



OFFICE OF THE COUNTY AUDITOR INTEROFFICE MEMORANDUM

TO: All Council Members
FROM: Lauren M. Smelkinson, County Auditor *LMS*
DATE: August 29, 2016
SUBJECT: Addendum and an update to Council Meeting Notes

Please find attached an addendum (FM-15) to the Council Meeting Notes issued August 25, 2016.

Also, please find attached an updated fiscal note for Resolutions 83-16 (MB-2) and 84-16 (MB-3) to the Council Meeting Notes issued August 25, 2016. You will note additional information provided as to the funding sources of the project.

These items will be discussed at the August 30, 2016 work session for the September 6, 2016 Council meeting.

Attachments

cc: notes distribution list

FM-15 (Contract)

Council District(s) 5

Department of Permits, Approvals and Inspections

800 York Road

The Administration is requesting approval of a contract to sell approximately 0.133 acre of surplus County property located at 800 York Road in Towson to 718 York Road, LLC, the owner of the adjacent Towson Diner, for \$149,000. The property is part of the 9.53-acre parcel containing the former Towson Fire Station and Fire Academy, and a County emergency communications tower. This sale will return County property no longer needed for public use to the tax rolls and relieve the County of related maintenance costs. See Exhibits A and B.

Fiscal Summary

Sale Price	Notes
\$149,000	Revenue from sale of property to 718 York Road, LLC

Analysis

The property is zoned BM-CT (Business Major-Commercial, Town Center Core District) and consists of a paved parking area with spaces marked for 17 vehicles, a chain link fence, and a retaining wall. The property does not have any road frontage and is accessed from York Road via a right-of-way through 718 York Road.

Two appraisals of the property were completed – one by Everett, Benfield LLC in January 2016 in the amount of \$150,000, and the other by Muller & Associates in February 2016 in the amount of \$173,000. After review and analysis, Robert W. Kline, review appraiser, concurred with the Everett, Benfield LLC appraisal, recommending \$150,000 as the fair market value of the property. Mr. Kline noted that the Muller & Associates appraisal was not utilized because it did

not sufficiently adjust for the potential cost liability associated with the future repair of the retaining wall on the parcel, leading to an over-valuation of the property.

As part of the negotiations for this sale, the buyer agreed to grant the County an easement for access across all paved portions of its property at 718 York Road, as well as the surplus property, for the purpose of accessing, repairing, and maintaining the emergency communications tower. As consideration for this easement, the purchase price was reduced to \$149,000. In addition, the contract of sale stipulates that the parking spaces in front of the gate to the tower site must be reserved for employee parking only, and clearly marked with signage indicating this restriction, so that the tower is accessible to authorized County staff and contractors at all times.

County Code, Section 3-9-107 provides for the sale of surplus County property to a lessee who has leased the property continuously for a period of at least 2 years before the property was declared surplus. The Department advised that the property has been leased to the Towson Diner for more than 2 years for additional parking. The County may convey the property upon Council approval.



**COUNCIL ACTION REQUEST FORM
EXECUTIVE SUMMARY**

PROGRAM TITLE: Towson Diner Parking Lot

PROJECT NO.: 000-0000-0000

FISCAL MATTER: Contract of Sale

PROPERTY OWNER: Baltimore County, Maryland
Court House, Towson, Maryland 21204

PURCHASER: 718 York Road, LLC

PROPERTY INTEREST TO BE RELEASED: Fee Simple Title to 0.133 acre (5,774 sq. ft.) +/-

