



Takoma Park City Council Meeting – September 13, 2017 Agenda Item 2

Work Session

Discussion of Ordinances Approving Payment in Lieu of Taxes (PILOT) Agreements for 7667 Maple Avenue (Parkview Apartments), 666 Houston Avenue (Winslow House), and 676 Houston Avenue (Cambridge Apartments)

Recommended Council Action

Discuss request for partial property tax forgiveness for identified properties and impact on efforts to maintain affordable, viable rental housing opportunities

Context with Key Issues

The purpose of a Payment in Lieu of Taxes (PILOT) is to encourage the development and/or the rehabilitation of affordable housing units by non-profit organizations. Affordable housing, specifically designated for persons of low- to moderate-incomes, is a public necessity and Takoma Park benefits from such housing. In accordance with Section 7-503(a) of the Tax-Property Article, Annotated Code of Maryland, a non-profit entity that is exempt from income tax under Section 10-104 of the Tax-General Article, Annotated Code of Maryland may be eligible, under certain conditions, to make a payment in lieu of municipal corporation real property taxes of an amount less than what they would otherwise pay.

PILOT agreements are one of the few and more effective local incentives available to the Council to advance its efforts to encourage the development and preservation of affordable rental housing in Takoma Park. PILOT agreements satisfy local match requirements of State tax credit programs and provide a significant cost-savings to properties, allowing owners to better maintain, and in most instances, enhance aging infrastructure through capital improvements and routine maintenance, as well as maintain affordable rents, resident support services, and unplanned operating expenses. For these reasons, the preliminary recommendations included in the upcoming Housing and Economic Development Strategic Plan encourage continued support for the use of Payment in Lieu of Taxes (PILOT) agreements.

The Department of Housing and Community Development received requests for a Payment in Lieu of Taxes from Victory Housing for two of its rental properties (the Cambridge Apartments and the Winslow House both on Houston Avenue) and from Montgomery Housing Partnership (MHP) for Parkview Towers Located on Maple Avenue. Both organizations have asked the Council to authorize a Payment in Lieu of Taxes (PILOT) agreement for fifty percent (50%) forgiveness of the City tax obligation for a period of ten (10) years, effective Levy Year 2017 for each of the properties.

Victory Housing and Montgomery Housing Partnership have been active partners in preserving affordable housing that has consistently served Takoma Park residents for more than a decade.

Property	Address	Owner	Total Units	Restricted Units	Accessible Units	Financing	Request
Parkview Towers (Ward 4)	7667 Maple Avenue	MHP	125	62	5	LIHTC MD-BRAC Enterprise Loan	Extension
Winslow House (Ward 5)	666 Houston Avenue	Victory Housing	46	23	6	DHCA Loan Private Capital	Initial
Cambridge Apartments (Ward 5)	676 Houston Avenue	Victory Housing	33	16	0	DHCA Loan Private Capital	Initial

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 and remain sustainable over time.

Fiscal Impact of Action

Based on data provided by the Montgomery County Department of Finance for Tax Levy Year 2017 (July 1, 2017 through June 30, 2018), the total assessed value of the three properties is \$12,088,850. The present day value of the requested exemption, based on a combined Takoma Park property tax obligation of \$69,999 for Tax Levy Year 2017, would be \$349,995 over a period of ten years.

Racial Equity Impact

Approval of ordinances authorizing the execution of the requested PILOT Agreements for Parkview Towers (Ward 4), Winslow House (Ward 5), and Cambridge Apartments (Ward 5) will provide rental properties with predominantly minority tenant populations with the necessary resources to perform equally well as market-rate properties.

Attachments and Links

- Victory Housing – Request for PILOT (March 29, 2017)
- Montgomery Housing Partnership (MHP) – Request for PILOT (April 14, 2017)



April 14, 2017

Sara Daines
Director, Housing and Community Development
City of Takoma Park
7500 Maple Avenue
Takoma Park, Maryland 29012



Ref: Parkview Towers – PILOT Request

Dear Ms. Daines:

Parkview Towers is a 125 unit high-rise apartment building located at 7667 Maple Avenue, Takoma Park, Maryland. The property was acquired in 2010, renovated in 2013 and is owned by MHP Parkview Towers, LP, the Low Income Housing Tax Credit Limited Partner.

