



# Takoma Park City Council Meeting – October 3, 2018

## Agenda Item 5

### Voting Session

Second Reading Ordinance Approving Payment in Lieu of Taxes (PILOT) Agreement for 126-128 Lee Avenue (Coalition Homes d.b.a. Lee Homes, LLC)

### Recommended Council Action

Approve Ordinance

### Context with Key Issues

This is the second reading of an Ordinance approving a Payment in Lieu of Taxes (PILOT) agreement for 126-128 Lee Avenue. If adopted by the Council, 75% of the local tax obligation of each of the Lee Avenue properties would be forgiven for a period of 10 years, effective Levy Year 2018. 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

As detailed in Section 7-503(a) of the Tax-Property Article, Annotated Code of Maryland, non-profit entities such as Coalition Homes are eligible to make a payment in lieu of municipal corporation real property taxes in furtherance of the development or preservation of affordable housing. PILOTs are one of the few and more effective incentives available to Takoma Park to advance its affordable housing goals.

### Council Priority

A Livable Community for All

### Fiscal Impact of Action

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 Impact**

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**

- Ordinance Authorizing the City of Takoma Park to Enter into Payment In Lieu of Taxes ("Pilot") Agreements with Lee Homes, LLC for Properties at 128 Lee Avenue, Takoma Park, Maryland, and at 126 Lee Avenue, Takoma Park, Maryland
- [Coalition Homes, Inc.](#)

Introduced by:

First Reading:  
Second Reading:  
Effective Date:

**CITY OF TAKOMA PARK, MARYLAND  
ORDINANCE NO. 2018-\_\_**

**AUTHORIZING THE CITY OF TAKOMA PARK TO ENTER INTO PAYMENT IN LIEU OF TAXES (“PILOT”) AGREEMENTS WITH LEE HOMES, LLC FOR PROPERTIES AT 128 LEE AVENUE, TAKOMA PARK, MARYLAND, AND AT 126 LEE AVENUE, TAKOMA PARK, MARYLAND.**

WHEREAS, Lee Homes, LLC, a Maryland non-profit limited liability company affiliated with the Montgomery County Coalition for the Homeless, is the owner of a 6-unit multi-family rental property located at 128 Lee Avenue, Takoma Park, MD 20912, that provides affordable housing to residents with low and moderate incomes; and

WHEREAS, Lee Homes, LLC, a Maryland non-profit limited liability company affiliated with the Montgomery County Coalition for the Homeless, also is the owner of a 6-unit multi-family rental property located at 126 Lee Avenue, Takoma Park, MD 20912, that provides affordable housing to residents with low and moderate incomes; and

WHEREAS, 128 Lee Avenue, Takoma Park, MD 20912 and 126 Lee Avenue, Takoma Park, MD 20912 are collectively referred to as the “Lee Avenue Properties”; and

WHEREAS, Coalition Homes, Inc., on behalf of Lee Homes, LLC, has requested that the City of Takoma Park (“City”) grant Payment In Lieu of Taxes (“PILOT”) Agreements for the Lee Avenue Properties, beginning with Tax Levy Year 2018, and abate 75% of the Takoma Park Property Tax for the 10-year term of the PILOT Agreements; and

WHEREAS, in order to ensure that the Lee Avenue Properties serve low and moderate income residents and in accordance with Regulatory Agreements with Montgomery County, Lee Homes, LLC has represented to the City that 75% of the units in both 128 Lee Avenue and 126 Lee Avenue are restricted to households earning 60% or less of Area Median Income (“AMI”) as follows:

Lee Homes, LLC - 128 Lee Avenue, Takoma Park, MD 20912 (6 units total):

2 units (2 BR, 1 BA) for households with incomes less than 30% AMI;  
2 units (2 BR, 1BA) for households with incomes at 60% - 80% AMI;  
1 unit (1 BR, 1 BA) for households with incomes less than 30% AMI; and  
1 units (2 BR, 1 BA) – no household income restrictions.

