

COUNTY COUNCIL OF PRINCE GEORGE'S COUNTY, MARYLAND

2010 Legislative Session

Resolution No. CR-80-2010

Proposed by The Chairman (by request – County Executive)

Introduced by Council Member Dernoga

Co-Sponsors _____

Date of Introduction September 7, 2010

RESOLUTION

1 A RESOLUTION concerning

2 PILOT Agreement for Rainier Manor Senior Rental Housing Project

3 For the purpose of approving the terms and conditions of a Negotiated Payments in Lieu of

4 Taxes (“PILOT”) Agreement between Prince George’s County, Maryland and Rainier

5 Redevelopment Associates, LP.

6 WHEREAS, there is a significant need for quality rental housing units in Prince George’s
7 County for seniors of low or limited income; and

8 WHEREAS, Rainier Redevelopment Associates proposes to acquire, rehabilitate and
9 operate a rental housing project comprising 100 units, known as Rainier Manor, located at 3001
10 Queens Chapel Road, Mt. Rainier, Maryland 20712 (the “Project”), all of which will assist low-
11 income seniors; and

12 WHEREAS, Rainier Redevelopment Associates has requested that the County permit it to
13 make payments in lieu of County real property taxes pursuant to Section 7-506.1 of the Tax-
14 Property Article of the Annotated Code of Maryland, as amended (the "Act"); and

15 WHEREAS, the Act provides, among other things, that real property may be exempt from
16 County property taxes if:

- 17 (1) The real property is owned by a person engaged in constructing or operating housing
- 18 structures or projects;
- 19 (2) The real property is used for a housing structure or project that is constructed under a
- 20 Federal, State or local government program that funds construction, or insures its
- 21 financing in whole or in part;
- 22 (3) The owner and the governing body of the county where the real property is located

1 agree that the owner shall pay a negotiated amount in lieu of the applicable county property tax;
2 and

3 (4) The owner of the real property enters into an agreement with the governing body of the
4 county to allow the entire property or the portion of the property which was maintained
5 for lower income persons to remain as housing for lower income persons for a term of
6 at least 5 years; and

7 WHEREAS, Rainier Redevelopment Associates has demonstrated to the County that
8 negotiated payments in lieu of County real property taxes is necessary to make the Project
9 economically feasible, which Project is described in Attachments “A-1” through “A-3”, attached
10 hereto and made a part hereof; and

11 WHEREAS, in order to induce Rainier Redevelopment Associates to provide housing to
12 low-income seniors, it is in the interest of the County to accept payments in lieu of County real
13 property taxes, subject to the terms and conditions of the Negotiated Payments in Lieu of Taxes
14 Agreement, a draft copy of which is attached hereto as Attachment “B” and made part hereof;
15 and

16 WHEREAS, the County Executive has recommended support for the Project.

17 NOW, THEREFORE, BE IT RESOLVED that in accordance with the Act, the County shall
18 accept payments in lieu of County real property taxes for the Project subject to the Agreement
19 attached to this Resolution.

20 BE IT FURTHER RESOLVED that the County Executive or designee of the County
21 Executive is hereby authorized to execute and deliver the Agreement in the name and on behalf
22 of the County in substantially the form attached hereto.

23 BE IT FURTHER RESOLVED that the County Executive, prior to execution and delivery
24 of the Agreement, may make such changes or modifications to the Agreement as deemed
25 appropriate by the County Executive in order to accomplish the purpose of the transactions
26 authorized by this Resolution, provided that such changes or modifications shall be within the
27 scope of the transactions authorized by this Resolution; and the execution of the Agreement by
28 the County Executive or designee of the County Executive shall be conclusive evidence of the
29 approval of the County Executive of all changes or modifications to the Agreement; and the
30 Agreement shall thereupon become binding upon the County in accordance with the terms
31 therein.

1 BE IT FURTHER RESOLVED that this resolution shall become effective as of the date of
2 its adoption.

Adopted this 7th day of September, 2010.

COUNTY COUNCIL OF PRINCE
GEORGE'S COUNTY, MARYLAND

BY: _____
Thomas E. Dernoga
Chair

ATTEST:

Redis C. Floyd
Clerk of the Council

APPROVED:

DATE: _____

BY: _____
Jack B. Johnson
County Executive

ATTACHMENT A-1

PROJECT INFORMATION SHEET

Rainier Manor

Elderly Housing Units

3001 Queens Chapel Road, Mt. Rainier, Maryland 20712

COUNCILMANIC DISTRICT 2

PROPERTY DESCRIPTION: Acquisition and Renovation of an elderly housing project located at 3001 Queens Chapel Road, in Mt. Rainier that will provide 100 units of rental housing for low-income seniors.

