




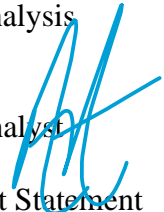
June 13, 2023

**FISCAL AND POLICY NOTE**

TO: Jennifer A. Jenkins  
Council Administrator

William M. Hunt  
Deputy Council Administrator

THRU: Josh Hamlin p.p.   
Director of Budget and Policy Analysis

FROM: Arian Albear   
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement  
CR-045-2023 Housing Investment Trust Fund (HITF) for Park Place at Addison Road

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CR-045-2023 (*Proposed and presented by:* Council Chair at the request of the County Executive)

Assigned to the Committee of the Whole (COW)

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A RESOLUTION concerning Housing Investment Trust Fund (“HITF”) for Housing and Community Development for the purpose of committing and allocating the amount of three million, five hundred thousand dollars (\$3,500,000) in Prince George’s County Housing Investment Trust Fund (“HITF”) Program funds to the Park Place at Addison Road project, an eligible activity, for gap financing of new affordable housing construction.

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**Fiscal Summary**

**Direct Impact**

*Expenditures:* \$3,500,000 in expenditures from the Housing Investment Trust Fund.

*Revenue:* None likely.

**Indirect Impact**

Potentially favorable.

### **Legislative Summary:**

CR-045-2023<sup>1</sup>, proposed by Council Members Hawkins, Oriadha, Watson, Fisher, Dernoga, Olson, Franklin, and Ivey at the request of the County Executive, was presented on May 16, 2023, and referred to the Committee of the Whole (COW). CR-045-2023 would provide the Park Place at Addison Road project in Councilmanic District 7<sup>2</sup> with a \$3,500,000 loan for gap financing for new affordable housing construction.<sup>3</sup> The project will create 193 units with rents restricted to 70% or less of Area Median Income (AMI) over a 40-year period. The project is near the Blue Line Transit Corridor, a high-density development area in the County.

#### *Project Information*

*Developer:* Banneker Ventures, LLC  
*Owner:* Banneker Ventures, LLC  
*Description:* 193 newly constructed units in a six-story apartment building, with rents restricted at 70% or less of the AMI.  
*Location:* Capitol Heights

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### **Background/Current Law:**

The Housing Investment Trust Fund, a non-lapsing fund, was created through legislation, CB-021-2012<sup>4</sup>, and further amended under CB-057-2017<sup>5</sup>, 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 for gap financing to enable the County to support the development of new construction and preservation of existing workforce and affordable housing;
3. Provide for housing counseling, rental, down payment, and closing costs assistance for eligible persons to retain or purchase vacant, abandoned, and foreclosed properties;
4. 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;
5. Provide for land banking of vacant, abandoned, and foreclosed properties;

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<sup>1</sup> [CR-045-2023](#).

<sup>2</sup> Note: Attachments A-1, A-2, and A-3 erroneously list the project in District 4.

<sup>3</sup> More information on Loan Terms under Appendix A at the end of this document.

<sup>4</sup> [CB-021-2012](#).

<sup>5</sup> [CB-057-2017](#).

6. To otherwise reduce and minimize the occurrence of foreclosures by coordination and use of County, State, and Federal resources and program; and
7. To increase and preserve the supply of safe and affordable homeownership opportunities for the purpose of growing the County's tax base revenue.

The Fund may also assist, in the form of loans and grants, to finance programs to meet the goals stated above for the benefit of existing and potential homeowners or renters, not-for-profit organizations, and for-profit affordable housing providers.

The Fund is currently financed from a variety of sources, which may include:<sup>6</sup>

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);<sup>7</sup> and
6. Any other funds designated and provided by the County.

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#### **Resource Personnel:**

Aspasia Xypolia, Director, Department of Housing and Community Development (DHCD)

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#### **Discussion/Policy Analysis:**

CR-045-2023 would provide the Park Place at Addison Road project with additional funding for a total of \$3,500,000, or 4.11% of the project's total funding. Per Attachment B, this would use all of the State of Maryland HITF available funds for the project in the fiscal year.<sup>8</sup> DHCD noted that in FY 2023, the Maryland DHCD allocated \$10 million from their budget to the County to supplement the existing HITF program to support new construction in Transit-Oriented Developments (TODs).<sup>9</sup>

The project's conjoining Payment In Lieu of Taxes (PILOT) agreement (CR-044-2023)<sup>10</sup> for \$998,336 would defer \$9,326,066 in cumulative taxes over a 40-year period. The terms of the PILOT agreement include annual payments of \$85.64 per unit (\$16,528 total for the first year)

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<sup>6</sup> Code of Prince George's County, [Sec. 10-296. – Financing the Fund](#).

