



# Memo

To: Tracey Douglas, City Administrator  
Ron Brooks, City Treasurer

Thru: Jeff Ulysse, Acting CBED Director

From: David Cristeal

Date: April 11, 2025

Re: Pennrose Request for City Payment in Lieu of Taxes (PILOT) for the development of Sanctuary at Hyattsville Crossing – Letter of Intent (LOI)

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## **Introduction:**

Pennrose is requesting a Payment in Lieu of Taxes (PILOT) from the City of Hyattsville. It is requesting a PILOT to complete a comprehensive finance package that would support the development of the Sanctuary at Hyattsville Crossing, a proposed 120-unit affordable rental community.

An experienced developer of affordable rental housing, Pennrose has partnered with the First United Methodist Church (FUMC) and Sanctuary AP3 on this proposed new development. If successful in obtaining the necessary financing and entitlements, Pennrose would build and manage a rental community of 120 apartments. This new apartment community would consist of 2 components, a 70-unit senior building and a 50-unit family building. As presented at the April 5, 2025, City Council meeting, this proposed development would be located on an underutilized portion of the FUMC property.

## **Background:**

Pennrose is requesting a PILOT from the City, as well as financing from a wide range of other sources to meet the acute need for affordable rental housing in relatively high-cost areas of Prince George's County like Hyattsville:

- Half of all Hyattsville renter households are cost burdened, meaning they pay more than 30% of their income on rent + utilities.
- Renters with lower incomes have a high incidence of being cost burdened, as 91% of renters earning less than \$50,000/year are cost burdened.

- New market rate apartments are more expensive than the median rent, with 2-bedroom units in newer apartment complexes renting in the \$2,300-\$3,000 range.

The City currently has only 4 affordable rental communities with 432 units (out of a total multifamily rental supply of approximately 5,300 units). One of the 4 affordable rental communities, Montgomery Housing Partnership's (MHP's) Parkview Manor Apartments, received a City PILOT in 2017. The 15-year PILOT helped MHP purchase and renovate its 53-unit apartment complex.

#### **Sanctuary at Hyattsville Crossing:**

The proposed development would provide affordable rental homes for 120 low-income seniors and family households. All 120 households would have monthly rents ranging from \$380 to \$2,097. These rents would be affordable for households earning between 20% to 60% of the Median Income Area (AMI). This income range translates to incomes from approximately \$20,000/year to \$80,000/year (rents are based on both tenant incomes and their household size).

The proposed development is in a highly desirable location, just east of the amenity and transit rich, Hyattsville Crossing area. The location is walkable to shopping, employment, elementary and middle schools, the Metro, and other public amenities (library and future multi-generational community center).

#### **Payment in lieu of Taxes (PILOT):**

A Payment in lieu of Taxes, or PILOT, is used to provide an incentive to a developer to undertake and complete specific projects, like affordable housing. In this case, a PILOT is ultimately a reduced property tax payment for an agreed upon amount and timeframe instead of paying the standard tax amount over the lifespan of a property (typically a reduction in taxes that would be paid by the property). However, the property owner pays the full amount of the property taxes that would have been due. After the owner pays the full amount of the taxes to the City, the City in turn reimburses the owner for the PILOT (the difference between the amount of taxes that would have been due and the agreed to amount of the new amount of taxes due).

Pennrose is requesting a PILOT that would reduce the estimated annual City taxes on the 120-unit development from \$61,042.47 to \$15,682.47, and for a period of 40 years.<sup>1</sup> Pennrose is requesting this timeframe as its other financing requests are for the same timeframe (i.e. a PILOT from Prince George's County and below market rate loans with 40-year terms from Prince George's County, from the State of Maryland, and likely other sources such as the Federal Home Loan Bank (FHLB)). It is important to note that this property, occupied by the First United Methodist Church, currently pays no City taxes. Therefore, the requested PILOT would not result in a net loss in tax revenue as it currently pays no City property taxes.

