

**Office of the County Auditor**  
**Auditor's Analysis**

**Council Resolution No. 183-2023**

Introduced: November 6, 2023

Auditor: Lori Buchman

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Fiscal Impact:

This Payment in Lieu of Taxes agreement (PILOT) for Waverly Winds Building A, along with the PILOT proposed in Council Resolution 184-2023 for Waverly Winds Building B, will replace the existing development's PILOT (approved in CR96-2019). The existing PILOT is applicable to five rental properties, including the existing Waverly Winds Buildings, that are collectively referred to as Enterprise Community Homes.

In exchange for abating the full County property tax, the proposed PILOT requires an annual payment of \$16,500, or \$300 per unit. The existing PILOT requires a payment to the County of 4 percent of gross rental income and resulted in a Fiscal Year 2023 payment of \$18,041, or \$291 per unit. If this legislation is not approved, the existing development and PILOT will remain in place.

Using the projections provided by Enterprise Community Development, Inc. (the Developer), the estimated foregone County property tax revenue of the proposed PILOT to the County is \$3.6 million. This PILOT is projected to result in foregone revenue of \$2,500 per unit, as compared to the foregone revenue in FY 2023 of \$411 per unit from the existing PILOT. The increase in foregone revenue is derived from the property's increase in assessed value from \$4.3 million to the projected value of \$15.2 million for Building A of the proposed new development.

The projections from the Developer indicate the County will receive surplus cash and residual receipts, beginning in Year 16 of the agreement, totaling approximately \$417,000 through Year 20. The projected surplus cash and residual receipt revenue was not included in the calculation of reduced property tax revenues because surplus cash is only paid after certain other obligations are met, which are dependent upon investor agreements that will not be finalized until just prior to closing on the project's financing (anticipated to be completed in August 2024).

In the event this development is constructed, we estimate the County will receive the following one-time revenues:

- Estimated transfer tax and recordation tax revenues of \$39,710 and \$15,884, respectively, based on the projected \$3.2 million land acquisition assumed by the Developer. Additional recordation tax revenue of \$106,762 is estimated to be collected from a private loan deed of trust.

- School facilities surcharge, building excise taxes, and building permit revenues of \$176,316, \$127,862, and \$16,786, respectively, as provided by the Department of Inspections, Licenses, and Permits.

The County will receive an increase in annual revenues as compared to revenues under the existing PILOT for the Waverly Winds development:

- Additional special revenues from the combined Building A and Building B: Fire tax, Watershed Protection and Restoration Fee, and ad valorem revenues of \$59,298, \$810, and \$20,101, respectively, based on Year One of the projections provided by the Developer compared to FY 2023 revenues of the existing building.
- Additional local income tax revenues of \$44,354 from the combined Building A and Building B. This estimate was derived by using the residential rental income information provided by the Developer.

We have estimated that additional annual pupil costs of \$44,497 will be incurred in the General Fund, based on the addition of 61 new units of the combined Building A and Building B. The pupil costs were derived from 2022 student yield projections prepared by the Department of Planning and Zoning (DPZ). However, student yield specific to the proposed development has not been estimated by DPZ or the Howard County Public School System.

Purpose:

The proposed legislation will authorize the County to enter into a PILOT agreement with Waverly Winds, LLC (Building A), relating to a proposed mixed-income rental housing development.

This redevelopment, in conjunction with the redevelopment of Building B proposed in CR184-2023, will replace 62 existing income restricted affordable housing units with a 123-unit mixed income rental housing development. Building A will include 55 of the units. The property is located at 5501-5627 Cedar Lane, Columbia (the Property).

Twenty-eight units will be rented to households that earn at or below 30 percent of the Area Median Income (AMI), nine units will be rented to households that earn at or below 60 percent of the AMI, and the remaining eighteen units will be rented at market rate.

The terms of the PILOT agreement include the following:

- Agreement that, in lieu of paying the development's full County tax obligation, the Developer will make a minimum payment equal to three hundred dollars (\$300) for each unit of the development, along with the amount of County Fire tax, ad valorem charges, and any other charges that may appear on the Property's real property tax bill.

- Additional payments from surplus cash and residual receipts to the extent funds are available.
- A term of 40 years, assuming the project is developed as agreed.
- Obligation to terminate the PILOT agreement if there is a foreclosure of the Property, default under the PILOT Covenants, or any default under this agreement that is not cured within a reasonable period after notice.

Other Comments:

The passage of CR183-2023 and CR184-2023 would in effect provide financing to support the replacement of the existing Waverly Winds development, featuring 62 affordable units, with two buildings that would offer a total of 123 units for rent, including 83 affordable housing units and 40 market rate units.

According to DPZ, this project has passed the School Capacity Test based on the current adopted School Capacity Chart, so no Adequate Public Facilities Ordinance waiver is required.

**Attachment A** includes total sources and uses of funds relating to this project.

**Attachment A**  
**CR183-2023**

Source: Enterprise Community Development, Inc.

**PROJECTED SOURCES OF FUNDS**

LIHTC	\$ 11,966,500	
1st Mortgage	10,731,662	
CHHI	2,420,303	
Additional Source	1,603,784	1
LIHTC 10% Increase (Request)	1,196,650	2
CDBG Section 108 (tentative)	847,357	
Deferred Developer Fee	750,000	
Resident Services	500,000	3
Relocation Escrow	457,415	4
Section 45L Equity	250,250	
<b>Total Sources of Funds</b>	<b>\$ 30,723,921</b>	

**PROJECTED USES OF FUNDS**

Construction or Rehabilitation Costs	\$ 17,112,277
Acquisition Costs	3,802,230
Financing Fees and Charges	3,407,056
Total Developer's Fee	2,500,000
Fees Related to Construction or Rehabilitation	2,242,217
Total Guarantees and Reserves	1,476,891
Total Syndication Related Costs	183,250
<b>Total Uses of Funds</b>	<b>\$ 30,723,921</b>

55 units                      558,617 per unit

Explanations provided by the developer through the Department of Housing and Community Development:

- 1 This source represents the developer's effort to pursue funding through the Maryland State Budget, solar energy and energy efficiency funding through the State, and other cost saving measures.
- 2 The request for the 10 percent increase to the LIHTC allocation is under review by the Maryland Community Development Administration
- 3 Resident Services funding represents resources provided by the developer
- 4 Relocation Escrow represents debt service payments that were allowed to be diverted to cover resident relocation costs.