PROPOSED OWNER: Rainier Redevelopment Associates, Limited Partnership.

DEVELOPER: R&S, LLC c/o Stavrou Associates, Inc.

CONTACT: Attention: Stephen J. Moore, Vice President
441 Defense Highway, Suite C
Annapolis, Maryland 21401

NEIGHBORHOOD/LOCALITY: Project is located in Mt. Rainier.

UNIT MIX: The unit mix will be 78 one-bedroom apartments and 22 two-bedroom apartments.

PROPOSED RENTS: \$708 - \$1,050 per month.

ATTACHMENT A-2

PROJECT FINANCING ESTIMATE

Rainier Manor

Elderly Housing Units

3001 Queens Chapel Road, Mt. Rainier, Maryland 20712

COUNCILMANIC DISTRICT 2

PROPERTY DESCRIPTION: Stavrou Associates, Inc. plans to acquire and complete a full renovation of the Rainier Manor property. The development is currently composed of 104 affordable, senior units with minimal common space, and outdated building systems and appliances. The existing building has experienced water intrusion over the last few years and as a result, 18 units are currently shut down. The main amenity space that is used for meetings and activities, the Community Room, is also shut down as a result of the water damage. The developers plan to reduce density to 100 units, provide extensive amenity spaces, and implement green improvements throughout the building and the units. This will reduce the residents' utility costs, increase resident services by utilizing the new amenity spaces, and create more livable units for the residents. Even after the renovations are complete, the developer will maintain the project's affordability by renting all 100 units to seniors making 60% of AMI or less. Some of the upgrades the developers will be incorporating into the project include energy star appliances, air filtration and gap sealing, lighting fixture upgrades, SEER efficient HVAC systems, efficient hot water heaters, energy star windows, water saving plumbing fixtures, and many others.

ATTACHMENT A-3**PROJECT FINANCING ESTIMATE****Rainer Manor****Elderly Housing Units****3001 Queens Chapel Road, Mt. Rainier, Maryland 20712****COUNCILMANIC DISTRICT 2**

SOURCES OF FUNDS	AMOUNT	%
Maryland DHCD Tax Exempt Bonds	\$6,500,000	49.05%
LIHTC	\$3,204,324	24.18%
Maryland DHCD Rental Rehabilitation Program Loan	\$1,000,000	7.55%
Prince George's County HOME Loan	\$2,300,000	17.36%
Developer's Equity	\$247,066	1.86%
TOTAL SOURCES	\$13,251,390	100%

USES OF FUNDS	AMOUNT	%
Construction Costs	\$5,722,401	43.23%
A&E and Other Construction Fees	\$671,065	5.07%
Acquisition Costs	\$3,400,000	25.69%
Developer's Fee	\$1,403,189	10.60%
Financing Fees & Costs	\$1,299,677	9.82%
Guarantees & Reserves	\$610,000	4.61%
Syndication Costs	\$129,307	0.98%
TOTAL USES	\$13,235,640	100%

ATTACHMENT B

NEGOTIATED PAYMENTS IN LIEU OF TAXES AGREEMENT

Rainier Manor Senior Residential Rental Project

THIS AGREEMENT made this _____, day of _____, 2010 (the “Agreement”), by and between RAINIER REDEVELOPMENT ASSOCIATES, LP, a limited partnership of the State of Maryland, (the “Owner”), and PRINCE GEORGE’S COUNTY, MARYLAND, a body corporate and politic (the “County”).

WHEREAS, the Owner is a Maryland limited partnership which has or will acquire an existing building located at 3001 Queens Chapel Road, Mount Rainier, Prince George’s County, Maryland, more particularly described in Exhibit A attached hereto and by reference made a part hereof, and commence with the renovation of the existing apartment building containing 104 units, which is being renovated into 100 units with common space amenities to provide housing for low to moderate income senior residents (the “Property”); and

WHEREAS, acquisition of the Property and construction and equipping of the Property will be financed in part from bond financing (the “Bond Loan”) from the Community Development Administration (“CDA”), an agency in the Division of Development Finance of the Department of Housing and Community Development (the “Department”) of the State of Maryland, the sale of Low-Income Housing Tax Credits (“LIHTC”) awarded by CDA, and a loan by CDA under its Maryland Housing Rehabilitation Program (the “MHRP Loan”); and