<sup>7</sup> The Recordation tax source was added under CB-004-2021 and took effect on June 30, 2022.

<sup>8</sup> CR-045-2023, [Attachment B](#).

<sup>9</sup> Communication from DHCD.

<sup>10</sup> [CR-044-2023](#).

with a 2% annual escalation.<sup>11</sup> As such, the total County subsidy, from both sources, for the project would be \$12,826,066.

40-Year Tax Burden	40-Year PILOT Payments	40-Year Deferred Tax
\$10,324,402	\$998,336	\$9,326,066

The developer proposes that rents will range from \$1,066 for 40% AMI efficiencies to \$1,900 for 60% AMI 2-bedroom units. A further breakdown of rents is found in the chart below:

Type	40% AMI	50% AMI	60% AMI
Efficiency	\$1,066		\$1,400
1-Bedroom	\$1,142	\$1,427	\$1,650
2-Bedroom	\$1,370	\$1,712	\$1,900

\*Rents currently include owner-paid utilities (electric and gas)

Notably, while the chart above, provided by DHCD, show a range of rents from 40%-60% of AMI, the legislation is set to 70% or less of AMI.

Affordable housing is a critical issue in an area with rising home values and overall lack of housing. This project would create 193 units at 70% or below of the DMV-regions Area Median Income (AMI). DHCD uses income limits published by HUD (U.S. Department of Housing and Urban Development) based on household size to calculate affordability.<sup>12</sup> Notably, Prince George’s County’s median household income is already well below the area median, as defined by the U.S. Census Bureau. According to the American Community Survey, the median income for the “Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area” is \$110,355<sup>13</sup> and the median income for Prince George’s



Figure 1: U.S. Census Bureau's DC-VA-MD-WV Metro Area

<sup>11</sup> Note: The PILOT Agreement draft erroneously notes an 80% AMI in the Baltimore Metropolitan Statistical Area rather than a 70% or less AMI in the “Washington-Arlington-Alexandria Metro Area.” DCHD is aware and will correct it in their final draft.

<sup>12</sup> Communication with DHCD.

<sup>13</sup> Census Reporter, [Washington-Arlington-Alexandria Metro Area](#).

County is \$90,182.<sup>14</sup> The County median household income, therefore, is already 81.7% of the Area Median Household Income (AMI).

**\$110,355 - \$90,182 = \$20,173 (81.7% of AMI)** difference in household income.

2023 Adjusted Home Income Limits, as published by HUD, can be found in the chart below:<sup>15 16</sup>

2023 Adjusted Home Income Limits								
Program	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
<b>30% Limits</b>	31,650	36,200	40,700	45,200	48,850	52,450	56,050	59,700
<b>50% Limits</b>	52,750	60,300	67,850	75,350	81,400	87,450	93,450	99,500
<b>60% Limits</b>	66,300	72,360	81,420	90,420	97,680	104,940	112,140	119,400
<b>80% Limits</b>	66,750	76,250	85,800	95,300	102,950	110,550	118,200	125,800

As such, while this project will create some affordable housing for the DC Metro AMI, these units may result in creating slightly less unaffordable housing in the County while not necessarily meeting the definition of affordable.

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### **Fiscal Impact:**

- *Direct Impact*

Adoption of CR-045-2023 would represent a negative impact of \$3,500,000 to the Housing Investment Trust Fund. The loan carries a 2% simple interest rate during the permanent loan period. Loan payments are due only after payment of all Senior Loan debt. More information on the loan terms can be found at the end of this document, under Appendix A.

In conjunction with the other Housing Investment Trust Fund resolutions and other expenses, FY 2023 will conclude with an HITF balance of \$2,745,283. Details on expenditures are below:<sup>17</sup>

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<sup>14</sup> Census Reporter, [Prince George's County](#).

