



Takoma Park City Council Meeting – February 15, 2017 Agenda Item 6

Work Session

Discussion of Montgomery Housing Partnership (MHP) Request for Extension of Payment in Lieu of Taxes (PILOT) Agreements for the following properties: 8624-8626 Flower Avenue, 641 Houston Avenue and 1001, 1003 and 1005 University Boulevard

Recommended Council Action

Discussion of requested extension of PILOT Agreements

Context with Key Issues

Montgomery Housing Partnership (MHP), a local non-profit affordable housing organization, currently owns and manages nine affordable housing properties in Takoma Park including The Crossroads at Flower (8624-8626 Flower Avenue) and Sligo View Apartments (641 Houston Avenue) in Ward 5 and Merrimac Gardens (1001, 1003 and 1005 University Boulevard) in Ward 6.

The Council, to facilitate the purchase and renovation of these three properties, approved by Ordinances 2006-44 and 2006-16, a graduated ten-year exemption of local property taxes in support of MHP's commitment to providing affordable rental units to lower income households. As stipulated in the respective Ordinances, a minimum of one half of the units in each of the properties was to be made available to low and moderate income residents at not more than 80% of the Area Median Income. The property tax exemptions approved by the Council in 2006 for these properties have expired or are about to expire.

MHP has requested the continuation of the extension of the referenced Payment in Lieu of Taxes (PILOT) exemptions and the waiver of 50% of local property taxes for a period of ten years. As noted in the accompanying correspondence, the requested PILOT will allow MHP to keep rents at affordable levels, continue needed resident support services, address ongoing maintenance issues, and begin to repay debt incurred to acquire and renovate the properties.

The purpose of a PILOT exemption, as set forth in State Law, is to support affordable housing at the local level. It allows municipalities like Takoma Park to lower the cost of real property taxes in return for a commitment from the owner to provide affordable housing to low-income residents.

Council Priority

A Livable Community for All with the goal of ensuring that a range of safe, quality, and stable housing options are available for residents of varying incomes.

Environmental Impact of Action

N/A

Fiscal Impact of Action

Based on data provided by Montgomery County Department of Finance for Tax Levy Year 2016 (July 1, 2016 through June 30, 2017), the total assessed value of the three properties is \$4,244,333. The present day value of the requested exemption, based on a combined Takoma Park property tax obligation of \$24,087 for Tax Levy Year 2016, would be \$120,432 over a period of ten years.

Attachments and Links

Payment In Lieu of Taxes (PILOT) request (Montgomery Housing Partnership: January 19, 2017)



12200 Tech Road, Suite 250, Silver Spring, Maryland 20904-1983 Phone: 301-622-2400 Fax: 301-622-2800 www.MHPartners.org

January 19, 2017

Sara Daines
Director, Housing and Community Development
City of Takoma Park
7500 Maple Avenue
Takoma Park, MD 20912

Dear Ms. Daines:

The Takoma Park property tax pilots at three of MHP's properties have either recently expired or will expire in 2017. The property addresses and dates of expiration are provided below.

- 1) The Crossroads at Flower (27 units): 8624-8626 Flower Avenue, Takoma Park; PILOT expired on 6/30/16;
- 2) Merrimac Gardens (20 units): 1001, 1003, & 1005 University Boulevard, Takoma Park; PILOT expired on 6/30/16; and
- 3) Sligo View Apartments (28 units): 641 Houston Avenue, Takoma Park; PILOT will expire on 6/30/17.

MHP is requesting that the City of Takoma Park extend the PILOTs at these properties for an additional 10 years at a value of 50% of the full City property taxes. The pilots will allow MHP to keep the rents at affordable levels, continue needed resident support services and to pay for maintenance needs—now and in the future. In addition, starting in 2017, we are required to make cash flow debt payments to the County. These payments had been deferred for 10 years. The remaining cash flow comes to MHP to pay administrative and resident services fees. In addition, we leave some cash in the property to cover unexpected operating expenses.

Please let Jill Goodrich (Vice President of Operations at 301-812-4113) or me know if you have any questions or need additional information. Your continued support of MHP is greatly appreciated.

Sincerely,

Artie L. Harris
Vice President of Real Estate

cc: Jill Goodrich

