

RESOLUTION NO. 2688

A RESOLUTION OF THE CITY OF SALISBURY, MARYLAND
PROVIDING A PAYMENT IN LIEU OF TAXES (PILOT) TO THE
DEVELOPMENT OF GATEHOUSE MARKET AND LOFTS LOCATED AT
401 W. MAIN STREET.

WHEREAS, The City Council of the City of Salisbury, Maryland
recognizes that there is a significant need for quality housing units in Salisbury
for persons with low or to moderate incomes; and

WHEREAS, Green Street Housing, LLC or its assignee, a Maryland
limited liability corporation, proposes to develop and operate a rental housing
development comprised of approximately sixty (60) units, known as Gatehouse
Market and Lofts, located at 401 W. Main Street in Salisbury, MD (the "Project"),
all or a portion of which will assist persons of lower income as required by
applicable law or regulations; and

WHEREAS, Green Street Housing LLC, has advised the City that
financing from the Maryland Department of Housing and Community
Development (the "Department") Low Income Housing Tax Credit (the
"LIHTC") Program warrants a contribution to the project in the form of a
payment in lieu of taxes (PILOT); and

WHEREAS, The City of Salisbury supports this project because it will
address the need for quality, affordable housing for persons with lower incomes;
and


WHEREAS, The City of Salisbury desires to provide for a Payment in
Lieu of Taxes (the "PILOT").


BE IT HEREBY RESOLVED THAT the City of Salisbury approves a
PILOT agreement between Green Street Housing LLC or its assignee and the City
of Salisbury, attached hereto, provided Green Street Housing LLC constructs and
operates a rental housing project on 401 W. Main Street for persons with low to
moderate income in accordance with the guidelines of the Department and the
LIHTC restrictive use covenants. The PILOT agreement provides for a reduction
of the City of Salisbury real estate taxes in the amount of \$400 per unit per year if
the project continues to provide affordable housing for persons of lower income
for a period of forty (40) years from the date the building is granted a certificate
of occupancy; and

BE IT FURTHER RESOLVED THAT, the Mayor be granted the
authority to execute said Payment in Lieu of Taxes agreement, which is hereby
attached to this resolution, on behalf of the City of Salisbury; and,

THIS RESOLUTION was introduced and duly passed at a meeting of the Council of the City of Salisbury, Maryland held on October 24, 2016 and is to become effective upon adoption.

ATTEST


Kimberly R. Nichols
City Clerk


John R. Heath
President, City Council

APPROVED by me this 25th day of OCTOBER, 2016


Jacob R. Day
MAYOR, City of Salisbury



City of
Salisbury
Jacob R. Day, Mayor

MEMORANDUM

To: Tom Stevenson, City Administrator
From: Julia Glanz, Asst. City Administrator
Subject: Green Street Housing PILOT
Date: 10/19/16

Attached you will find a resolution for the City of Salisbury to provide a Payment in Lieu of Taxes (PILOT) to the development of Gatehouse Market and Lofts located at 401 W. Main Street. This development will have approximately 60 residential units, along with commercial space on the first floor. This PILOT provides for a reduction in real estate taxes in the amount of \$400 per unit per year if the project continues to provide affordable housing.

Unless you or the Mayor have further questions, please forward a copy of this memo and the resolution to the City Council.



1813 Sweetbay Dr., #9
Salisbury, MD 21804
(p) 443.615.7121
(f) 888.330.8115

September 26, 2016

The Honorable Jacob R. Day
Mayor – City of Salisbury
125 North Division St.
Salisbury, MD 21801

RE: GateHouse Market and Lofts – Salisbury, MD

Dear Mayor Day,

Green Street Housing (GSH) was founded in 2008 on 25+ years of combined experience developing affordable housing by its principals, David Layfield and Thomas Ayd. GSH is interested in the proposed project, GateHouse Market and Lofts, because the site is located within the development footprint of the company and in the hometown of its principals. As local real estate developers, Tom and Dave have a desire to improve Downtown Salisbury, provide quality housing opportunities to the community, and help grow downtown businesses. GateHouse Market and Lofts located at 401 W. Main Street, or more commonly referred to as Lot #30, will accomplish these goals.