WHEREAS, the Owner will operate the Property pursuant to those certain Regulatory Agreements and Agreement and Declaration of Covenants and Restrictions by and between the Owner and CDA in connection with the Bond Loan and the MHRP Loan (collectively the “Regulatory Agreement”); and

WHEREAS, Section 7-506.1 of the Tax-Property Article of the Annotated Code of Maryland as amended provides, among other things, that real property may be exempt from county property tax if (i) the real property is owned by a person engaged in constructing or operating housing structures or projects (which may include non-dwelling commercial and community facilities, community rooms, dining halls, and infirmaries to serve its occupants and the surrounding neighborhood); (ii) the real property is used for a housing structure or project

that is constructed under a federal, state or local government program that funds construction, or insures its financing in whole or in part; (iii) the owner thereof enters into an agreement with the governing body of the county where the real property is located for the payment of a negotiated sum or sums in lieu of county property taxes on said real property; and (iv) the owner of the real property enters into an agreement with said governing body of the county to allow the entire property or the portion of the property which was maintained for lower income persons to remain as housing for lower income persons for a term of at least five years; and

WHEREAS, the Owner hereby represents that the Property will qualify in all respects, under the provisions of said Section 7-506.1, supra, for such an agreement for negotiated payments in lieu of regular County real property taxes upon the Property; and

WHEREAS, pursuant to Resolution No. CR-____-2010 adopted on _____, 2010, the County Council of Prince George's County, Maryland, approved an agreement substantially in the form hereof for negotiated payments in lieu of taxes for the Property, and authorized the County Executive to enter into such an agreement, a copy of which Resolution is attached hereto as Exhibit B and by reference made a part hereof, and

WHEREAS, the County agrees to enter into this Negotiated Payments in Lieu of Taxes Agreement provided that the Owner conducts its operations in accordance with the criteria and controls set forth in said Section 7-506.1, supra.

NOW, THEREFORE, in consideration of the mutual covenants, terms and agreements hereof and pursuant to the power and authority of said Section 7-506.1 supra, it is agreed as follows:

(1) This Agreement shall become effective as of the date of the closing of the first disbursement of the Bond Loan on the Property (hereinafter defined as the "Effective Date"), and shall remain effective until the Cumulative Amount, as defined herein, shall have been paid in full. The payments to be made by the Owner to the County, provided for herein with respect to the Property shall be in lieu of County real property taxes under Section 7-506.1 of the Tax-Property Article of the Annotated Code of Maryland, as amended, and the Prince George's County Code, as amended. Notice of the first disbursement on the Bond Loan shall be submitted in writing by the Owner to the Director of Finance of the County within forty-eight (48) hours of disbursement. Failure to notify shall terminate this Agreement.

(2) The intention of this Agreement is that, during the period set forth in paragraph 4(a) below, the Owner's payment in lieu of taxes shall at no time exceed the amount of County real property tax otherwise payable based on the assessment of County real property taxes on the improvements. This Agreement shall not waive the payment of other County taxes, assessments and fees, including but not limited to sanitation taxes, County solid waste service charges, or other taxes addressed by entities or jurisdictions other than the County, including but not limited to State of Maryland taxes, municipal taxes, the Washington Suburban Sanitary Commission, Washington Suburban Transit Commission and the Maryland-National Capital Park and Planning Commission.

(3) The Property shall be exempt from County real property taxes for the tax year following the Effective Date and ending at the end of the twenty-fifth (25th) tax year from the tax year following the Effective Date or when the Property fails to meet the requirements of Section 7-506.1 of the Tax-Property Article of the Annotated Code of Maryland or when the Owner otherwise breaches this Agreement.

(4) (a) For the period from July 1 following the Effective Date and continuing through the twenty-fifth (25th) tax year from the tax year following the Effective Date, the Owner shall make annual payments to the County for each tax year of Twelve and One Half Percent (12.5%) of surplus cash flow as defined in the LIHTC Partnership Agreement ("Surplus Cash"). The LIHTC Partnership Agreement and Regulatory Agreement shall be submitted by the Owner to the Director of Finance of the County within forty-eight (48) hours after execution. Each annual payment of Twelve and One Half Percent (12.5%) of Surplus Cash shall be paid by March 31st, of each tax year.

