




Howard County

Internal Memorandum

Subject: Testimony – Guilford Gardens Apartments PILOT

To: Lonnie R. Robbins, Chief Administrative Officer

From:  Stacy L. Spann, Director
Housing and Community Development

Date: May 7, 2009

Resolution _____ -2009 provides approval of the terms and conditions of the Payment in Lieu of Taxes Agreement (the “PILOT”) by and between the HCH Partners II LLC (“HCH Partners II”), a limited liability company managed by the Howard County Housing Commission (the “Commission”) and Howard County, Maryland for the proposed 269-unit Guilford Gardens Apartments redevelopment.

Background

Effective November 1, 2008, the County leased to the Commission the 100-unit rental apartment community known as Guilford Gardens Apartments located at 7333 Oakland Mills Road in Columbia. The development was originally built by the County in 1980 and leased to a resident association until 2007. Due to mismanagement, the lease was terminated and the County took over management of the property in April 2007.

The Commission plans to redevelop the property into a 269-unit, mixed-income, universally and green designed community. Using a competitive proposal process, the County has selected the Shelter Group to act as developer for the project. In order to obtain financing for the redevelopment, including federal Low Income Housing Tax Credits, it was necessary for title to the development to be transferred via long-term lease to the Commission, the County’s housing authority.

Pursuant to Council Resolution No. CR140-2008 passed on January 5, 2009, the County Council approved a Payment in Lieu of Taxes Agreement under Section 12-104 of the Housing and Community Development Article of the Annotated Code of Maryland that provided that the Commission, as a public housing authority, would not be required to pay State and County property taxes on the development, but would pay all ad valorem and fire taxes. The PILOT enabled the Commission to continue to operate the existing Guilford Gardens development at current affordable rents until redevelopment could occur.

Current plans anticipate that the financing for the redevelopment will close in the fall of 2009 and phased demolition and construction will began immediately thereafter. As part of the refinancing, and in order to infuse the project with equity from the Low Income Housing Tax Credit investor, the Ground Lease will be transferred to HCH Partners II, a limited liability company to be made up of the Commission as managing member and the tax credit syndicator. Consequently, the PILOT will also have to be changed to name HCH Partners II as owner.

In addition, the terms of the new PILOT will be slightly different from that previously approved. As HCH Partners II does not qualify for a PILOT under Section 12-104 of the Housing and Community Development Article, the PILOT must be enacted under Section 7-505 of the Tax-Property Article. Also, the new PILOT will provide for abatement of County property taxes only; full State property taxes as well as County ad valorem and fire taxes will be paid.

Fiscal Impact

Because the development has been owned by the County, no State or County property taxes have been due. Consequently, should this PILOT be approved, there will be no adverse fiscal impact; in fact, State property taxes and County ad valorem and fire taxes will now be collected.

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

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