In October 2016, GSH will apply for Low Income Housing Tax Credits (LIHTC) to finance the construction of a mixed-use commercial building with 54 affordable apartments, 6 market rate apartments, 80 parking spaces, a year round, conditioned public market hall, restaurant space, and office/retail space. The development is particularly aligned with pages 39 and 41 of the Envision Salisbury Master Plan, which the City of Salisbury adopted in March 2016 as a guiding document for the Mayor, City Council, and developers of Salisbury.

The development of GateHouse Market and Lofts will be home to a year round, conditioned public market space, where entrepreneurs will offer bread, meat, fish, produce and housewares. The public market will open out onto the Riverwalk and Main Street of Downtown Salisbury. In 2010, Urban Salisbury commissioned a public market study where this particular site was noted the most feasible.

GateHouse Market and Lofts will connect the Old Town and Marina districts during events such as Third Friday, First Saturday, and New Year's Eve SBY. The conditioned public market hall, open courtyard, and Riverwalk terrace will be a place for the community to gather, year round.

Green Street Housing looks forward to working with the City, Mayor, and Council, and the community in developing the Downtown area.

Sincerely,

David Layfield
Green Street Housing, Principal

PAYMENT IN LIEU OF TAX AGREEMENT

THIS AGREEMENT, made this _____ day of _____, 2016, by and between **City of Salisbury, MD**, a body corporate and politic (hereinafter referred to as the "City"), and _____, a _____ formed in the State of _____ (hereinafter referred to as the "Owner").

WHEREAS, the Owner proposes to develop the multifamily component of GateHouse Market and Lofts, a mixed use development consisting of a commercial building and rental apartments, located at 401 W. Main Street in Salisbury, Maryland for the purposes of providing rental housing for low to moderate income households (the "Project"); and

WHEREAS, Section 7-506.1 of the Tax Property Article of the Annotated Code of Maryland, as amended, provides, among other things, that real property in the City may be exempt from City property tax if:

- (a) The real property is owned by a person engaged in constructing or operating housing structures or projects; and
- (b) The real property is used for a housing structure or project that is constructed or substantially rehabilitated under a federal, state or local government program that:
 - (1) funds construction, or insures its financing in whole or in part, or
 - (2) provides interest subsidy, rent subsidy or rent supplements; and
- (c) The Owner:
 - (1) agrees to continue to maintain the real property as rental housing for lower income persons under the requirements of the government programs and to renew any annual contributions contract or other agreement for rental subsidy or supplement; or
 - (2) enters into an agreement with the governing body of the City to allow the property or portion of the property which was maintained for lower income persons to remain as housing for lower income persons for a term of at least forty (40) years; and
- (d) The Owner enters into an agreement with the City for the payment of a negotiated sum in lieu of applicable City property taxes on the Property; and

WHEREAS, the Owner plans to operate the Project as rental housing for low to moderate income households and intends to comply with Section 7-506.1 of the Tax Property Article of the Annotated Code of Maryland; and

WHEREAS, the Owner has demonstrated to the City that an agreement for payments in lieu of taxes is necessary; and

WHEREAS, pursuant to City of Salisbury, MD Resolution No. ____ adopted, _____, 2016, the City Council of Salisbury, Maryland, agreed to enter into an agreement for payments in lieu of taxes for the Project, and authorized the City Administrator to enter into this Agreement.

NOW, THEREFORE, THIS AGREEMENT WITNESSETH: In consideration of the mutual covenants, terms and agreements hereof and pursuant to the power and authority of Section 7-506.1 of the Tax Property Article of the Annotated Code of Maryland, it is agreed as follows:

1. The Owner agrees: (1) that it will operate the Project as rental housing for low to moderate income households and will limit rents pursuant to the Extended Low Income Housing Covenant for Low Income Housing Tax Credits between the Owner and the Maryland Department of Housing and Community Development (herein the "Extended Use Covenant"); (2) it will make no less than 60 percent of the units available to households having incomes of no more than 60 percent of the area median income; and (3) that the Project qualifies and will continue to qualify in all respects under the provision of said Section 7-506.1 of the Tax Property Article of the Annotated Code of Maryland.

2. Beginning July 1, 2018, or the July 1 following the issuance of certificate of occupancy, whichever is later, the Property shall be exempt from ordinary City property taxes. The payments to be made hereunder by the Owner to the City with respect to the Project shall be in lieu of all ordinary City taxes on real property under the Tax Property Article of the Annotated Code of Maryland. The payments to be made hereunder by the Owner to the City shall be made by the Owner first and accepted by the City through the Fiscal Year 2058, or for forty years following the issuance of certificates of occupancy.

