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County Executive

PRINCE GEORGE'S COUNTY HOUSING INVESTMENT TRUST FUND

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

ANNUAL REPORT OF ACTIVITIES FOR PROGRAM YEAR 2023

January 1, 2023 – December 31, 2023

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HOUSING INVESTMENT TRUST FUND
ANNUAL REPORT
2023 HITF PROGRAM YEAR

TABLE OF CONTENTS

FOREWORD

I. HITF PROGRAM OVERVIEW FOR CALENDAR YEAR 2023

II. HITF PROGRAM ACCOMPLISHMENTS

APPENDIX A: HITF LOAN TERM SHEET

FOREWORD

In the legislative session of 2012, the Prince George's County Council, enacted a County Bill establishing the County's Housing Investment Trust Fund ("HITF") Program in order to authorize a funding and program mechanism to address foreclosure related issues facing County residents. In the 2017 legislative session the Prince George's County Council amended the Bill to include the provision of gap financing to support the development of new construction and preservation of existing workforce and affordable housing, consistent with the adopted Prince George's County Five-Year Consolidated Housing and Community Development Plan while targeting households earning up to 120% of the area median income ("AMI").

In the 2021 legislative session, the Prince Georges County Council enacted a County Bill for the purpose of establishing a sustainable source of funding for the HITF by allocating no less than \$10 million annually from at least 20% of collected County recordation taxes. The first allocation from this source (\$10,673,981.14) occurred in County Fiscal Year ("FY") 2023 and DHCD has \$13,109,900 budgeted for FY 2024.

The HITF Program is codified in the Prince George's County Code, Section 10-294 through Section 10-300. Section 10-296 of the HITF Code requires the submission of an Annual Report to the County Council by January 1st of each year.

This report serves as the first Annual HITF Report in accordance with the above referenced Code.

I. HITF PROGRAM OVERVIEW FOR 2023

In Calendar Year (CY) 2023, DHCD published a Notice of Funding Availability to solicit applications for funding requests to support the acquisition/rehabilitation or new construction of affordable multifamily rental housing utilizing County HITF funding and HOME Investment Partnerships Program funds. As a result of the NOFA, DHCD provided support letters to fourteen (14) projects to include with the developer's application to the MD DHCD LIHTC Program.

The table below summarizes these projects:

Project Name	Address	Council District	Developer(s)	Total units	Affordable Units	HITF Requested	Status
Dominium's Purple Line Project	7011 Chesapeake Rd Hyattsville, MD 20784	3	Dominium	245	245	\$2,500,000	LIHTC Application
Bowie Commons	3609 New Haven Court Bowie, MD 20716	4	Vitus Development IV, LLC	36	36	\$1,000,000	LIHTC Application
Branchville Crossing	4810 Branchville Rd College Park, MD 20740	3	Cruz Development Corporation	51	51	\$2,500,000	LIHTC Application
Residences at Silver Hill East	3501 Terrace Drive Suitland, MD 20746	7	West End Capital Group and Atlas Real Estate Partners	90	90	\$2,500,000	LIHTC Application
Residences at Silver Hill West	3501 Terrace Drive Suitland, MD 20746	7	West End Capital Group and Atlas Real Estate Partners	124	124	\$2,500,000	LIHTC Application
Silver Hill 4%	4315 & 4319 Silver Hill Rd Suitland, MD 20746	7	AS Squared LLC, Green Street, and Housing Initiative Partnership, Inc.	150	150	\$3,000,000	LIHTC Application
Silver Hill 9%	4315 & 4319 Silver Hill Rd Suitland, MD 20746	7	AS Squared LLC, Green Street, and Housing Initiative Partnership, Inc.	50	50	\$2,800,000	LIHTC Application
The Ascent	Davey St and Akin Ave Capitol Heights, MD 20743	7	Dantes Partners and North River Davey Street	280	280	\$785,147	LIHTC Application
Pennrose Blue Project Project 4%	119 Capitol Heights Blvd Capitol Heights, MD 20743	7	Pennrose LLC	70	70	\$6,250,000	LIHTC Application
Pennrose Blue Line Project 9%	119 Capitol Heights Blvd Capitol Heights, MD 20743	7	Pennrose LLC	50	50	\$750,000	LIHTC Application
New Carrollton Phase I	Pennsy Drive, Route 50, and Corporate Drive New Carrollton, MD 20785	5	Urban Atlantic Development LLC	110	110	\$2,000,000	LIHTC V/C Submitted
New Carrollton Phase II	Pennsy Drive, Route 50, and Corporate Drive New Carrollton, MD 20785	5	Urban Atlantic Development LLC	102	102	\$2,000,000	LIHTC V/C Submitted
New Carrollton Phase III	Pennsy Drive, Route 50, and Corporate Drive New Carrollton, MD 20785	5	Urban Atlantic Development LLC	50	50	\$2,500,000	LIHTC Application
New Carrollton Phase IV	Pennsy Drive, Route 50, and Corporate Drive New Carrollton, MD 20785	5	Urban Atlantic Development LLC	102	102	\$2,500,000	LIHTC Application

