



THE PRINCE GEORGE'S COUNTY GOVERNMENT


Office of Audits and Investigations

June 8, 2022

FISCAL AND POLICY NOTE

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin 
Director of Budget and Policy Analysis

FROM: Malcolm Moody - *MM*
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CR-060-2022, Bond Inducement – Agreement for Cottage City Towers Apartments Project

CR-060-2022 (*Proposed by:* The Chair of the Council at the request of the County Executive; *Introduced by:* Council Members Hawkins, Harrison, Streeter, Ivey, Franklin, Dernoga, and Glaros)

Assigned to the Government Operations and Fiscal Policy Committee

A RESOLUTION CONCERNING COTTAGE CITY TOWERS BOND INDUCEMENT for the purpose of approving the issuance and sale of revenue bonds by the Housing Authority of Prince George's County (the "Housing Authority"), the awarding of Low-Income Housing Tax Credits by the Community Development Administration ("CDA") of the State of Maryland to Cottage City Towers Limited Partnership (the "Owner"), for the acquisition and rehabilitation of the Cottage City Towers Apartments and pay certain other costs associated therewith (collectively, the "Project").

Fiscal Summary

Direct Impact:

Expenditures: No additional expenditures

Revenues: None.

Indirect Impact:

Potentially positive.

Legislative Summary:

CR-060-2022, proposed by the Chair at the request of the County Executive and sponsored by Council Chair Hawkins, Vice Chair Harrison, and Council Members Streeter, Ivey, Franklin, Dernoga, Glaros, was introduced on May 17, 2022, and referred to the Government Operations and Fiscal Policy Committee (GOFPC). CR-060-2022 would approve the terms and conditions of the issuance and sale of revenue bonds by the Housing Authority of Prince George's County (the "Housing Authority"), and the awarding of Low-Income Housing Tax Credits by the Community Development Administration ("CDA") of the State of Maryland to Cottage City Towers Limited Partnership (the "Owner"), for the acquisition and rehabilitation of the Cottage City Towers Apartments and pay certain other costs associated therewith (collectively, the "Project")

Current Law/Background:

Sections 12-101¹, 17-102² and 17-107³ of the Housing and Community Development Article of the Annotated Code of Maryland (the "Code") authorizes the County's Housing Authority ("Authority") to issue bonds as follows:

Financing powers—Bonds

- (e) (1) With the approval of the Prince George's County governing body, the Prince George's Authority within its area of operation may finance housing, housing rehabilitation, a housing project, or a continuing care facility authorized by this title by issuing and selling the bonds of any type.
- (2) Bonds that may be issued under this subsection include those on which the principal and interest are payable:

¹ [MD Code, Housing & Community Development, § 12-101 - Definitions](#)

² [MD Code, Housing & Community Development, § 17-102 - Applicability of Title 12](#)

³ [MD Code, Housing & Community Development, § 17-107 - Powers of Prince George's Authority](#)

- (i) only from the income and revenues of the housing project or continuing care facility that is financed with the proceeds of the bonds or with both those proceeds and a federal grant;
 - (ii) only from the income and revenues of designated housing projects whether or not they were financed wholly or partly with the proceeds of the bonds; or
 - (iii) from its revenues generally.
- (3) A bond under this subsection may be secured by pledge of any revenue or a mortgage of a housing project, projects, or other property of the Prince George's Authority.
- (4) Bonds of the Prince George's Authority may be sold at public or private sale in the manner and on the terms that are authorized by resolution of the Prince George's Authority.

Under Section 147(f) of the Internal Revenue Code of 1986,⁴ as amended, states that Council approval is required in order for a portion of the costs of the Project to be financed with the proceeds of the revenue bonds. CR-060-2022 provides the requisite local governing body approval under State and federal law.

Resource Personnel:

- Nate Simms, Housing Authority of Prince George's County (HAPGC)

Discussion/Policy Analysis:

The Cottage City Towers Apartments ("Project") are located at 4142 Bunker Hill Road, Cottage City, Maryland, and is a one hundred (100) unit apartment complex in a six (6) story building that spans 3.17 acres. Under the proposed agreement, the Owner would acquire and rehabilitate the Cottage City Towers Apartments and make units available to households whose incomes are equal to thirty percent (30%) of their adjusted income. The unit mix will consist of fifty-four (54) efficiencies, forty-five (45) one-bedroom units, and one (1) two-bedroom units. CR-060-2022 would provide approval for the Housing Authority of Prince George's County to issue and sell revenue bonds to finance the acquisition and redevelopment of the Cottage City Towers Apartments ("Project") and for the support of the State of Maryland Community Development Administration (CDA) to ward Low-Income Housing Tax Credits (LIHTC) to Cottage City Towers Limited Partnership (the "Owner"). The Housing Authority of Prince George's County Revenue Bonds allocation will be used as short-term construction financing and will be replaced by Tax Credit Equity and traditional bank financing (e.g., Bank Debt).

The Project is expected to cost forty-one million, four hundred seventy thousand, seven hundred and sixty-two dollars (\$41,470,762). Projected Financing includes LIHTC Equity of approximately sixteen million, one hundred and fifty-four thousand, four hundred and fifty dollars

⁴ [26 U.S.C. 147](#)

(\$16,154,450), a Capitalized Ground Lease of approximately ten million, eight hundred and thirty-eight thousand, four hundred ninety-six dollars (\$10,838,496), Bank Debt of approximately nine million, seven hundred and eight thousand, three hundred and twenty-nine dollars (\$9,708,329), HOME Funds of approximately two million dollars (\$2,000,000), Partnership Rental Housing Funds of approximately one million, five hundred thousand dollars (\$1,500,000), Deferred Development Fee of approximately nine hundred and thirty-eight thousand, two hundred and sixty-seven dollars (\$938,267), Construction Period Income of approximately three hundred thirty-one thousand, one hundred and twenty dollars (\$331,120), and General Partner Equity of approximately one hundred dollars (\$100). The Resolution provides that the Authority issuance of revenue bonds for this project cannot exceed \$25,000,000.

The Development Team intends to redevelop the Project and plans to improve the building's landscape and brick envelope, window replacement, updated lighting, accessibility upgrades, updated sprinkler, HVAC, plumbing, electrical and fire alarm systems. Apartments will have new floors, bathtub/shower and kitchen casework and enclosures, panels and lighting, and accessibility enhancements. The proposed Total Development Hard Cost is \$16,980,820 or \$169,808/unit.

Increasing the availability of affordable housing, both through construction of new housing and the rehabilitation of existing housing, is a stated objective of the Council, and a key component of the Comprehensive Housing Strategy⁵.

Fiscal Impact:

Direct Impact

Adoption of CR-060-2022 should not have an adverse fiscal impact on the County. The County's full faith and credit are not pledged to the Housing Authority of Prince George's County's revenue bonds and no County-source revenues are identified or reported as being pledged or invested in the development's proposed financing package.

Indirect Impact

Adoption of CR-060-2022 may have a positive indirect fiscal impact upon the County to the extent that new residents generate additional economic activity, though the exact impact is unknown.

Effective Date of Proposed Legislation:

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

⁵ [Draft Comprehensive Housing Strategy Report](#)

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