A City PILOT, along with a County PILOT, would lower the total operating costs of the apartment community, that Pennrose estimates, would rise faster than tenant incomes over the 40-year period. Therefore, the City's PILOT would be a tool to enhance the property's long-term viability, freeing up funds

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<sup>1</sup> Given these figures, Pennrose would pay the City the estimated full amount of taxes due, or \$61,042.47. Then the City would reimburse Pennrose in the amount of \$45,360.00. This leaves Pennrose with an annual tax actually paid of \$15,682.47 (for the anticipated 40-year period).

for maintenance and other property amenities. As noted above, the City has experience with PILOTs as it has been providing one for the affordable rental community of Parkview Manor (since 2017).

Pennrose is seeking support from the City Council, in the form of a PILOT, to support the long-term financial viability of the proposed affordable rental community of 120 homes. The City's support for a future PILOT would also help leverage its funding applications to the County, the State, and the federal government.

Pennrose and its project team are now preparing applications for funding from the County, State, federal, and private sources. They anticipate submitting all their financing applications by the middle of calendar year 2025. Simultaneously, they are working with staff at the Maryland National Capital Park and Planning Commission (MNCPP) to submit applications for needed entitlements. Pennrose is pursuing a text amendment for a zoning change. The property is currently zoned RSF-55 and would be amended to RTO-H-E, which allows family housing. They estimate that the text amendment will be approved this fall.

As Pennrose is seeking a PILOT from the City, it will need to draft a resolution and subsequent Ordinance in consultation with the City Treasurer and Director of Community and Economic Development authorizing the City Council to establish it (the PILOT). Based on Pennrose's funding and entitlement applications, it estimates that the City would need to consider the PILOT Ordinance between May 2026 and November 2026 (or 12 to 18 months from now).

#### **Planning Committee Consideration:**

At its Tuesday, April 15 meeting, the Planning Committee received the Pennrose' presentation and PILOT request. All attending Committee members asked Pennrose a wide range of questions about the proposed development as well as their experience with affordable, supported, and senior housing. How will this housing address homelessness in Hyattsville? How long does Pennrose intend to own and operate the property if completed as planned? What type of services would tenants receive and who would provide them? Describe access to and from the property and how it would be parked? – to list several examples. Overall, the Committee supports the PILOT request because of the affordable housing needs that would be addressed by the proposed development (there was one Committee member who did not support the PILOT request). The committee generated the following comments and recommendations for consideration by the City Council:

*The Planning Committee supports the request for a Letter of Intent related to the proposed Payment In Lieu of Taxes (PILOT) agreement to support the Sanctuary at Hyattsville Crossing development project.*

*The Planning Committee would also like to note a concern regarding the level of services required by the prospective occupant group and would encourage coordination to ensure that adequate and reliable services—including those that maybe needed on a 24/7 basis—can be provided without disruption.*

#### **Letter of Intent (LOI):**

As timing is of the essence, in lieu of preparing a draft PILOT Ordinance at this time, staff has prepared a Letter of Intent (LOI), that memorializes the City's support for this proposed affordable housing development and its intention to consider and support a PILOT at a future City Council meeting. Based

on a 'best case scenario' where Pennrose obtains necessary funding and entitlements in the next 6 to 12 months, it would need the City's PILOT Ordinance request to occur between May and November 2026.

The LOI, attached as part of this Agenda Packet, lays out terms and conditions under which a PILOT Ordinance would be considered by the City Council. A PILOT Ordinance would be available for consideration by the City Council at a date to be determined in the future, depending upon the outcome of Pennrose' concurrent PILOT and funding requests:

- From Prince George's County (PILOT and low interest loan)
- From the State of Maryland - Department of Housing and Community Development (MD-DHCD) for federal Low Income Housing Tax Credits (LIHTC), and a low interest loan;
- From the U.S. Department of Housing and Community Development (Permanent Supportive Housing (PSH) funding).
- From other sources such as the Federal Home Loan Bank (FHLB).

**Next Steps:**

If the City Council considers and approves the Letter of Intent (LOI), staff will continue working with Pennrose and its partners to secure the additional financing from its other sources. A future step in this process would be for the City to apply for the State Department of Housing and Community Development (DHCD) grant funds that would also be used to support this development (anticipated end of June application deadline). As stated above, staff would bring a PILOT Ordinance for the City Council to consider at a future date (as stated above, between May and November of 2026).

**Attachments:**

Pennrose Request Letter  
Letter of Intent (LOI)