

COUNTY COUNCIL OF PRINCE GEORGE'S COUNTY, MARYLAND
2023 Legislative Session

Resolution No. CR-046-2023

Proposed by The Chair (by request – County Executive)

Introduced by Council Members Dernoga, Watson, Ivey, Harrison, Hawkins, Franklin,
Olson and Fisher

Co-Sponsors _____

Date of Introduction May 16, 2023

RESOLUTION

1 A RESOLUTION concerning

2 Housing Investment Trust Fund (“HITF”) for Housing and Community Development
3 For the purpose of committing and allocating the amount of two million, five hundred thousand
4 dollars (\$2,500,000) in Prince George’s County Housing Investment Trust Fund (“HITF”)
5 Program funds to the Cottage City Towers project, an eligible activity, for gap financing
6 necessary for the preservation of affordable housing.

7 WHEREAS, pursuant to Sections 10-295, 10-297, 10-298 and 10-299 of the Prince
8 George’s County Code, the County Executive and the County Council of Prince George’s
9 County, Maryland adopted County Bill CB-021-2012, which set forth the County’s Housing
10 Investment Trust Fund Program; and

11 WHEREAS, the County established the Housing Investment Trust Fund, in order to
12 authorize a funding and program mechanism to address foreclosure related issues facing
13 residents in the County. The County sought to establish a Foreclosure Recovery Initiative Fund
14 to allow Prince George’s County to support private investments, attract new homebuyers, and
15 expand partnerships with the non-profit community by providing critically needed financial
16 assistance for housing rehabilitation projects, first time homebuyers, and foreclosure mediation
17 counseling agencies; and

18 WHEREAS, pursuant to Sections 10-295, 10-297, 10-298 and 10-299 of the Prince
19 George’s County Code, and adopted in County Bill CB-057-2017, the Housing Investment Trust
20 Fund Program was amended to include the provision of gap financing to support the
21 development of new construction, rehabilitation and preservation of workforce and affordable

1 housing, consistent with the adopted Prince George’s County Five-Year Consolidated Housing
2 and Community Development Plan. In addition to serving as a vehicle to address foreclosures
3 with the County, the purpose of the amendment was to enable the County to support the
4 development of new construction and preservation of existing workforce and affordable housing
5 which would allow Prince George’s County to provide Workforce Housing Gap Financing with
6 an emphasis on supporting the development of new construction, rehabilitation and preservation
7 of workforce and affordable housing while targeting households earning up to 120% of the area
8 median income (“AMI”); and

9 WHEREAS, the Cottage City Towers project involves the acquisition and rehabilitation of
10 a one hundred (100) unit affordable multi-family rental housing for low-income to moderate-
11 income families, known as Cottage City Towers, located at 4142 Bunker Hill Road, Cottage
12 City, Maryland 20722; and

13 WHEREAS, Attachments “A-1,” “A-2,” and “A-3,” describe the Cottage City Towers
14 project, the associated costs and the source(s) of funding for the project, as attached hereto and
15 made a part hereof; and

16 WHEREAS, Attachment “B” describes a summary of the financial commitment and
17 allocation of two million, five hundred thousand dollars (\$2,500,000) in HITF Program funds to
18 support the Cottage City Towers project, as attached hereto and made a part hereof; and

19 WHEREAS, the commitment and allocation of two million, five hundred thousand dollars
20 (\$2,500,000) in HITF Program funds will provide gap financing necessary to acquire and
21 complete the Cottage City Towers project; and

22 WHEREAS, the County Executive recommends the County’s financial commitment to the
23 Cottage City Towers project and an allocation of two million, five hundred thousand dollars
24 (\$2,500,000) in HITF Program funds to support this project.

25 NOW, THEREFORE, BE IT RESOLVED by the County Council of Prince George's
26 County, Maryland, that the commitment and allocation of the Housing Investment Trust Fund for
27 Housing and Community Development to the Cottage City Towers Project is hereby approved in
28 the amount of two million, five hundred thousand dollars (\$2,500,000), as more particularly
29 described in Attachments “A-1 – A-3,” and “B,” respectively, as attached hereto and made a part
30 hereof.

31 BE IT FURTHER RESOLVED that this Resolution shall become effective as of the date of

1

its adoption.

Adopted this 20th day of June, 2023.

COUNTY COUNCIL OF PRINCE
GEORGE'S COUNTY, MARYLAND

BY: _____
Thomas E. Dernoga
Chair

ATTEST:

Donna J. Brown
Clerk of the Council

ATTACHMENT A-1

PROJECT INFORMATION SHEET

**Cottage City Towers
4142 Bunker Hill Road
Cottage City, MD 20722**

COUNCILMANIC DISTRICT 5

- PROJECT DESCRIPTION:** The Developer plans to rehabilitate the Cottage City Towers project, an existing one hundred (100) unit affordable elevator-served apartment building serving families in Cottage City. Units will be reserved for households earning sixty percent (60%) or less of the Area Median Income (“AMI”).
- OWNER:** An entity to be formed by the Developer
- DEVELOPER:** HAPGC Affordable Housing Development Corporation, LLC C/O Housing Authority of Prince George's County
- CONTACT:** Ronald McCoy
Acting Executive Director
Housing Authority of Prince George’s County
rmmccoy2@co.pg.md.us
301-883-5537
- NEIGHBORHOOD/LOCALITY:** Cottage City, Prince George’s County, District 5
- UNIT MIX:** A mix of studios/efficiencies and one-bedrooms
- AFFORDABILITY:** All units will be reserved for households earning sixty percent (60%) or less of the AMI.

