

Regular Meeting

Agenda Item #	3
Meeting Date	October 29, 2015
Prepared By	Sara Anne Daines HCD Director
Approved By	Suzanne R. Ludlow City Manager

Discussion Item	First Reading Ordinance Authorizing Execution of Payment in Lieu of Taxes (PILOT) Agreement for Hillwood Manor, 1100 Linden Avenue
Background	<p>This is the first reading of an ordinance authorizing the execution of a Payment in Lieu of Taxes (PILOT) agreement with Montgomery Housing Partnership, Inc., a nonprofit affordable housing organization which develops, renovates and manages properties throughout Montgomery County. The purpose of a PILOT exemption is to support affordable housing at the local level and is viewed by funding agencies as a show of municipal support for a project. Local governments, when authorized by State Law, negotiate agreements with rental property owners to lower the cost of real property taxes. In return, the owner commits to providing affordable housing to low-income residents.</p> <p>The requested PILOT exemption, proposed to the Council on October 12, 2015, would provide for the full abatement of local property taxes for a period of five years at Hillwood Manor, a 96 unit garden style apartment complex constructed in 1944 and located in Ward 6 along the New Hampshire Avenue corridor. In exchange for the abatement of property taxes, MHP would be required to rent a minimum of fifty percent of the units to income tested low and moderate income households.</p> <p>As noted during their October 12 presentation, the PILOT exemption is pivotal to MHP's purchase of the property and will assist in securing financing from a variety of sources including the State of Maryland (\$1.5 million) and Montgomery County Department of Housing and Community Affairs (\$2.3 million). MHP plans to invest approximately \$60,000 to \$70,000 per unit at the property over the course of the next five years. They anticipate requesting an extension of the PILOT once permanent financing is secured.</p> <p>MHP has further advised the Council that they will be applying for a grant of exemption from rent stabilization following the purchase of the property and the execution of a rental agreement with Montgomery County. The terms and conditions of the rental agreement will mirror the LMI requirements identified in the accompanying PILOT agreement and will satisfy the requirements for an exemption as set forth in City Code (Chapter 6.20.030(A)2). The County has indicated that, in addition to establishing affordability criteria noted above, the rental agreement will limit future rent increases to their annual Voluntary Rent Guidelines. Any increases in excess of the referenced guidelines would need to be approved by the County prior to their implementation.</p>

Background continued	<p>Staff concurs with MHP's assessment of the deteriorated condition of the property and supports the request for a full exemption of local property taxes.</p> <p>In anticipation of Council support for the request, the second reading of the PILOT has been tentatively scheduled for November 9, 2015.</p>
Policy	<p>To "support the provision, enhancement, and protection of affordable housing opportunities throughout our community for all of our citizenry. Working in cooperation with our residents, community leaders, and housing providers, we will provide staff resources and, when available, financial assistance to programs and projects which further our affordable housing goals."</p> <p>City of Takoma Park Affordable Housing Policy and Action Plan (July 2002)</p>
Fiscal Impact	<p>Information provided by Montgomery County Finance Department https://www2.montgomerycountymd.gov/realPropertyTax/ViewDetail.aspx?RID=6088396</p> <p>\$ 6,720,000 Current Property Assessment (Tax Levy Year 2015) \$ 39,312 Takoma Park Property Tax (Tax Levy Year 2015) \$ 196,560 Requested PILOT (Estimated value over 5 year period)</p> <p>The per unit cost of the requested abatement of property taxes is estimated at \$410 per year, for a total of approximately \$2,050 per unit over the term of the five year agreement.</p>
Attachments	Ordinance Authorizing the City to Enter Into an Agreement with Montgomery Housing Partnership, Inc. for Payment in Lieu of Taxes for Hillwood Manor Apartments in Takoma Park, Maryland
Recommendation	Approve the first reading of the attached PILOT Agreement.
Special Consideration	

Introduced by:

First Reading:
Second Reading:
Effective Date:

CITY OF TAKOMA PARK, MARYLAND

ORDINANCE NO. 2015-

**An Ordinance Authorizing the City to Enter Into an Agreement with
Montgomery Housing Partnership, Inc. for Payment in Lieu of Taxes for
Hillwood Manor Apartments in Takoma Park, Maryland.**