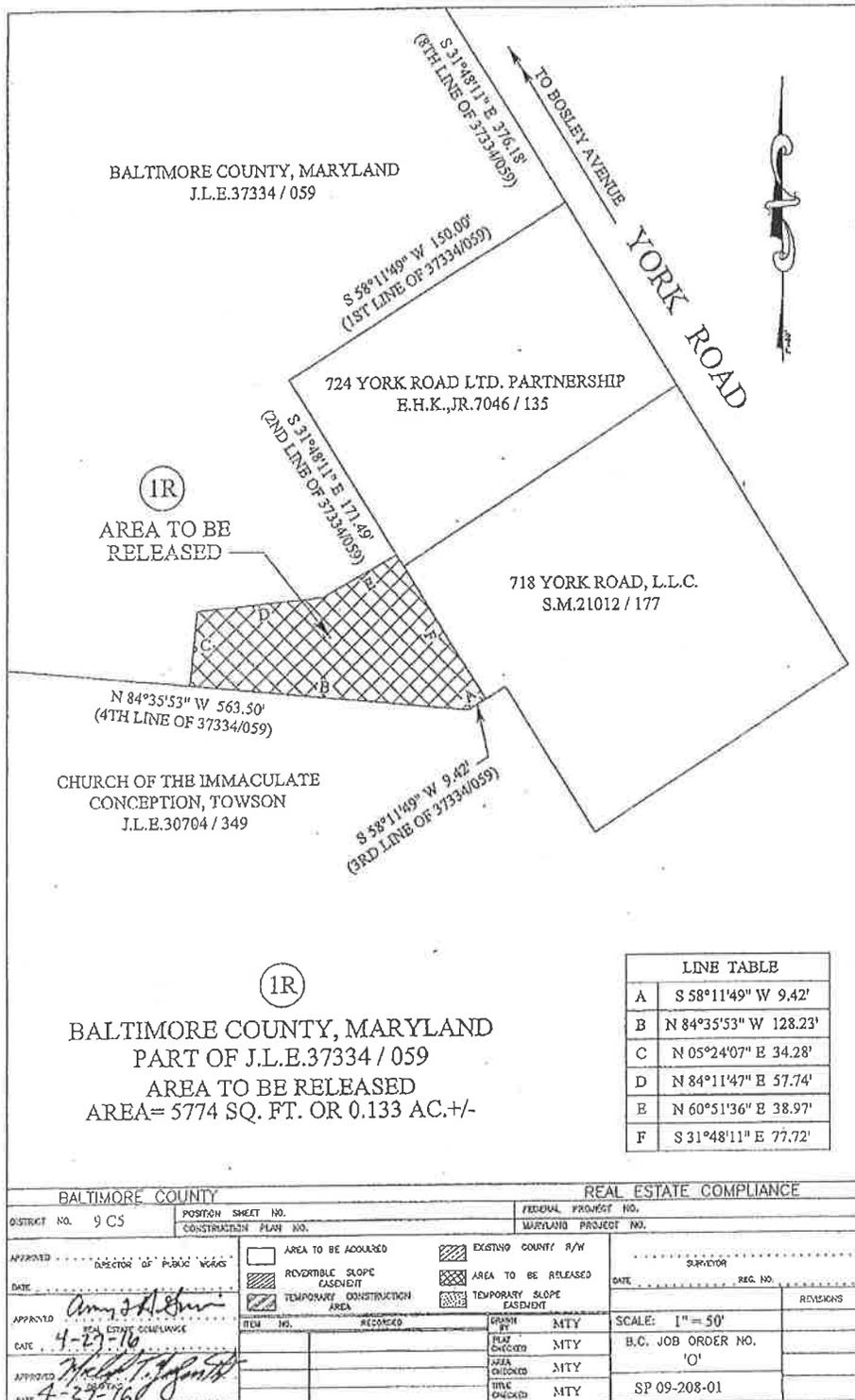
LOCATION: Portion of 800 York Road
Towson, Maryland 21204

SALE PRICE: \$149,000.00

PURPOSE OF PROJECT: To dispose of a portion of County-owned property no longer needed for public use. Purchaser has leased the property for more than 2 years and has requested surplus of the leased property, consistent with Baltimore County Code §3-9-107(c). Because surplus property is adjacent to the County communications tower, the County has requested rights of access across Purchaser's property and reserved an easement over the surplus property.

LIMITS OF PROJECT: Portion of 800 York Road, Towson, MD 21204

Prepared by: Department of Permits, Approvals & Inspections



(1R)
BALTIMORE COUNTY, MARYLAND
PART OF J.L.E.37334 / 059
AREA TO BE RELEASED
AREA= 5774 SQ. FT. OR 0.133 AC.+/-

BALTIMORE COUNTY		REAL ESTATE COMPLIANCE	
DISTRICT NO. 9 CS	POSITION SHEET NO.	FEDERAL PROJECT NO.	MARYLAND PROJECT NO.
CONSTRUCTION PLAN NO.			
APPROVED BY: DIRECTOR OF PUBLIC WORKS	<input type="checkbox"/> AREA TO BE ACQUIRED <input type="checkbox"/> REVERSIBLE SLOPE EASEMENT <input checked="" type="checkbox"/> TEMPORARY CONSTRUCTION AREA	<input checked="" type="checkbox"/> EXISTING COUNTY R/W <input type="checkbox"/> AREA TO BE RELEASED <input type="checkbox"/> TEMPORARY SLOPE EASEMENT	SUPERVISOR DATE _____ REG. NO. _____ REVISIONS
DATE: 4-29-16	APPROVED BY: REAL ESTATE COMPLIANCE	ITEM NO. RECORDED GRASS BY MTY PLAN CHECKED MTY AREA CHECKED MTY TITLE CHECKED MTY	SCALE: 1" = 50' B.C. JOB ORDER NO. '0' SP 09-208-01
DATE: 4-27-16			

**MB-2 (Res. 83-16) PILOT
 MB-3 (Res. 84-16) Loan Approval**

Council District(s) 7

Mrs. Almond (By Req.)