In CY 2023, nine (9) previously approved HITF assisted projects were in the pre-construction/underwriting process or under construction.

The table below summarizes these projects:

Project Name	Address	Council District	Developer	Total units	Affordable Units	HITF Committed	Status
210 on the Park	210 Maryland Park Drive Capitol Heights, MD 20743	7	Community First Development Corporation	158	128	\$3,000,000	Financing - State
Park Place at Addison Road Metro	6301 Central Avenue Capitol Heights, MD 20743	7	Banneker Ventures	193	193	\$3,500,000	Financing - State
Cottage City Towers	4142 Bunker Hill Road, Cottage City, MD 20772	5	Housing Authority of Prince George's County	100	100	\$2,500,000	Financing - State
Addison Park Metro	216 Yolanda Avenue Capitol Heights, MD 20743	7	Atlantic Pacific Communities	293	293	\$3,000,000	Financing - State
Hamlet Woods	57th Avenue Bladensburg, MD 20710	5	Osprey Development	59	59	\$2,500,000	Financing - State
Atworth College Park Metro	4201 River Road College Park, MD 20740	3	Gilbane	451	451	\$200,000	Under Construction
Sovren West Hyattsville Metro	Little Branch Run, Hyattsville, MD 20782	2	Gilbane	293	147	\$200,000	Under Construction
Residences at Springbrook	8230 Schultz Road Clinton, MD 20735	9	HIP, Parallax, Banc of America CDC	90	90	\$750,000	Under Construction
Glenarden Phase 3 - 4%	8405 Hamlin Street Lanham, MD 20705	5	Pennrose, RDA, B&W Solutions, SHIBACH! Ministries	114	94	\$3,000,000	Under Construction

DHCD monitors the portfolio of investments by the Housing Investment Trust Fund to ensure compliance with all regulatory and statutory requirements of the Fund, as well as industry-standard best practices. Specifically, DHCD performs regular monitoring to ensure income and rent compliance, maintenance of housing quality standards, monitoring of economic performance, and loan servicing. All projects that receive HITF are subject to file reviews and physical inspections on a periodic basis. DHCD also reserves the right to monitor/inspect projects on a more frequent basis based on DHCD's assessment of a project as well as tenant and public inquiries.

II. HITF PROGRAM ACCOMPLISHMENTS

- A HITF loan in the amount of \$2M was provided to Jair Lynch Real Estate Partners for the acquisition of the existing Villas at Langley project located in Langley Park within a mile of the Purple Line Corridor. The loan required the new owner to restrict rent levels four 443 of the 500 units to 60% of the AMI for a period at least 10 years. As part of the acquisition, the new owner intends to remedy years' worth of deferred maintenance and make other various improvements to the property.
- The County received a \$10M from MD DHCD to expand the County's HITF to support the acquisition, new construction and/or rehabilitation of residential units with a focus on Transit-Oriented Development (TOD) areas. Projects must be located within a one mile radius of a passenger boarding and alighting location of a planned or existing transit rail stop or station. The full \$10M has been allocated to 4 projects, 3 along the Blue Line Corridor and 1 along the Purple Line Corridor.