WHEREAS, Montgomery Housing Partnership, Inc. (“MHP”), a nonprofit tax-exempt Section 501(c)(3) corporation, or a MHP subsidiary entity, will be purchasing the rental facility known as Hillwood Manor Apartments and located at 1100 Linden Avenue, Takoma Park, Maryland (“Hillwood Manor” or “property”); and

WHEREAS, Hillwood Manor is a garden-style apartment community located along the New Hampshire Avenue corridor in Council Ward 6, built in or about 1944, and the property is in need of major system upgrades, modernization, and site improvements; and

WHEREAS, Hillwood Manor is currently occupied by tenants and will be substantially rehabilitated within three to five years following its acquisition by MHP, including upgrading the electrical and mechanical systems, new kitchens and bathrooms, new roofs, upgraded building hallways, improved interior and exterior lighting, and landscaping improvements; and

WHEREAS, promptly after acquisition of the property, MHP intends to correct deferred maintenance issues and to retain a professional property management team to operate and stabilize the property; and

WHEREAS, the Council supports the provision and protection of affordable housing in the City and efforts to promote economically inclusive communities; and

WHEREAS, under Section 7-503(a) of the Tax-Property Article of the *Annotated Code of Maryland*, a nonprofit tax-exempt corporation that operates or manages rental housing that is partially or totally financed under a government program that provides housing for low-income households may be eligible under certain conditions to make a payment in lieu of taxes (“PILOT”) on real property; and

WHEREAS, MHP has represented that it qualifies under the provisions of Section 7-503 to enter into an agreement with the City of Takoma Park to pay a negotiated amount in lieu of City real property taxes on the property; and

WHEREAS, MHP has requested a five year PILOT Agreement with the City for Hillwood Manor that would provide for a full 100% abatement of City real property taxes for the first five tax levy years following MHP's acquisition of the property; and

WHEREAS, in order to ensure that the property continues to serve low and moderate income residents, MHP will agree with the City that at least 48 of the 96 units in the Property must be rented to persons or households with incomes less than or equal to 60% of the median income for the Washington Metropolitan Statistical Area ("WMSA") as determined from time to time by the United States Department of Housing and Urban Development ("HUD"), adjusted for family size; and

WHEREAS, MHP has represented to the Council that it anticipates a need for the renewal or extension of the PILOT Agreement for the property from the City, following expiration of the term of the five year PILOT Agreement approved by this Ordinance; and

WHEREAS, MHP has further advised the Council that it intends to apply for a grant of exemption from rent stabilization under City Chapter 6.20.030(A)2); and

WHEREAS, the Council finds that this PILOT Agreement with MHP for Hillwood Manor serves a public purpose and promotes the peace, health, and general welfare of the City and its residents by preserving affordable housing for residents with low and moderate incomes.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF TAKOMA PARK, MARYLAND THAT the Council approves a Payment in Lieu of Taxes ("PILOT") Agreement with Montgomery Housing Partnership, Inc., or a MHP subsidiary, for Hillwood Manor Apartments, 1100 Linden Lane, Takoma Park, Maryland, as follows:

- A. The term of the PILOT Agreement shall be for five tax levy years, beginning with July 1st of the tax levy year following acquisition of the property by MHP or a MHP subsidiary. The PILOT Agreement shall provide for a 100% abatement of City real property taxes during the term of the Agreement.
- B. A minimum of 50% of the units at Hillwood Manor Apartments, 1100 Linden Lane, Takoma Park, Maryland, shall be occupied by low income households (*i.e.*, households with incomes equal to 60% or less of the area median household income) during the term of the PILOT Agreement.
- C. The City tax abatement shall be effective with the beginning of the first tax levy year (*i.e.*, July 1st) following acquisition of the property known as Hillwood Manor Apartments, 1100 Linden Lane,, Takoma Park, Maryland, by MHP or a MHP subsidiary.

The City Manager is authorized to enter into a PILOT Agreement on behalf of the City with Montgomery Housing Partnership, Inc., or a MHP subsidiary entity, under the provisions of Section 7-503(a) of the Tax-Property Article of the *Annotated Code of Maryland*, for the property known as Hillwood Manor Apartments, Takoma Park, Maryland and to take such actions and execute such documents as are necessary in order to carry out the purposes of this Ordinance.

**ADOPTED BY THE COUNCIL OF THE CITY OF TAKOMA PARK, MARYLAND,
THIS ____ DAY OF _____, 2015, BY ROLL-CALL VOTE AS FOLLOWS:**

Aye:

Nay:

Absent:

Abstain: