



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

June 17, 2022

MEMORANDUM

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin
Director of Budget and Policy Analysis

FROM: Arian Albear
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CR-040-2022 Housing Investment Trust Fund for Housing & Community
Development – Willows at Upper Marlboro Project (DR-1)

CR-040-2022 *Proposed by:* The Chair of the Council at the request of the County Executive;
Introduced by: Council Members Hawkins, Streeter, Turner, Glaros, Taveras, and Franklin.

Referred to the Committee of the Whole (COW)

A RESOLUTION CONCERNING HOUSING INVESTMENT TRUST FUND FOR HOUSING AND COMMUNITY DEVELOPMENT for the purpose of committing and allocating to the Willows at Upper Marlboro project, an eligible activity not originally funded, the amount of two million, five hundred thousand dollars (\$2,500,000) in Housing Investment Trust Fund (“HITF”) Program funds for gap financing of new housing construction.

Fiscal Summary

Direct Impact

Expenditures: Increased expenditure of \$2,500,000.

Revenues: None likely.

Indirect Impact

Potentially positive.

Legislative Summary

CR-040-2022, proposed by Council Chair Hawkins at request of the County Executive and sponsored by Council Members Hawkins, Streeter, Turner, Glaros, Taveras, and Franklin, was introduced on April 26, 2022, and referred to the Committee of the Whole. CR-040-2022 would commit \$2,500,000 of Housing Investment Trust Fund program funds for the purposes of gap-financing for affordable housing at the Willows at Upper Marlboro Project in Upper Marlboro, Maryland. The Resolution requires a public hearing.

Project Information

Developer: MBID of Delaware, LLC (d/b/a/ Ingerman)
Owner: Willows at Upper Marlboro, LLC
Description: 60 units of mixed-income garden-style apartment rental housing for families across 3 buildings. 51 units priced at various affordability levels up to 80% of AMI, 9 units at market rate.
Location: Upper Marlboro
Duration: 40 years

Current Law/Background

The Housing Investment Trust Fund, a non-lapsing fund, was created through legislation, CB-021-2012¹, and is codified in Subtitle 10, Division 19 of the County Code. The purposes of the Fund are to:

1. Develop effective strategies to strengthen County neighborhoods impacted by foreclosures consistent with the County's Five-Year Consolidated Housing and Community Development Plan;
2. Provide housing counseling, rental, down payment, and closing costs assistance for eligible persons to retain or purchase vacant, abandoned, and foreclosed properties;
3. Acquire, rehabilitate, resell, or lease-purchase of vacant, abandoned, and foreclosed properties to eligible residents, not-for-profit organizations, and for-profit affordable housing providers;
4. Provide for land banking of vacant, abandoned, and foreclosed properties; and
5. To otherwise reduce and minimize the occurrence of foreclosures by coordination and use of County, State, and Federal resource programs.

¹ [CB-021-2012](#).

The Fund, managed by the Department of Housing and Community Development (DHCD) may also be used to assist, in the form of loans and grants, for programs that benefit existing and potential homeowners or renters, not-for-profit organizations, and for-profit affordable housing providers in the County.

The Housing Investment Trust Fund law was amended by CB-057-2017² to include another eligible activity to fund for the provision of gap financing to enable the County to support the development of new construction and preservation of existing workforce and affordable housing. CB-057-2017 also added a provision to increase and reserve the supply of safe and affordable homeownership opportunities for the purposes of growing the County's tax base.

The Fund is currently financed from a variety of sources, these include:³

1. Current expense funds;
2. Contributions, donations, or appropriations by the United States, Maryland, or any other political jurisdiction, or private entity;
3. Interest income;
4. Fees or other charges levied on loan or grant recipients;
5. 20% of the recordation tax collected (of no less than \$10 million);⁴ and
6. Any other funds designated and provided by the County.