The City of Takoma Park granted a PILOT for a period of 5 years which helped stabilize the property during the acquisition and the following renovation. This PILOT, which ended on June 30, 2016, provided for a 50% reduction in real estate taxes for a period of two years, and a 25% reduction for a period of an additional three years on the basis that at least 50% of the units would be held for households with income of 60% or less of area median income. Currently, 5 of the units are held for households at 30% of area median income (residents pay 15% area median income rents), 9 of the units are held for households at 50% of area median income, 92 of the units are held for households at 60% of area median income, and 19 units are leased at conventional market rents. All utilities are paid by the property.

The original renovation plan was to have been completed with residents in place. However, once the renovation began, it was discovered that the scope of the renovation could not be supported with residents in place. A plan was then developed to relocate residents throughout the building in order to perform renovation in vacant units. The renovation primarily addressed building systems, but the additional relocation expense required some adjustments to the cosmetic scope of the renovation. Resident relocation also extended the duration of the renovation. Since not all cosmetic improvements were made during the renovation, ongoing apartment turnover cost is higher than originally budgeted. Utility costs are also significantly higher than originally projected.

MHP is requesting that the City of Takoma Park grant a PILOT for an additional 10 years at 50% of the full City property taxes. This PILOT will provide the means for MHP to continue to maintain rents at the desired affordable rent levels, provide ongoing maintenance and improvements for the property, continue needed resident support services, provide for



administrative and resident services fees, and provide the means to be able to address ongoing unexpected expenses.

Please contact me if you have any questions or require any additional information. Your continued support of MHP is greatly appreciated.

Sincerely,

A handwritten signature in cursive script that reads "James B. Miller, Jr.".

James B. Miller, Jr.
Asset Manager

Cc: Jill Goodrich



March 29, 2017

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

RE: CAMBRIDGE APARTMENTS (33 UNITS, 676 HOUSTON AVENUE, TAX ACCT. 01067363) AND WINSLOW HOUSE (46 UNITS, 666 HOUSTON AVENUE, TAX ACCT. 01065535) – REQUEST FOR PILOT

Dear Ms. Daines:

I am writing to request that the City of Takoma Park consider granting partial PILOTs on the above properties which provide affordable rental housing for low- and moderate income families. Per Regulatory Agreements recorded with Montgomery County (excerpts attached), 50% of the units in each community are restricted to households earning 60% or less of area median income. As such, our request is that 50% of the City of Takoma Park property tax for each community be abated on an annual basis for a period of 10 years. These are the first PILOTs that have ever been requested for both properties which were originally acquired and substantially rehabilitated by Victory Housing between 2000 and 2003.

The tax savings realized will allow us to maintain and enhance these half-century-old buildings. In recent years, both properties have had additional repairs and maintenance costs to, for instance, maintain elevators, add additional security cameras, change common area flooring to vinyl plank, and in the near future, refurbish the community room at Cambridge Apartments into a combined business center and common area for resident activities. The tax savings from a PILOT from the City of Takoma Park will allow us to have sufficient resources for both scheduled maintenance on these aging buildings and also funds should an emergency physical need arise. Please note that both properties have subordinate loans from Montgomery County that are being paid annually from surplus cash available after all operating expenses -- \$45,000 for Cambridge and \$78,000 for Winslow.

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(301) 493-6000 • fax (301) 493-9788 • victoryhousing.org

Page 2

Letter to Sara Daines

March 29, 2017

For your convenience, I have included the following for both properties:

- Current year tax bills
- Balance sheet and income statement from audited financial statements for FY 2016 (7/1/2015 – 6/30/2016)
- Excerpt from Montgomery County Regulatory Agreements

Please let me know if you need additional information to evaluate our request. Thanks you for your time and consideration.

Very truly yours,



John D. Spencer
Senior Vice President

Enclosures

cambridge winslow takoma park PILOT request 3-27-2017