amount of \$1,500,000 (the "RHW Loan"), (3) a Partnership Rental Housing Program loan in the approximate amount of \$2,025,000 (the "PHRP Loan"), and (4) equity from the sale of Federal Low Income Housing Tax Credits in the approximate amount of \$2,558,947 (the "Tax Credits").

Under the State financing programs, 42 of the units in the Development must be rented to households with incomes below 60% of the Baltimore area median income for a period of 40 years.

In addition to the State loans, KB is seeking additional funding from Howard County for the project in the form of a PILOT. Under its terms, in lieu of payment of County property taxes, the Partnership will be required to pay to the County a portion (4%) of its gross rental income from the project. 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 42 of the units to persons of lower income for 40 years. By its terms, the PILOT terminates upon, among other things, a foreclosure or a default under the PILOT or the lower income covenants.

KB 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 \$50,000.

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

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