(b) After twenty-five (25) tax years from the tax year following the Effective Date, the Property shall no longer be exempt from County real property taxes. At the end of such twenty-five (25) years, the Owner shall commence paying the regular County real property tax and annual payments of Fifteen Thousand Dollars (\$15,000) toward the Cumulative Amount on the date County property taxes are due until the Cumulative Amount is fully paid.

(c) Cumulative Amount is defined as the cumulative difference between the annual County real property taxes that would be due on the Property absent this Agreement and the payments made under this Agreement. Payments to the County on the Cumulative Amount shall be subordinate to payments on the Bond Loan, and shall not bear interest.

(d) The Property may be refinanced or conveyed by the Owner during the term of this Agreement only if all payments then due under this Agreement, including the Cumulative Amount, have been paid in full.

(e) This Agreement shall terminate upon the occurrence of any of the events set forth in (e) i. through (e) v. below, and upon termination all payments then due under this Agreement, including the Cumulative Amount, shall be paid to the County within sixty (60) days thereof. In the event that payment is not received by the County within such sixty (60) days, the amount owed shall be recorded as a lien on the Property subordinate to the Bond Loan.

- i. The Property shall cease to be owned or is refinanced by the Owner;
- ii. The property shall cease to be used in accordance with each Regulatory Agreement;
- iii. The owner of the Property shall cease to comply with the conditions of Section 7-506.1 of the Tax-Property Article of the Annotated Code of Maryland, as amended;
- iv. The Owner shall fail to provide the audited financial statements as required by paragraph (6) hereof, which failure shall continue for sixty (60) days following the Owner's receipt from the County notice of such failure; and
- v. The owner shall fail to make any payment hereby required as and when due.

(5) By March 31 of each tax year, the Owner shall submit to the Director of Finance of the County and the County's Director of the Department of Housing and Community Development audited financial statements, in such detail as may be required by the Director of Finance to administer this Agreement. Said financial statements shall be based on an examination of the books and records prepared in accordance with generally accepted accounting principles, and shall be certified and audited by a Certified Public Accountant registered to practice in the State of Maryland or with the registration authority of any other State.

(6) The Owner shall comply with its covenants regarding the maintenance of its housing for low to moderate income persons set forth by the Regulatory Agreement.

(7) This Agreement shall be an obligation running with the Property, and shall be recorded in the land records of the County.

(8) Any document or agreement referenced hereinabove, or amendments thereto, shall be provided with appropriate recording reference by the Owner when executed and shall be attached to this Agreement by a subsequent addendum identifying such documents and agreements for

purposes of this Agreement.

(9) This Agreement may not be assigned without the County’s prior written consent.

IN WITNESS WHEREOF, RAINIER MANOR REDEVELOPMENT ASSOCIATES, LP, a Maryland limited partnership, has caused this Agreement to be signed in its name by its general partner, and PRINCE GEORGE’S COUNTY, MARYLAND, has caused its name to be signed by the County Executive, or his designee representative, duly attested on this Agreement, on the day and year first hereinabove written.

RAINIER MANOR REDEVELOPMENT ASSOCIATES, LP
a Maryland limited Partnership

By: _____

STATE OF MARYLAND, PRINCE GEORGE’S, TO WIT:

I HEREBY CERTIFY that on this _____ day of _____, 2010 before me, the Subscriber, a Notary Public of the State of Maryland in and for the County aforesaid, personally appeared _____, who acknowledged that he is _____ of RAINIER MANOR REDEVELOPMENT ASSOCIATES, LP, a Maryland limited partnership and stated that as an officer being authorized to do so, he executed the foregoing instrument for the purpose herein contained.

AS WITNESS my hand and Notarial Seal.

Notary Public

My Commission Expires: _____

PRINCE GEORGE’S COUNTY, MARYLAND

By: _____
Ralph E. Moultrie
Acting Chief Administrative Officer

I HEREBY CERTIFY that on this _____ day of _____, 2010, before me, the Subscriber, a Notary Public of the State of Maryland in and for the County aforesaid, personally appeared Ralph E. Moultrie, Acting Chief Administrative Officer and he acknowledged that he is authorized to sign on the behalf of the County Executive of Prince George’s County, Maryland and is authorized to enter into this Agreement.

AS WITNESS my hand and Notarial Seal.

Notary Public

My Commission Expires: _____

REVIEWED AS TO FORM AND LEGAL SUFFICIENCY

Associate County Attorney