Department of Planning

Lyon Homes Preservation LLC – PILOT and Loan

Resolution 83-16 authorizes the County to enter into a 10-year agreement with Lyon Homes Preservation LLC for stipulated payments-in-lieu-of-real-property-taxes (PILOT) in order to provide financial assistance for a mixed-income housing redevelopment project located at 411 New Pittsburg Avenue in Turner Station in Dundalk. As a companion matter, Resolution 84-16 authorizes the County to provide a 40-year, \$500,000 loan of federal CDBG funds to Lyon Homes Preservation LLC to partially fund the redevelopment project. See Exhibit A. On August 26, 2016, the Department advised that the total project cost increased from \$25.9 million to \$27.7 million, and the project financing structure also changed (including the elimination of the developer fee).

Fiscal Summary

Funding Source	Property Tax Reduction	County Loan	Notes
County	\$ 2,387,668 ⁽¹⁾	---	⁽¹⁾ Estimated net present value of property tax loss over the 10-year term of the PILOT agreement, based on original project cost provided by the agency in Exhibit A.
State	---	---	
Federal	---	\$ 500,000 ⁽²⁾	⁽²⁾ The County will provide a \$500,000 loan of federal CDBG funds. The loan will have a repayment period of 40 years with 3% interest.
Other	---	---	
Total	<u>\$ 2,387,668</u>	<u>\$ 500,000</u>	

Analysis

New Pittsburg Avenue, LLC currently owns the 242-unit Lyon Homes mixed-income rental housing complex located at 411 New Pittsburg Avenue in Turner Station in Dundalk. The Department advised that in November 2016, Lyon Homes Preservation LLC will acquire and begin the substantial rehabilitation of 118 units (9 one-bedroom units; 85 two-bedroom units; and 24 three-bedroom units). One hundred of these rehabilitated units, including 29 project-based voucher units for individuals with disabilities, will be reserved for households whose incomes do not exceed 80% of the area median income (\$69,360 for a 4-person household). (The Department advised that the complex's remaining 124 units may be rehabilitated in the future, depending on the availability of state financial assistance.)

Improvements to the approximately 100-year old units include:

- Renovation of interiors and exteriors to become certified lead-free housing;
- Installation of new kitchens and bathrooms;
- Installation of central HVAC systems;
- Installation of energy efficient appliances and upgraded windows and doors;
- Addition of washer/dryer hookups in each unit;
- Upgrades of electrical and plumbing systems;
- Improvements to the exterior facades, brick work, and porches;
- Construction of a new community center; and
- Expansion of landscaping and installation of community gardens and outdoor community spaces.

Construction is expected to begin in November 2016 and take 1 year to complete. The Department advised that vacant units will be renovated first in order to accommodate the temporary relocation of existing tenants.

Resolution 83-16 authorizes the County to enter into a 10-year PILOT agreement with Lyon Homes Preservation LLC effective July 1, 2018 with payments-in-lieu-of-taxes in the amount of \$200 per unit for the first 5 years, and increasing to \$300 per unit for the second 5 years. If the property is transferred or sold subject to the governing Declaration of Covenants and the PILOT agreement, the payments will increase by 4% per year. The PILOT agreement will reduce

County real property tax revenue for the earlier of 10 years or as long as the developer continues to operate the facility as low-income housing. The PILOT agreement states that the property owner shall make annual payments at the end of each calendar year, and the tax payment shall be made prior to payment of any debt service on the property.

Estimated PILOT-generated revenue is \$261,762 less than the estimated County property tax revenue amount in the first year. PILOT-generated revenue is estimated to be a net present value amount of \$2,387,668 less than the County property tax amount over 10 years (assuming that payments are \$200 per unit in years 1-5 and \$300 per unit in years 6-10, the initial assessed value of the property is equal to the original project cost of \$25,941,998, the property value is to increase by 3% per year, and the present-value discount rate equals 5% per year). Should the property no longer be used as low-income housing, all foregone County property taxes would accrue from the date of the change in usage.