Lee Homes, LLC - 126 Lee Avenue, Takoma Park, MD 20912 (6 units total):

3 units (2 BR, 1 BA) for households with incomes less than 30% AMI;  
1 unit (1 BR, 1BA) for households with incomes at 60% - 80% AMI; and  
2 units (2 BR, 1 BA) – no household income restrictions.

WHEREAS, the Regulatory Agreements with Montgomery County allows the combination of the bedroom sizes for households with no income restrictions and households at 60% - 80% AMI to alternate from the breakdown provided above for the two Lee Avenue Properties; provided that a minimum of 6 units must be maintained for households with incomes less than 30% AMI and a minimum of 3 units must be maintained for households with incomes at 60% - 80% AMI for the total 12 units of the Lee Avenue Properties for the duration of the PILOT Agreement; and

WHEREAS, City PILOT Agreements will help provide the means for Lee Homes, LLC to maintain affordable rent levels for low and moderate income households for the 9 income restricted units of the Lee Avenue Properties and also to have sufficient resources to perform preventive maintenance, enhancements, and necessary repairs to the Lee Avenue Properties; and

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

WHEREAS, Lee Homes, LLC represents that it qualifies under the provisions of Section 7-503 to enter into an agreement with the City to pay a negotiated amount in lieu of City real property taxes for both Lee Avenue Properties; and

WHEREAS, the Council finds that PILOT Agreements with Lee Homes, LLC for 128 Lee Avenue, Takoma Park, MD 20912, and with Lee Homes, LLC for 126 Lee Avenue, Takoma Park, MD 20912, will serve a public purpose and promote the 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 PILOT Agreement with Lee Homes, LLC for 128 Lee Avenue, Takoma Park, MD 20912, and a PILOT Agreement with Lee Homes, LLC for 126 Lee Avenue, Takoma Park, MD 20912, as follows:

A. The term of the PILOT Agreement with Lee Homes, LLC for 128 Lee Avenue, Takoma Park, MD 20912, shall be a period of 10 years, beginning with Tax Levy Year 2018 (tax period 7/1/18 to 6/30/19) through and including Tax Levy Year 2027 (tax period 7/1/27 to 6/30/28). The PILOT Agreement with Coalition Homes, Inc. shall provide for a 75% abatement of Takoma Park property taxes for 128 Lee Avenue, Takoma Park, Maryland (tax account # 01066062).

B. The term of the PILOT Agreement with Lee Homes, LLC for 126 Lee Avenue, Takoma Park, MD 20912, shall be a period of 10 years, beginning with Tax Levy Year 2018 (tax period 7/1/18 to 6/30/19) through and including Tax Levy Year 2027 (tax period 7/1/27 to 6/30/28). The PILOT Agreement with Lee Homes, LLC shall provide for a 75% abatement of Takoma Park property taxes for 126 Lee Avenue, Takoma Park, Maryland (tax account # 01075556).

C. During the entire 10-year term of the both PILOT Agreements, a minimum of 6 units at 128 Lee Avenue, Takoma Park, MD 20912, and at 126 Lee Avenue, Takoma Park, MD 20912,

must be maintained as rental units for households with incomes less than 30% AMI and a minimum of 3 units at 128 Lee Avenue, Takoma Park, MD 20912, and at 126 Lee Avenue, Takoma Park, MD 20912, must be maintained as rental units for households with incomes at 60% - 80% AMI, for a total of 9 income restricted units of the 12 total units at the Lee Avenue Properties.

D. Under the provisions of Section 7-503(a) of the Tax-Property Article of the *Annotated Code of Maryland*, the City Manager is authorized to enter into a PILOT Agreement on behalf of the City with Lee Homes, LLC (owner of 128 Lee Avenue, Takoma Park, MD 20912) and a PILOT Agreement on behalf of the City with Lee Homes, LLC (owner of 126 Lee Avenue, Takoma Park, MD 20912) and to take such actions and execute such documents as are necessary in order to carry out the purposes of this Ordinance.

ADOPTED THIS \_\_\_\_ DAY OF \_\_\_\_\_, 2018, BY ROLL-CALL VOTE AS FOLLOWS:

AYE:

NAY:

ABSENT:

ABSTAIN: