Howard County
Internal Memorandum

Subject: **Testimony – Sierra Woods Local Resolution & PILOT**

To: **Lonnie R. Robbins, Chief Administrative Officer**

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

Date: **June 2, 2009**

Resolution 50-2009 supports approval of the terms and conditions of the Payment in Lieu of Taxes Agreement (the "PILOT") by and between Sierra Woods Limited Partnership ("Sierra Woods LP") and Howard County, Maryland for the 158-unit multi-family rental housing project known as "Sierra Woods Apartments" (the "Project").

Resolution 51-2009 provides approval of the State of Maryland financing for the acquisition and rehabilitation of the Project.

Background

Enterprise Housing Corporation, through its affiliate Sierra Woods LP, plans to acquire, refinance and rehabilitate the 158-unit multi-family rental housing development known as "Sierra Woods Apartments" located at 8712 Airybrink Lane, Columbia, Maryland. Enterprise 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 $6,690,000 (the "Bond Loan"), (2) a Maryland Housing Rehabilitation Program loan in the approximate amount of $500,000 (the "MHRP Loan"), (3) a Tax Credit Assistance Program loan in the approximate amount of $400,000 (the "TCAP Loan"), and (4) equity from the sale of Federal Low Income Housing Tax Credits in the approximate amount of $2,823,392 (the "Tax Credits"). In addition, Enterprise is receiving financing from the seller of the property as well as deferring the Partnership's developer's fee.

Under the State financing programs, 143 of the apartment units in the Project must be rented to persons with incomes between 51% and 60% of the Baltimore area median income for a period of 40 years.

As a condition of financing from DHCD and in compliance with the applicable State law, approval of the project and the project financing by the Howard County Council and County Executive is required.

In addition to the State loans, Enterprise 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, Sierra Woods LP 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, Sierra Woods LP 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 also requires the owner to restrict the occupancy of 143 of units to persons of low income. By its terms, the PILOT terminates upon, among other things, the repayment of the State loans. The low income restrictions, however, continue in force for a period of 41 years.

Under the government programs, the Project will operate on a limited distribution basis. Enterprise has demonstrated that the proposed PILOT is necessary in order to make the Project financially feasible. In addition, the PILOT satisfies the requirement of the MHRP Loan that the local jurisdiction provide a contribution to the project.

Fiscal Impact

Should this PILOT be approved, the fiscal impact is expected to result in an annual County property tax revenue loss of about $13,512.

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

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