- DHCD created a HITF Loan Term Sheet and posted it on the DHCD website – see Appendix A.
- The Gateway at Peerless project, the first to be funded with HIFT assistance, has been completed and leased up. This project is a new-construction multi-family townhouse and apartment rental community located in Upper Marlboro developed by Conifer Realty, LLC in partnership with the Episcopal Housing Corporation. This complex provides 62 units of mixed income rental units. DHCD provided a HITF loan in the amount of \$1.5M.
- DHCD allocated HITF in the amount of \$750K to Habitat for Humanity Metro Maryland to allow for the continuation and expansion of the Homeownership Preservation Program (HOPP). HOPP now serves residents County-wide and gives priority to:
 - Households earning below 50% of the AMI;
 - County homeowners that have been in their homes for 10+ years;
 - Households with one or more members that have a stated disability or challenge navigating the home; and
 - Households with children under 18 years old.

APPENDIX A:



Angela D. Alsobrooks
County Executive

As of July 1, 2023

Prince George's County
Department of Housing and Community Development
Housing Investment Trust Fund
Multifamily Rental Housing

SUMMARY OF TERMS

Overview:

The Housing Investment Trust Fund (HITF) provides flexible financing for the acquisition, rehabilitation, and new construction of affordable multifamily rental housing (the "Property") subject to the Prince George's County HITF Program (the "HITF Program") authorized under Section 10-296 et seq. of the Prince George's County Code ("HITF Code").

Funding Type/Source:

Financing will be made available as a subordinate Loan (the "HITF Loan") from the Prince George's County Department of Housing and Community Development (the "Department"). HITF Loans will be underwritten in accordance with the terms outlined herein and originated and serviced by the Department. At the discretion of the Director of the Department, HITF funds may be made available as a grant for predevelopment costs. The source of capital for HITF Loans is financed from a portion of the County's collected property recordation tax, and other funds as designated and provided by the County.

Purpose/Use of Funds: The proceeds of the HITF Loan must be used for the acquisition, new construction, rehabilitation, and other typical transaction costs under the terms of the HITF Program. Any alternative uses must be approved by the Department.

Funding Priorities: The Department has established the following set of Priorities to guide the award of competitive HITF funding:

- Located within one mile of the Blue Line transit Corridor;
- Located within one mile of the Purple Line transit Corridor;
- New construction and/or preservation of affordable housing within one mile of existing and planned Maryland Department of Transportation (MDOT) Metro Stations throughout the County;
- Conformance with housing priorities and guidance in the Prince George's County's 2035: Adopted General Plan;
<https://pgccouncil.us/DocumentCenter/View/3162/Plan-2035-Approved-General-Plan-Book?bidId=>
- Mixed-use, mixed-income affordable housing developments; and
- Affordable housing that includes sustainable design, energy efficiency and green design standards.

Occupancy: Units supported with HITF funds ("HITF units") must be affordable to households with incomes at or below 80% of the Area Median Income ("AMI").

Borrower/Development Team: At the time of the HOME loan closing, the Borrower and its managing entities must have business registrations that are in good standing. All members of the development team to include the Developer/Sponsor, the Borrower, the General Contractor (and its subcontractors), the Managing Agent, and the Architect, and other professionals involved in the Project's design may not be suspended, debarred, or deemed otherwise ineligible. The Project's development team must be approved by the Department and must have demonstrated experience in the immediate past five years with the successful development and completion of affordable housing projects.

