

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

Resolution No. CR-041-2023
Proposed by The Chair – (by request – County Executive)
Introduced by Council Members Dernoga, Harrison and Ivey
Co-Sponsors _____
Date of Introduction May 9, 2023

RESOLUTION

1 A RESOLUTION concerning

2 Payments in Lieu of Taxes (“PILOT”) Agreement for Cottage City Towers Apartments
3 For the purpose of approving the terms and conditions of a Payments in Lieu of Taxes
4 (“PILOT”) Agreement between Prince George’s County, Maryland (the “County”) and an entity
5 to be formed by Developer: HAPGC Affordable Housing Development Corporation, LLC C/O
6 Housing Authority of Prince George's County (the “Owner”).

7 WHEREAS, there is a significant need in the County for quality housing units for persons
8 with limited income; and

9 WHEREAS, the Owner proposes to rehabilitate a one hundred (100) unit affordable multi-
10 family rental housing for low-income to moderate-income families, known as Cottage City
11 Towers, located at 4142 Bunker Hill Road, Cottage City, Maryland 20722, as more particularly
12 described in Exhibit A, attached hereto and herein incorporated by reference (“Property”); and

13 WHEREAS, the Owner has requested that the County Council of Prince George’s County,
14 Maryland, (the “County Council”) authorize the Owner to make payments in lieu of County real
15 property taxes pursuant to Section 7-503 of the Tax-Property Article of the Annotated Code of
16 Maryland, as amended; and

17 WHEREAS, Section 7-503 of the Tax-Property Article of the Annotated Code of Maryland,
18 as amended, provides that in Prince George's County, real property that meets the requirements
19 of subsection (b) of section 7-503 is not subject to property tax if the owner of the real property
20 is: (a)(2)(i)(1)(A) a person who meets the ownership requirements of § 7-202 of this title;
21 (a)(2)(i)(1)(B) a nonprofit corporation that is exempt from income tax under § 10-104 of the
22 Tax--General Article; (a)(2)(i)(1)(C) a limited liability company that is wholly owned by a

1 nonprofit corporation that is exempt from income tax under § 10-104(2) of the Tax-General
 2 Article; or (a)(2)(i)(1)(D) a nonprofit housing corporation as defined in § 12-104(b) of the
 3 Housing and Community Development Article; and (a)(2)(i)(2) engaged solely in constructing,
 4 operating, or managing rental housing and other related essential service facilities that:
 5 (a)(2)(i)(2)(A) are substantially completed or substantially rehabilitated on and after July 1,
 6 1973; (a)(2)(i)(2)(B) are partially or totally financed under a government program that provides
 7 housing for low income families; and (a)(2)(i)(2)(C) are operated on a nonprofit basis with the
 8 revenues from the operation of the housing and facilities controlled under the government
 9 program in order not to produce any net income; or (a)(2)(ii)(1) a limited partnership whose
 10 managing general partner is: (a)(2)(ii)(1)(A) a housing authority as defined in § 12-101 of the
 11 Housing and Community Development Article; (a)(2)(ii)(1)(B) a nonprofit corporation that is
 12 exempt from income tax under § 10-104(2) of the Tax-General Article; (a)(2)(ii)(1)(C) a limited
 13 liability company that is wholly owned by a nonprofit corporation that is exempt from income
 14 tax under § 10-104(2) of the Tax-General Article; or (a)(2)(ii)(1)(D) a for profit corporation in
 15 which 100% of the stock is owned by a nonprofit corporation that is exempt from income tax
 16 under § 10-104(2) of the Tax-General Article; and (a)(2)(ii)(2) engaged in the operation,
 17 construction, or management of a qualified low income housing project as defined in the Internal
 18 Revenue Code; and

19 WHEREAS, the Owner has demonstrated to the County that an agreement for payments in
 20 lieu of County real property taxes is necessary to make the Project economically feasible, as
 21 described in Attachments “A-1,” “A-2,” and “A-3,” attached hereto and made a part hereof; and

22 WHEREAS, in order to induce the Owner to provide housing for families with restricted
 23 incomes, it is in the interest of the County to accept payments in lieu of County real property
 24 taxes, subject to the terms and conditions of the PILOT Agreement (the “Agreement”) set forth
 25 in Attachment B, attached hereto and made a part hereof; and

26 WHEREAS, the County Executive has recommended support of the acquisition and
 27 rehabilitation of the Project.

28 NOW, THEREFORE, BE IT RESOLVED by the County Council of Prince George's
 29 County, Maryland, that in accordance with Section 7-503 of the Tax-Property Article of the
 30 Annotated Code of Maryland, as amended, the County shall accept payments in lieu of County
 31 real property taxes for the Project, subject to the Agreement attached to this Resolution.

1 BE IT FURTHER RESOLVED that the County Executive or the County Executive’s
2 designee is hereby authorized to execute and deliver the Agreement in the name of and on behalf
3 of the County in substantially the same form attached hereto.

4 BE IT FURTHER RESOLVED that the County Executive, prior to the execution and
5 delivery of the Agreement, may make such changes or modifications to the Agreement as
6 deemed appropriate in order to accomplish the purpose of the transaction authorized by this
7 Resolution; and the execution of the Agreement by the County Executive or the County
8 Executive’s designee shall be conclusive evidence of the approval of the County Executive of all
9 changes or modifications to the Agreement; and the Agreement shall thereupon become binding
10 upon the County in accordance with the terms and conditions therein.

11 BE IT FURTHER RESOLVED that the County Executive, subsequent to the execution of
12 the Agreement, may amend the Agreement as deemed appropriate in order to accomplish the
13 purpose of the transaction authorized by this Resolution.

14 BE IT FURTHER RESOLVED that this Resolution shall become effective as of the date of
15 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%