3. This Agreement shall be in effect for forty years, which is anticipated to be through **Fiscal Year 2058, ending June 2058**, and the portion of the property to be maintained for lower income persons shall remain as housing for lower income persons for a term of at least forty (40) years pursuant to Section 7-506.1(a)(2)(iv)2.

4. If at any time during the term of this Agreement, the City real property taxes are less than the Payment in Lieu of Taxes (the "PILOT"); the Owner shall pay the ordinary City real property taxes payable had the property not been tax exempt.

5. For the **Fiscal Years 2018 through 2058**, the Owner's annual payment in lieu of taxes shall be calculated as follows:

Owner shall make payment to the City in an amount equal to the fiscal year taxes, an amount of the assessed value of the property times the City tax rate minus (such subtracted amount calculated as follows: $\$400 \times \text{units} = \$$ _____).

6. By July 30th of each year, the City shall bill the Owner for the payment which is due by September 30th of that year, as set forth in this Agreement.

7. Payments due hereunder will be considered delinquent thirty (30) days after the due date of the bill sent to the Owner. Interest at the rate of one percent (1%) per month shall be charged and collected by the City on all amounts remaining unpaid thirty (30) days after the due date.

8. If the Owner is in default for one hundred eighty (180) days for any payment required under any of the provisions of this Agreement, the City may, at its option, declare a default by providing written notice of the default to the Owner and to the holders of all mortgages or deeds of trust. If within thirty (30) days of such notice, the payments have not been brought current, then the City may, at its option, declare all amounts due as follows: a sum equal to the total real property taxes which would have been due from the Owner in the absence of this Agreement, plus all interest, if any, less all amounts actually paid under this Agreement. To enforce its rights under this paragraph, the City may renegotiate this Agreement, foreclose, or seek any other remedy available at law or in equity. Notwithstanding anything to the contrary which is or might be contained in this agreement, payments due under this paragraph shall be considered a first lien against the Property and superior to any other liens placed upon the Property and may be collected in the same manner as City taxes.

9. This Agreement may be assigned to a holder of a mortgage or deed of trust in the event of a foreclosure or transfer under said mortgage or deed of trust, provided that the assignee shall be subject to the terms and conditions of this Agreement.

10. For the purposes of this Agreement, all notices shall be hand-delivered or mailed by first class mail or certified mail, return receipt requested or via overnight delivery service. Notices shall be given to the parties as follows:

TO CITY: Office of Finance/City of Salisbury
Government Office Building
125 N. Division Street
Salisbury, MD 21801

TO OWNER: c/o Green Street Housing, LLC
1813 Sweetbay Dr., #9
Salisbury, MD 21804
Attn: David Layfield

Each notice that is sent by one party to the other party at the listed address shall be presumed to have been received three (3) days after the date of mailing; except when prior written notice is given by one party to the other that a party or an address has changed. Notwithstanding any provision to the contrary contained in this Agreement, any person or party not listed in this paragraph shall not be entitled to notice as may be required by this Agreement unless one party notifies the other party that additional notice shall also be sent to such person or party.

11. This Agreement shall inure to the parties hereto and their respective successors, assigns, and/or legal representatives.

12. It is understood and agreed by the execution of this Agreement that the City does not waive any rights of governmental immunity which it may have in any damage suits against it, and that the City reserves the right to plead governmental immunity in such suit in law or in equity or such pleading as is appropriate notwithstanding the execution of this Agreement.

13. This Agreement shall be governed by the Maryland law and any actions between the parties hereto shall be brought in and vest jurisdiction and venue solely in the Circuit Court for Wicomico County.

IN WITNESS WHEREOF, the City has caused this Agreement to be signed in its name by the City Council President, to be attested to by the City Clerk, and to have the City Seal affixed hereto; and the Owner has caused this Agreement to be signed in its name by its General Partner, duly attested.

ATTEST:

By: _____

By: _____
Its General Partner

By: Thomas J. Ayd, Jr.
Authorized Person

ATTEST:

CITY OF SALSBURY, MARYLAND

Jacob R. Day
MAYOR, City of Salisbury

(Seal)