

# PRINCE GEORGE'S COUNTY COUNCIL

## COMMITTEE REPORT

2022 Legislative Session

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**Reference No.:** CR-040-2022

**Draft No.:** 1

**Committee:** COMMITTEE OF THE WHOLE

**Date:** 6/21/2022

**Action:** FAV

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### REPORT:

Committee Vote: Favorable, 8-0 (In favor: Council Members Hawkins, Burroughs, Franklin, Harrison, Medlock, Streeter, Taveras and Turner)

The Committee of the Whole convened on June 21, 2022, to consider CR-40-2022. This resolution was transmitted by the County Executive for the Council's consideration to approve and adopt the commitment and allocation of gap financing from the Prince George's County Housing Investment Trust Fund ("HITF") for Housing and Community Development to the Willows at Upper Marlboro multi-family development, an eligible activity, in the amount of two million, five hundred thousand dollars (\$2,500,000).

The Willows at Upper Marlboro project involves the land acquisition and new construction of sixty (60) units of multi-family rental housing for mixed income families, especially those with low- and moderate-income, located at 15402 Marlboro Pike, Upper Marlboro, Maryland 20772. These apartments will be built and constructed by the development team consisting of MBID of Delaware, LLC (d/b/a/ Ingerman) and Housing Initiative Partnership, Inc.

The units in Willows at Upper Marlboro will be reserved for families. Of the sixty units, the Project will reserve fifty-one (51) units for families at various income levels up to eighty percent (80%) of the Area Median Income ("AMI"). Additionally, nine (9) units will be at market rate. Across the Project, there will be a unit mix of thirteen (13) one-bedroom units, twenty-nine (29) two-bedroom units, and eighteen (18) three-bedroom units.

The Planning, Housing and Economic Development (PHED) Committee Director gave a brief overview of the purpose of the resolution and turned to Department of Housing and Community Development (DHCD) Director Aspasia Xypolia who introduced Pam Wilson, DHCD Housing Development Program Manager, and members of the Willows at Marlboro project development team who were present. Natalie DeFilippo, Vice President of Development at Ingerman, provided a PowerPoint presentation with project details including front elevations, unit mix, amenities, funding sources and uses, and Section 3/MWBE/CBSB Goals. Maryann Dillon, Executive Director of HIP, was also present for the discussion and to respond to questions.

The Office of Audits and Investigations submitted a June 17, 2022, Policy Analysis and Fiscal Impact Statement that included the following Discussion/Policy Analysis and Fiscal Impact:

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.

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 \$106,415 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.

Indirect Impact:

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

In response to Council Member Turner's question regarding the current balance of the Housing Investment Trust Fund given the proposed allocation for the Willows project, other projects, as well as the recent additional State funding, Director Xypolia advised that the new funding is not part of the current balance and will be included for FY2023 funding requests.

Following discussion, the Committee voted favorable on CR-40-2022 as drafted.