Resource Personnel

- Aspasia Xypolia, Director, Department of Housing and Community Development (DHCD)
- Adedamola George, Community Services Manager, DHCD

Discussion/Policy Analysis

CR-040-2022 would provide the Willows at Upper Marlboro project with \$2,500,000, or 10.27% of their funding sources. The loan from the Housing Investment Trust Fund will carry a 2% interest deferred and payable upon maturity – that is, in 40 years from now. The \$2,500,000 loan is subordinate to other financing loans taken by the developer. DHCD noted that any provisions of loan safeguards, in the event of bankruptcy or dissolution of the owning entity, will be drafted by the County Office of Law and are not yet available. Notably, CR-040-2022 is conjoined with CR-051-2022, a Payment in Lieu of Taxes (PILOT) agreement for the developer for \$175 per year, per unit, for 40 years (\$12,981 total first year payment), with a 2% yearly escalation.

² [CB-057-2017](#).

³ Code of Prince George's County, [Sec. 10-296. – Financing the Fund](#).

⁴ The Recordation tax source was added under CB-004-2021 and will take effect on June 30, 2022.

The developer proposes that rents for one-bedroom units will range from \$370 to \$1,444, rents for two-bedroom units will range from \$470 to \$1,710, and rents for three-bedroom units will range from \$550 to \$2,010.

Affordable housing is a critical issue in an area with rising home values and lack of housing in general. However, Prince George's County's median income is already well below the area median. According to the U.S. Department of Housing and Urban Development (HUD), the median income for the DC-Maryland-Virginia region is \$106,415⁵ and the median income for Prince George's County is \$86,994.⁶ The County median, therefore, is already 81.7% of the Area Median Income (AMI). Thus, using Housing Investment Trust Fund allocations for apartments set for residents earning the County's median income may not protect or expand affordable housing for *County* residents.

Fiscal Impact

Direct Impact

Adoption of CR-040-2022 would represent a negative impact of \$2,500,000 to the Housing Development Trust Fund. Because loan payments are due only upon maturity of the loan (in 40 years), there might be a recovery; however, this loan is subordinate to other financing loans taken by the developer.

In conjunction with the project's PILOT agreement under CR-051-2022, where the developer pays \$12,981 for the first year in lieu of the normal tax rate (\$360 per unit for the first year) and a 2% yearly escalation, there is a substantial impact to the County in the form of forgone taxes.

In conjunction with the other Housing Investment Trust Fund resolutions, the total allocation from the Fund in FY 2023 is \$6,650,000. Allocations per resolution are below:

Resolution	Amount
CR-038-2022	\$ 200,000
CR-040-2022	\$ 2,500,000
CR-041-2022	\$ 750,000
CR-042-2022	\$ 200,000
CR-064-2022	\$ 3,000,000
Total	\$ 6,650,000

Indirect Impact

Adoption of CR-040-2022 may promote economic development through the creation of more apartments and businesses along transit-oriented zones.

⁵ U.S. Department of Housing and Urban Development, [Washington-Arlington-Alexandria Metro Area](#).

⁶ U.S. Department of Housing and Urban Development, [Prince George's County](#).

Appropriated in the Current Fiscal Year Budget

Yes.

Items for Committee Consideration

- Consider all the approval criteria under Code §10-298(d):
 - (1) the expected benefit to, or impact on, the County's housing conditions;
 - (2) the estimated number of County residents to be served;
 - (3) the ability to serve designated target areas established under this Division;
 - (4) previous performance of the applicant; and
 - (5) the ability of the prospective applicant to leverage financial assistance with other funds.
 - Is 80% at or below Area Median Income (AMI) sufficient to protect affordable housing in the County, given that Prince George's County already has the lowest median household income in the region?
 - Does the project pass the "but-for test"? Would development in the area occur without the tax concessions from the County?
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Effective Date of Proposed Legislation

The proposed Resolution shall become effective as of the date of adoption.

If you require additional information, or have questions about this fiscal impact statement, please email me.