HITF Loan Amount:	Up to \$2,500,000. Exceptions to this limit may be approved at the discretion of the Department.
Subordination:	The HITF Loan will be subordinated to Senior Loan(s) approved by the Department, and subject to terms of an agreed-upon Subordination Agreement with Senior Lender(s). Multiple Senior Loans are acceptable.
HITF Loan Term:	Generally coterminous with the term of the Senior Loan(s), with a term of up to 40 years.
HITF Loan Amortization:	Up to 40 years.
HITF Loan Interest Rate:	Two percent (2%) simple interest during permanent loan period; zero percent (0%) during construction. At the discretion of the Director of the Department, Maryland DHCD's Contingent Interest loan terms will be considered on a case-by-case basis.
Collateral:	The HITF Loan will be secured by a subordinate lien Deed of Trust recorded in the Land Records of Prince George's County. Alternative collateral arrangements may be approved by the Department.
Loan Payments:	No repayments of principal or interest on the HITF Loan shall be due during the construction period. Beginning with the permanent loan period, repayment of the Loan will be due from available Cash Flow after payment of all Senior Loan debt, and as further defined in the Loan Documents and determined by annual financial statements. The annual repayment amount on the HITF Loan will be the <u>lesser</u> of: 1) 75% of surplus cash flow after approved operating expenses and required annual Senior Loan payments, or 2) the amount necessary to fully amortize the Loan under the agreed-upon terms, or 3) such other amount as agreed to by the Department. The definition of surplus cash for purposes of repayment of the HITF loan is set forth in the Note. At the discretion of the Director of the Department, Maryland DHCD's Contingent Interest loan terms will be considered on a case-by-case basis.

HITF Loan Prepayment: The HITF Loan is prepayable in part or full at any time without penalty.

HITF Loan Documents: Regulatory Agreement, Declaration of Restrictive Covenants, Deed of Trust, Deed of Trust Note, Building Loan Agreement, Subordination Agreement, and Intercreditor Agreement as applicable.

HITF Legal Fee: \$50,000 due at closing.

Property Due Diligence: All costs of due diligence will be the sole responsibility of the Borrower. The Department will rely upon due diligence reports of the Senior Lender(s). The Department will require Reliance Letters for Environmental Report(s), Property Appraisal, and Capital Needs Assessment if applicable.

Affordability Requirements: An Agreement restricting the Property's rents and tenant incomes must be recorded in the Land Records of Prince George's County. The Agreement will be for a period of at least 40 years and will survive repayment of the Loan, unless otherwise released or amended by the Department.

Diversity and Equity Policy for Publicly Subsidized Development

Projects: The Developer must comply with the requirements and participation goals of the County's Diversity and Equity Policy for Publicly Subsidized Development Projects (the "Policy"). The Policy and associated requirements and goals are detailed in Section 10-335 of the Prince George's County Code (the "Code") and are as follows:

- At least thirty percent (30%) of the Development Costs for Construction (including the design, demolition/site work, and building stages) of the County-Subsidized Project shall be paid to County-Based Small Businesses (CBSB) and/or Locally-Owned and Operated Businesses (LOB), including at least twenty percent (20%) of design costs if applicable. In this Section, "design" includes architectural, engineering, and design work, excluding in-house design costs.

- Use Best Efforts to achieve at least twenty-five percent (25%) of the Development Costs for Construction (including the design, demolition/site work and building stages) of the County-Subsidized Project shall be paid to County-Based Minority Business Enterprises. As a minimum, the Developer shall demonstrate its Best Efforts, as defined above, to meet this Goal.
- The General Contractor Team for the Project shall include one or more businesses that are County-Based Minority Business Enterprises (CMBE) and/or Locally-Owned and Operated Businesses (LOB).
- As applicable, the Construction services (including the design, demolition/site work, and building stages) for at least twenty-five percent (25%) of the total work hours on the Project shall be worked by County Residents, including at least twenty percent (20%) of the total work hours of workers in the specialty trades (defined as "specialty trade contractors" in the North American Industry Classification System (NAICS) being worked by County Residents.

The Code requires the approval of a Supplier Diversity and Equity Plan by the County.

Additional information regarding the Policy is available at the following website:

<https://princegeorgescountymd.gov/980/Housing-Development-Division>

Reporting and Compliance: Borrower must submit annual documentation to the Department to demonstrate compliance in accordance with the Loan Documents.

Property Management: The Property Manager must be approved by the Department.

Governing Laws: The HITF Loan shall be governed by the Prince George's County Code: pursuant to Sections 10-295, 10-297, 10-298 and 10-299, and adopted in County Bill CB-057-2017.

NOTE:

The Terms outlined above are for illustrative purposes only and do not constitute a reservation or commitment by the Department to provide financing to the Property.