

Cottage City Bond Resolution

Housing Authority of Prince George's County

June 9, 2022



Cottage City Repositioning

- Cottage City Towers is Public Housing that was originally constructed in 1971 and consists of 100 units within a 6-story high-rise on 3.17 acres located in Cottage City, Maryland
- The unit breakout consists of 54 efficiency units and 46 one-bedroom units
- The proposed scope of work includes installing a new sprinkler system, replacing windows, renovations to the mechanical and electric systems, solar panels, rehab of all residential units, replacement of all light fixtures with LED fixtures and appliances with Energy Star certifications, as well as upgrades to laundry facility and common areas
- The current resident demographics include seniors, non-seniors and persons with disabilities at or below 50% of the Area Median Income (AMI)
- Per the Rental Assistance Demonstration (RAD) program requirements, which allow HAPGC to convert from Section-9 Public Housing to Section-8 Project Based Vouchers (PBV), NO current residents will be displaced as part of the renovation and conversion
- Post rehabilitation, the project will remain 100% affordable at 50% AMI and below
- The project is estimated to close in the fourth quarter of 2022, with an estimated 12-month construction period and targeted to achieve project stabilization by Fall of 2023

Vision (e.g. Rendering)





Proposed Legislation

- WHEREAS, there is a significant need for quality affordable housing units in Prince George's County for persons with limited income; and
- WHEREAS, the Owner desires to acquire and rehabilitate the Cottage City Towers Apartments rental complex, which is sited on approximately 3.17 acres located at 4142 Bunker Hill Road, Cottage City, Maryland, 20722, and currently consists of 100 units located in a six story building, with common laundry facilities and a community room; and
- WHEREAS, the Project is substantially detailed in the Project Information Sheet, attached hereto as "Attachment A"; and
- WHEREAS, Housing Authority of Prince Georges County Affordable Housing Development Corporation will be the developer of the Project; and
- WHEREAS, the Owner has requested assistance in financing a portion of the costs of the Project through the issuance of the one or more series of the Housing Authority's Multifamily Housing Revenue Bonds, in an aggregate principal amount not to exceed \$25,000,000(collectively, the "Bonds"); and

Proposed Legislation (cont'd)

- ▶ WHEREAS, it is anticipated that the Bonds will be issued as tax-exempt bonds and, potentially, taxable bonds; and
- ▶ WHEREAS, pursuant to Sections 12-101, 17-102 and 17-107 of the Housing and Community Development Article of the Annotated Code of Maryland (the "Code"), as amended, with the approval of the County governing body, the Housing Authority has the power to make construction loans and long-term mortgage loans to produce housing, to purchase and to insure mortgages secured by housing, and to issue and sell bonds and notes to finance housing, housing rehabilitation and housing projects as it may determine necessary; and
- ▶ WHEREAS, the Housing Authority adopted Resolution No. LHA-1361 on March 28, 2022, attached hereto as "Attachment B", which expresses the Housing Authority's intent to issue and sell the Bonds, the proceeds of which will be loaned to the Owner used to finance a portion of the costs of the Project; and
- ▶ WHEREAS, the estimated cost of the Project is \$41,470,762; and
- ▶ WHEREAS, the Owner has also requested approval of the award by CDA of approximately \$16,154,450 of federal low-income housing tax credits ("LIHTCs"), the sale of which, along with interim project income and deferred developer fees in the estimated amounts set forth in Attachment A, will provide additional sources of financing; and
- ▶ WHEREAS, the applicable law and regulations of Section 17-107 of the Housing and Community Development Article of the Annotated Code of Maryland requires approval of the Project and the Project financing by the County Council for Prince George's County; and
- ▶ WHEREAS, the County Executive endorses the Project and recommends approval for financing a portion of the costs of the Project, substantially as described in "Attachment A"; and

Proposed Legislation (cont'd)

- ▶ WHEREAS, as required by Section 147(f) of the Internal Revenue Code, a Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) public hearing has been held following publication of notice of said hearing.
- ▶ NOW, THEREFORE, BE IT RESOLVED by the County Council of Prince George's County, Maryland, that the issuance and sale by the Housing Authority of the Bonds, in one or more series of tax-exempt or taxable bonds and in such aggregate principal amount per series as shall be determined by the Chairman and the Executive Director of the Housing Authority to be sufficient to accomplish the purposes hereof, provided that such Bonds shall be issued in an aggregate principal amount not to exceed \$25,000,000, and subject to any other conditions or requirements imposed by the County Executive in order to assure decent, safe and sanitary housing for County residents, and the loan of the proceeds of such Bonds to the Owner to assist in the financing of the acquisition and rehabilitation of the Project as described herein, be and the same are hereby approved as required in each case by the Code.
- ▶ BE IT FURTHER RESOLVED that this Resolution shall constitute the approval of the County Council as required by Section 147(f) of the Internal Revenue Code of 1986, as amended, for a portion of the costs of the Project to be financed with the proceeds of the Bonds.
- ▶ BE IT FURTHER RESOLVED that this Resolution shall constitute any required support and the approval of the County Council with respect to the award of LIHTCs by CDA.
- ▶ BE IT FURTHER RESOLVED that a copy of this Resolution shall be sent to the Secretary of the Department of Housing and Community Development of the State of Maryland.

Financial Information (Sources)

- ▶ Tax-exempt Private Activity Bonds up to \$25M - 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).

SOURCES OF FUNDS

| | |
|-------------------------------------|--------------|
| • Tax Credit (LIHTC) Equity: | \$16,743,917 |
| • Bank Debt: | \$8,728,329 |
| • HOME Funds: | \$2,000,000 |
| • Partnership Rental Housing Funds: | \$2,000,000 |
| • Capitalized Ground Lease: | \$10,838,496 |
| • Deferred Development Fee: | \$1,572,528 |
| • Construction Period Income: | \$267,378 |
| • General Partner Equity: | <u>\$100</u> |

Total projected financing is: \$42,150,748



Financial Information (Uses)

| USE OF FUNDS | Costs |
|-------------------------------------|---------------------|
| ➤ Acquisition | \$13,514,432 |
| ➤ Construction/Rehabilitation | \$17,623,664 |
| ➤ Developer Fee | \$3,753,069 |
| ➤ Professional Fees/Other Soft Cost | \$2,864,992 |
| ➤ Financing Cost | \$2,933,322 |
| ➤ Tax Credit & Syndication Cost | \$314,087 |
| ➤ Start-Up Cost, Reserves & Escrows | <u>\$1,147,182</u> |
| <i>Total Uses of Funds:</i> | <i>\$42,150,748</i> |



Fiscal Impact

- ▶ There is no fiscal impact to the County
- ▶ The site is not currently subject to County real estate taxes and post redevelopment is projected to continue to not be subject to County real estate taxes
- ▶ The private activity bond issuance does not engage the full faith and credit of the County