



# Memo

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

Thru: Jeff Ulysse, Acting CBED Director

From: David Cristeal

Date: March 28, 2025

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

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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 West Hyattsville Crossing, a proposed 120-unit affordable rental community.

A developer of affordable rental housing, Pennrose has partnered with the First United Methodist Church (FUMC) and Sanctuary AP3 to complete the new development. This rental community of 120 apartments would consist of 2 components, a 70-unit senior building and a 50-unit family building. The 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 this 53-unit apartment complex.

**Sanctuary at West Hyattsville Crossing and PILOT Request:**

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 Area Median Income (AMI). This income range translates to incomes from approximately \$20,000/year to \$80,000/year (rents are based on both incomes and 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).

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 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). Pennrose is requesting a PILOT that would reduce the estimated annual City taxes on the 120-unit development from \$59,042.47 to \$13,682.47, and for a period of 40 years. Pennrose is requesting this timeframe as its other financing requests are for the same timeframe (i.e. below market rate loans with 40-year terms). It is important to note that this property, occupied by the First United Methodist Church, 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 for maintenance and other property amenities. As noted above, the City has experience with PILOTs as it provides one for the affordable rental community of Parkview Manor.

Pennrose and its project team are now preparing applications for funding from the various City, County, State, federal, and private sources. They anticipate submitting all applications by the middle of calendar year 2025. Simultaneously, they are working with staff at the Maryland National Capital Park and Planning Commission 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).

As timing is of the essence, in lieu of preparing a draft PILOT Ordinance at this time, staff will prepare 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.

Pennrose is seeking support from the City Council to enhance the long-term viability of the proposed affordable rental community of 120 homes and strengthen its funding applications to the County, the State, and the federal government.

**Next Steps:**

If the presentation receives a favorable reception at the April 5, 2025, City Council meeting, staff will bring a Letter of Intent (LOI) to the City Council at its April 21, 2025, meeting for consideration.

The LOI will lay out terms and conditions under which a PILOT Ordinance will be considered the City Council and a final version of that 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, its May 2025 application to the State of Maryland, Department of Housing and Community Development (MD-DHCD) for federal Low Income Housing Tax Credits (LIHTC), and its funding application to the U.S. Department of Housing and Community Development.

**Attachments:**

Pennrose Request Letter

Pennrose Powerpoint Presentation