



Takoma Park City Council Meeting – September 5, 2018 Agenda Item 4 and 7

Presentation and Work Session

Request for Payment in Lieu of Property Taxes for 126 and 128 Lee Avenue (Coalition Homes, Inc. d.b.a Lee Homes LLC)

Recommended Council Action

None – presentation and discussion only

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 ultimately 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.

Payment in Lieu of Taxes (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, quality 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 PILOT agreements.

The Housing and Community Development Department has received a request from Coalition Homes, Inc. for a PILOT for two recently renovated six-unit rental properties - 126 and 128 Lee Avenue. As noted in the accompanying correspondence, the Council has been asked to authorize the execution of a PILOT agreement for forgiveness of 75% of the local tax obligation for a period of 10 years, effective Levy Year 2018 for each of the properties. Seventy-five percent or nine of the twelve units would be income restricted with half of the total units occupied by households with incomes at or less than 30% of the Area Median Income (AMI) and a quarter of the units restricted to households with incomes between 60% and 80% AMI.

126 Lee Avenue		
Units	Unit Size	Income Restrictions
3	2 bdrm	Less than 30% AMI
2	2 bdrm	Market
1	1 bdrm	60-80% AMI

128 Lee Avenue		
Units	Unit Size	Income Restrictions
2	2 bdrm	Less than 30% AMI
2	2 bdrm	60-80% AMI
1	2 bdrm	Market
1	1 bdrm	Less than 30% AMI

Coalition Homes, Inc., an affiliate of Montgomery County Coalition for the Homeless (MCCH), currently owns and manages a portfolio of 140 units in scattered single and multi-family dwellings, duplexes, condominiums, and townhomes located throughout Montgomery County, primarily in Silver Spring, Takoma Park, Bethesda, Germantown and Clarksburg.

Additional information on the project and the PILOT request will be presented by Coalition Homes representatives, Mr. Troy Swanda, Director and Mr. Jacob Schans, Facilities Administrator.

Council Priority

A Livable Community for All

Fiscal Considerations

Based on data provided by the Montgomery County Department of Finance for Tax Levy Year 2018 (July 1, 2018 through June 30, 2019), the total assessed value of the two properties is \$702,000. It should be noted that the value of the two parcels represent 95% of the total assessment for the current fiscal year property taxes. The two buildings, each valued at \$17,100 for tax purposes, are scheduled to be re-assessed this year. Following this review, their assessed value will likely be increased to reflect the renovation work that has been done at both properties over the past 18 months. At the time they were purchased by Coalition Homes in 2017, the buildings were condemned and the rental units vacated.

The present day value of the requested exemption, based on the current assessment and a combined Takoma Park property tax obligation of \$3,714 for Tax Levy Year 2018, would be \$27,857 over a period of ten years. As noted above, the combined value of the PILOT will increase once the buildings have been re-assessed.

Environmental Considerations

N/A

Racial Equity Considerations

Approval of the requested PILOT will have a positive impact on the affordable housing options available to Takoma Park's low and moderate income residents, including people of color, immigrants and refugees.

Attachments and Links

- [Coalition Homes, Inc.](#)
- Request for Payment in Lieu of Taxes



Coalition Homes, Inc.

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

RE: REQUEST FOR PILOT - 126 & 128 Lee Avenue
(6 UNITS, 126 LEE AVENUE, TAX ACCT. 01075556)
(6 UNITS, 128 LEE AVENUE, TAX ACCT. 01066062)

Dear Ms. Daines:

I am writing to request that the City of Takoma Park consider granting 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), 75% of the units in each community are restricted to households earning 60% or less of area median income. As such, our request is that 75% of the City of Takoma Park property tax for each community be abated on an annual basis for a period of 10 years.

The tax savings from a PILOT from the City of Takoma Park will help us preserve our resources for both preventive maintenance on these buildings and also funds should emergency needs arise.

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

- Current year tax bills
- Excerpt from Montgomery County Regulatory Agreements

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

Sincerely,

,
Facilities Administrator
Coalition Homes, Inc.

An Affiliate of the Montgomery County Coalition for the Homeless

600-B East Gude Drive • Rockville, MD 20850 • 301.217.0314 • 301.217.0824 (fax) • www.mcch.net/coalitionhomes

Ms. Susie Sinclair-Smith
January 10, 2017
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RE: Coalition Homes Acquisition of the Lee Avenue Apartments

Borrower: Coalition Homes, Inc.
600-B Gude Drive
Rockville, MD 20850

This Commitment is not assignable to any person or entity, without prior written consent of the Lender, nor may the Loan proceeds be assigned without prior written consent of the Lender.

II. PURPOSE

Loan will be funded through the Housing Initiative Fund (HIF) Program. Borrower must use these Loan proceeds in accordance with the policies of this funding Program. For this Loan, the income level of the residents must be as follows:

126 Lee Avenue:

3 units - Two bedroom and one bath for households less than 30% **AMI**
2 units - Two bedroom and one bath for households at Market Rent
1 unit - One bedroom and one bath for households at 60%-80% AMI
6 Units Total -126 Lee Avenue

128 Lee Avenue:

2 units - Two bedroom and one bath for households less than 30% AMI
2 units - Two bedroom and one bath for households at 60%-80% AMI
1 unit - Two bedroom and one bath for households at Market Rent
1 unit - One bedroom and one bath for households less than 30% AMI
6 Units Total - 128 Lee Avenue

Twelve (12) Total Units for 126 Lee Avenue and 128 Lee Avenue

Total of Restricted Units for the Properties: Nine (9) Units

The combination of the bedroom sizes of units for households at Market Rent and households at 60%-80% AMI may alternate from the breakdown provided above for the two (2) properties. A minimum of six (6) units for households less than thirty percent (30%) AMI and a minimum of three (3) units for households at 60%-80% AMI must be maintained for the total twelve (12) units for the duration of the Loan. The total nine (9) minimum units shall constitute the Restricted Units for the Properties.

The required income levels and number of affordable units ("Restricted Units") for each respective Property will be included in the loan documents for each Property.

Borrower must make efforts to give Montgomery County residents the first opportunity to rent available affordable units. Within 60 days after the closing of the loan, Borrower must submit to DHCA its plan for giving Montgomery County residents the first opportunity to rent available units.

The Department reserves the right to mutually establish with the Borrower different affordability requirements for each of the Properties.