ATTACHMENT A-2**PROJECT INFORMATION SHEET**

**Cottage City Towers
4142 Bunker Hill Road
Cottage City, MD 20722**

COUNCILMANIC DISTRICT 5**PROJECT DESCRIPTION:**

The HAPGC Affordable Housing Development Corporation, LLC C/O Housing Authority of Prince George's County ("HAPGC" or the "Developer") is proposing the substantial rehabilitation of Cottage City Towers (the "Project") which consists of one hundred (100) units of public housing serving families that is located in Cottage City, Prince George's County, Maryland. The Project is a 6-story elevator building constructed in 1974. Due to its age and prior lack of financing to complete substantial rehabilitation, the Project is outdated and has a significant backlog of deferred maintenance. The goal of this rehabilitation is to significantly improve the physical quality of the property, thereby improving the lives of the residents, while ensuring that this important affordable housing is preserved for the long-term. HAPGC has engaged National Affordable Housing Trust ("NAHT") to serve as its consultant throughout the rehabilitation process.

While HAPGC has managed the Project with the residents' well-being in mind, the Section 9 Public Housing program has not been flexible enough to provide for significant capital upgrades that are required to maintain the property. Consequently, there is significant deferred maintenance at the property. This has resulted in many major systems, such as HVAC, being operated well beyond their useful life and now needing to be completely replaced. Not only are systems in need of replacement, but the building's piping is also in an advanced stage of deterioration. The electrical system, while adequate for current use, will need to be upgraded to accommodate other updated items in the building.

The Project is also aesthetically outdated. Some common areas will be reconfigured to accommodate to the way residents live today vs the 1970's. The building is severely lacking in modern energy efficiency. It requires a substantial upgrade in insulation and investment in more efficient systems that will reduce operating costs and substantially reduce the building's carbon

emissions. Completely new kitchens and baths will be installed in each unit. All finishes, fixtures and doors will be replaced, and unit walls will be repaired and repainted. The common areas will be completely renovated with attractive, durable finishes. Proposed amenities include on-site management, community room, computer center, library, laundry room, patio with park benches, park grills, and picnic tables. The Project will consist of a mix studios/efficiency units and one-bedroom. All units will be reserved for households earning sixty percent (60%) or less of the Area Median Income (“AMI”).

The Project was developed under the Public Housing Section 9 Program and currently has an Annual Contributions Contract (“ACC”) with the U.S. Department of Housing and Urban Development (“HUD”) that provides a subsidy. The total cost of acquisition and rehabilitation of the Project is anticipated to be approximately thirty two million, three hundred seventy thousand, eight hundred eighty dollars (\$32,370,880).

In order to acquire financing to fund the rehabilitation, HAPGC will participate in the Rental Assistance Demonstration (“RAD”) program. Through this program the property will be “decommissioned” from the Section 9 Public Housing program and converted into a Section 8 development. The development will have two rental subsidy contracts: 1) Housing Assistance Payment (“HAP”) from HUD; and 2) Project-Based Voucher contract (“PBV”) from HAPGC. The Developer is applying for a Prince George’s County Payment in Lieu of Taxes (“PILOT”), for a period of at least forty (40) years, and a Housing Investment Trust Fund (“HITF”) loan in the amount of two million, five hundred thousand dollars (\$2,500,000). The development will also apply for an allocation of four percent (4%) Low Income Housing Tax Credits along with bond financing provided by the Housing Authority of Prince George’s County that will both finance construction and fund the permanent loan. Under HAPGC’s ownership, the Project does not presently pay County real estate tax. The ability to continue receiving this level of tax relief enables the Project to acquire financing necessary to support the rehabilitation and continued long term affordability.

ATTACHMENT A-3**PROJECT FINANCING ESTIMATE**

**Cottage City Towers
4142 Bunker Hill Road
Cottage City, MD 20722**

COUNCILMANIC DISTRICT 5

SOURCES	Amount	Percentage
Tax Exempt Bond Loan	\$ 8,207,406	25.35%
CDA - Partnership Rental Housing Loan	\$ 3,500,000	10.81%
Capitalized Ground Lease and Seller Note	\$ 4,420,000	13.65%
Prince George's County HITF Loan	\$ 2,500,000	7.72%
Deferred Developer Fee	\$ 1,097,429	3.39%
LIHTC - Investor Equity	\$ 11,898,307	36.76%
Interim Income	\$ 747,638	2.31%
General Partner Equity	\$ 100	0.00%
TOTAL	\$ 32,370,880	100.00%
USES	Amount	Percentage
Construction costs	\$ 17,782,970	54.94%
Fees related to construction or rehab	\$ 1,656,060	5.12%
Total financing fees and charges	\$ 3,398,662	10.50%
Acquisition costs	\$ 4,420,000	13.65%
Developer's fee	\$ 3,028,101	9.35%
Syndication related costs - legal	\$ 309,087	0.95%
Guarantees and reserves	\$ 1,776,000	5.49%
TOTAL	\$ 32,370,880	100.00%