

PRINCE GEORGE'S COUNTY COUNCIL

COMMITTEE REPORT

2022 Legislative Session

Reference No.: CR-064-2022

Draft No.: 1

Committee: COMMITTEE OF THE WHOLE

Date: 6/21/2022

Action: FAV

REPORT:

Committee Vote: Favorable, 9-0 (In favor: Council Members Hawkins, Burroughs, Dernoga Harrison, Ivey, Medlock, Streeter, Taveras and Turner)

The Committee of the Whole convened on June 21, 2022, to consider CR-64-2022. This resolution was transmitted by the County Executive for the Council's consideration to add the Glenarden Hills Phase 3, (4%) project, an eligible activity not originally funded, in the amount of three million dollars (\$3,000,000).

The Glenarden Hills Phase 3, (4%) project involves the land acquisition and new construction of a one hundred fourteen (114) affordable rental housing community for mixed income families, especially those with low- and moderate-income, located at 8405 Hamlin Street, Lanham, Maryland 20706. These apartments will be built and constructed by the development team consisting of Pennrose LLC, the Redevelopment Authority of Prince George's County, B&W Solutions, Inc., and SHABACH! Ministries, Inc.

The units in Glenarden Hills Phase 3, (4%) will be reserved for families. Eighty-eight (88) of the affordable units will be reserved for family households whose incomes are at sixty percent (60%) of the Area Median Income ("AMI") and six (6) of the affordable units will be reserved for families whose incomes are at thirty percent (30%) of the AMI. Additionally, twenty (20) units will be at market rate. Of the one hundred fourteen (114) units, forty-one (41) units will be one-bedroom units, fifty-seven (57) units will be two-bedroom units, and sixteen (16) units will be 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 Pam Wilson, Department of Housing and Community Development (DHCD) Housing Development Program Manager, who introduced members of the Glenarden Hills Phase 3, (4%) development team who were present. Patrick Stewart, Regional Vice President, Pennrose LLC, commented on the public/private partnership associated with the project and provided a PowerPoint presentation with project details including funding sources, building elevations, unit mix, rent ranges, and Section 3/MWBE/County-based Small Business (CBSB) goals and strategy. Mike Little, CEO, B&W Solutions, Inc., was also present in the meeting and available for 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-064-2022 would provide the Glenarden Hills Phase 3 project with \$3,000,000, or 7.84% 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-064-2022 is conjoined with CR050-2022, a Payment in Lieu of Taxes (PILOT) agreement for the developer for \$102 per year, per unit, for 40 years (\$9,588 total first year payment) with a 2% yearly escalation. The developer proposes that rents for one-bedroom units will range from \$1,220 to \$1,234, rents for two-bedroom units will range from \$551, to \$1,748, and rents for three-bedroom units will range from \$652 to \$1,708.

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:

Adoption of CR-064-2022 would represent a negative impact of \$3,000,000 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-050-2022, where the developer pays \$9,588 per year in lieu of the normal tax rate (\$102 per unit, per year), there is a substantial impact to the County in the form of forgone taxes.

Following discussion, the Committee voted favorable on CR-64-2022 as drafted.