<sup>15</sup> U.S. Department of Housing and Urban Development (HUD), 2023 Home Income Limits, [Washington-Arlington-Alexandria, DC-VA-MD HUD Metro FMR Area](#).

<sup>16</sup> For more information on how Home Income Limits are calculated, please see this [link](#).

<sup>17</sup> Communication with DHCD.

<b>FY 2023 beginning balance</b>		<b>\$4,179,783</b>
<b><u>FY 2023 Revenue</u></b>		
State grant		\$10,000,000
Recordation tax		\$10,800,000
<b><u>FY 2023 Expenses</u></b>		
Projects in Front of Council Spring 2023		(\$13,750,000)
Staff Salaries		(\$112,000)
Underwriting		(\$67,500)
Admin		(\$75,000)
Legal services		(\$20,000)
Program services		(\$675,000)
<b><u>Previously Committed</u></b>		
Villas @ Langley		(\$2,000,000)
Glenarden Hills		(\$3,000,000)
Atworth College Park Metro		(\$200,000)
Sovren at West Hyattsville Metro		(\$200,000)
Hamilton Manor		(\$1,000,000)
Enterprise Community Partners		(\$385,000)
Homeownership Preservation Program		(\$750,000)
<b>FY 2023 ending balance</b>		<b>\$2,745,283</b>

For reference, the chart below summarizes HITF funding in recent fiscal years, with 2023 Estimate numbers as of April 20, 2023.<sup>18</sup>

Category	FY 2022 Actual	FY 2023 Approved	FY 2023 Estimate	FY 2024 Proposed
Compensation	\$ 81,036	\$ 226,600	\$ 85,300	\$ 278,000
Fringe Benefits	35,487	56,600	26,600	86,900
Operating Expenses	1,351,193	21,756,300	8,300,500	15,301,000
<b>TOTAL</b>	<b>\$ 1,467,716</b>	<b>\$ 22,039,500</b>	<b>\$ 8,412,400</b>	<b>\$ 15,665,900</b>

- *Indirect Impact*

Adoption of CR-045-2023 may promote economic development through the creation of more apartments and businesses to serve the increase in population along transit-oriented zones. If a substantial amount of the workforce employed in the construction project is from the area, this may also result in more of the money staying within the jurisdiction.

- *Appropriated in Current Fiscal Year*

<sup>18</sup> FY 2024 County Executive's Proposed Budget Book, [Department of Housing and Community Development](#).

Yes.

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**Effective Date of Proposed Legislation:**

The proposed Resolution shall be effective upon its adoption.

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

## Appendix A

### HITF Loan Terms

<b>Subordination:</b>	The HITF Loan will be subordinated to Senior Loan(s) approved by the Department, and subject to terms of an agreed-upon Subordination Agreement with Senior Lender(s). Multiple Senior Loans are acceptable.
<b>HITF Loan Term:</b>	Generally coterminous with the term of the Senior Loan(s), but no less than 20 years.
<b>HITF Loan Amortization:</b>	Up to 40 years.
<b>HITF Loan Interest Rate:</b>	Two percent (2%) simple interest during permanent loan period; zero percent (0%) during construction. At the discretion of the Director of the Department, Maryland DHCD's Contingent Interest loan terms will be considered on a case-by-case basis.
<b>Collateral:</b>	The HITF Loan will be secured by a subordinate lien Deed of Trust recorded in the Land Records of Prince George's County. Alternative collateral arrangements may be approved by the Department.
<b>Loan Payments:</b>	No repayments of principal or interest on the HITF Loan shall be due during the construction period. Beginning with the permanent loan period, repayment of the Loan will be due from available Cash Flow after payment of all Senior Loan debt, and as further defined in the Loan Documents and determined by annual financial statements. The annual repayment amount on the HITF Loan will be the <u>lesser</u> of: 1) 75% of surplus cash flow after approved operating expenses and required annual Senior Loan payments, or 2) the amount necessary to fully amortize the Loan under the agreed-upon terms, or 3) such other amount as agreed to by the Department. The definition of surplus cash for purposes of repayment of the HITF loan is set forth in the Note. At the discretion of the Director of the Department, Maryland DHCD's Contingent Interest loan terms will be considered on a case-by-case basis.