The Annotated Code of Maryland, Tax-Property Article, Section 7-506.1 exempts certain subsidized rental housing projects from property taxation if the owner and governing body of the County agree to negotiated payments in lieu of real property taxes.

As a companion matter, Resolution 84-16 authorizes the County to provide a \$500,000, 40-year loan of federal CDBG funds to Lyon Homes Preservation LLC at 3% interest to partially fund the hard costs associated with the redevelopment.

The Department advised that the Administration will submit a notice to the Council via the 14-day grant review process to authorize the County to provide \$461,900 in federal HUD funds to Lyon Homes Preservation LLC to remediate the lead hazards in 100 of the renovated units. The Department advised that other funding sources will provide for lead remediation in the other 18 renovated units.

Estimated project costs total approximately \$25.9 million and will be financed as follows:

Federal Low Income Housing Tax Credits	\$ 14,475,000
M&T Realty Corporation FHA Loan	7,792,658
Maryland Department of Housing and Community Development Rental Housing Funds	2,000,000
Baltimore County CDBG Loan (federal funds)	500,000
Baltimore County Lead Safe Grant (federal funds)	461,900
Multifamily Energy Efficiency and Housing Affordability Program Weatherization Assistance Program Loan (State funds)	400,000
Developer Fee	312,440
Total	\$ 25,941,998

On August 26, 2016, the Department advised that the total project cost increased to \$27,711,017, and the project financing structure also changed (including the elimination of the developer fee).



**COUNCIL ACTION REQUEST FORM
 EXECUTIVE SUMMARY**

Lyon Homes I (the "Project") located in Turner Station at 411 New Pittsburg Avenue, consists of the rehabilitation of 118 units of mixed-income rental housing and a community center through a mixed-financing structure. The Project includes 9 1-BR, 85 2-BR, 24 3-BR renovated units, including 12 units that meet the Uniform Federal Accessibility Standards ("UFAS"). Of these, 18 (15%) are market rate and 100 are affordable, including 29 project-based voucher units serving individuals with disabilities.

The renovation of Lyon Homes I will transform this important property into a mixed income community with lead-free, environmentally friendly and sustainable architecture, and much needed modern amenities and community space.

The purpose of this Resolution is to approve a ten (10) year PILOT to Lyon Homes Preservation, LLC in the initial amount of \$200.00 per unit per year (the "Tax Payment") for the first five years of the Pilot. If the Property is transferred or sold subject to the Declaration, the Tax Payment shall increase by four percent (4%) annually. In year six, the Tax Payment will increase to \$300.00 per unit. If the Property is transferred or sold, subject to the Declaration or the Agreement, it shall increase by four percent (4%) annually.

There is another Resolution being submitted for approval of the \$500,000 CDBG Loan described below.

Project Funding Structure:

Low Income Housing Tax Credit	\$ 14,475,000
Loan from M&T Realty Corporation	\$ 7,792,658
DHCD Rental Housing Funds	\$ 2,000,000
Baltimore County Loan (CDBG)	\$ 500,000
Baltimore County Lead Grant	\$ 461,900
MEEHA- WAP Energy Funds Loan	\$ 400,000
Developer Fee	\$ 312,440
Total Project Cost	\$ 25,941,998

County Funds will be used for hard cost(s) associated with the redevelopment of 118 rental units (the CDBG Loan), and the remediation of lead hazards in 100 of these units (the Lead Grant). At least 51% of the renovated units will be leased to households of Low /Mod Income (up to 80% of area median income). The identified rental units are approximately 100 years old and have experienced a high level of deterioration. Renovation of property and community spaces, including features such as:

- Renovation of interiors and exteriors to become certified lead free housing;
- Installation of new kitchens, bathrooms and interior features;
- Installation of central HVAC systems;
- Installation of energy efficient appliances as well as upgraded windows and doors;
- Addition of washer /dryer hookups within every residence;
- Upgrade of electrical service and plumbing to accommodate modern appliances /amenities;
- Renovation / improvement of the exterior façade, brick work and porches;



COUNCIL ACTION REQUEST FORM EXECUTIVE SUMMARY

- Creation of a community center to accommodate resident meetings, community /resident events, and resident activities;
- Installation of expanded landscaping and foundation planting; and
- Installation and maintenance of community gardens and outdoor community spaces.

The project will be the first substantial renovation of Lyon Homes since it was developed. This transformative project will improve community health and well-being by redeveloping Lyon Homes into a certified lead free community and will preserve the availability of quality affordable housing choices in Baltimore County, attracting new residents to Lyon Homes while also allowing current residents to remain and improve their housing opportunities.