

Mayor and Council Work Session April 25, 2017 Agenda

*"A diverse, business-friendly, and sustainable community with clean, safe and strong neighborhoods."
"Providing the most efficient and highest-quality services as the municipal location of choice for all
customers."*

"Growth is never by mere chance; it is the result of forces working together."

James Cash Penney

4:30 PM WORK SESSION

- 4:30 PM** 1. FY 2017/18 Budget Review – *Valerie Means, City Administrator; Michelle Hepburn, Director of Finance*
- 5:30 PM** 2. PILOT Agreement with The Bethel Corporation – *Paul Rose and Tom Lynch, Miles and Stockbridge, PA*
- 6:00 PM** 3. Joint Meeting with the Washington County Commissioners

CITY ADMINISTRATOR'S COMMENTS

MAYOR AND COUNCIL COMMENTS

ADJOURN

**REQUIRED MOTION
MAYOR AND CITY COUNCIL
HAGERSTOWN, MARYLAND**

Topic:

FY 2017/18 Budget Review – *Valerie Means, City Administrator; Michelle Hepburn, Director of Finance*

Mayor and City Council Action Required:

Discussion:

Financial Impact:

Recommendation:

Motion:

Action Dates:

ATTACHMENTS:

File Name

FY18_Budget_Review_Memo_04-21-2017.pdf

Description

FY18 Budget Review



CITY OF HAGERSTOWN, MARYLAND

Finance Department
301-739-8577 X160

To: Valerie Means, City Administrator
From: Michelle Hepburn, Director of Finance
Date: April 21, 2017
Subject: FY2017/18 Budget Review

Staff will be present to continue discussions regarding the FY2017/18 Proposed Budget for the General Fund during the Work Session on April 25.

April 25, 2017:

1. Mayor and Council Discussion of priority projects
2. Mayor and Council Discussion of General Fund Proposed Budget

April 26, 2017 through May 16, 2017:

Future budget review work sessions will discuss the City's other funds and cover the following topics throughout May.

1. Economic Redevelopment, Section 5, Pages 11-13
2. CDBG Program, Section 5, Pages 3-8
3. Parking Fund 5 Year Projections, Section 7, Pages 26-28
4. Parking Fund Capital Improvement Projects, Section 8, Pages 39 and 166-170
5. Golf Fund 5 Year Projections, Section 7, Pages 29-30
6. Mayor and Council Discussion of Other Funds' Proposed Budget
7. Electric Fund 5 Year Projections, Section 7, Pages 15-17
8. Electric Fund Capital Improvement Projects, Section 8, Pages 32 and 120-137
9. Water Fund 5 Year Projections, Section 7, Pages 18-21
10. Water Fund Capital Improvement Projects, Section 8, Pages 34 and Pages 138-149
11. Wastewater Fund 5 Year Projections, Section 7, Pages 22-25
12. Wastewater Fund Capital Improvement Projects, Section 8, Pages 37 and 150-165

May 16, 2017:

- Public Hearing: FY18 Budget and Property Tax Rate
- Introduction of Ordinances (FY18 Budget and Property Tax Rate)

May 23, 2017:

- Adoption of Ordinances (FY18 Budget and Property Tax Rate)

**REQUIRED MOTION
MAYOR AND CITY COUNCIL
HAGERSTOWN, MARYLAND**

Topic:

PILOT Agreement with The Bethel Corporation – *Paul Rose and Tom Lynch, Miles and Stockbridge, PA*

Mayor and City Council Action Required:

Discussion:

Financial Impact:

Recommendation:

Motion:

Action Dates:

ATTACHMENTS:

File Name

PILOT_-_Work_Session.pdf

Description

Memo and Draft Agreement



CITY OF HAGERSTOWN, MARYLAND

Donna K. Spickler

City Clerk

One East Franklin Street • Hagerstown, MD 21740

E-mail: dspickler@hagerstownmd.org

Telephone: 301.766.4183 • TDD: 301.797.6617

TO: Mayor and City Council
Valerie Means, City Administrator

FROM: Donna Spickler, City Clerk

SUBJECT: Draft PILOT for The Bethel Corporation

DATE: April 25, 2017

Time is included during the April 25, 2017 Work Session to discuss updates to the draft PILOT agreement with The Bethel Corporation.

Paul Rose and Tom Lynch, Miles and Stockbridge, P.C., will be present to review the attached draft agreement.

Please let me know if you have any questions.

Thank you.



PAYMENT IN LIEU OF TAX AGREEMENT

This Payment in Lieu of Tax Agreement (the "PILOT Agreement"), made and entered into as of the _____ day of _____, 2017, is by and between The Bethel Corporation, a Maryland corporation ("Current Owner"), Bethel Gardens Development Partners, LP, a limited partnership of the State of Maryland (the "New Entity"), the Board of County Commissioners of Washington County, Maryland, a body corporate and politic of the State of Maryland (the "County"), and the City of Hagerstown, a municipal corporation of the State of Maryland (the "City").

WITNESSETH

WHEREAS, Current Owner is the owner of land located at 356 Henry Avenue, Hagerstown, Maryland, and further identified as tax parcel identification numbers 25-028120 and 25-028171, improved with a 94-unit low-income apartment complex built in 1975-1976 and commonly known as Bethel Gardens (the "Property"); and

WHEREAS, the City entered into a Cooperation Agreement with Current Owner dated March 27, 1981, a copy of which is attached hereto as **Exhibit A**; and

WHEREAS, the Cooperation Agreement constitutes an agreement between Current Owner and the City for the payment of a fee in lieu of property taxes for the term of the Agreement; and

WHEREAS, the Cooperation Agreement is non-assignable; and

WHEREAS, Current Owner intends to transfer ownership of the Property to New Entity. Bethel Gardens Preservation HV, LLC and Bethel Gardens Group, LLC will each be general partners of New Entity, and each will hold a 0.005% ownership interest in New Entity. Bethel Gardens Group, LLC is wholly owned by The Bethel Corporation (a non-profit corporation).

Raymond James Tax Credit Fund 42 L.L.C. will be the limited partner of New Entity and hold an ownership interest of 99.99%; and

WHEREAS, New Entity intends to make significant renovations to the Property to preserve the Property's continued use serving low-income residents by constructing the following non-exclusive list of improvements: new kitchens and baths; new painting and flooring in all of the units; new energy start appliances; new lighting; digital and programmable thermostats; GFCI outlets in the kitchens and bathrooms; new circuit breaker panel; repair and replacement of corroded metal entry stairs and passage ways in the garden-style apartments; power washing and repointing of brick; repair of exterior patios and decks; and the creation of fully accessible apartment units that meet the current ADA standards (the "Project"); and

WHEREAS, Current Owner has informed the City that the Project qualifies for tax-exempt private activity bond financing and Low Income Housing Tax Credits ("LIHTC") and that the transaction will be financed using: (a) credit-enhanced, tax-exempt bonds that will be issued by Maryland's Community Development Authority ("CDA"); and (b) a taxable 221(d)(4) loan insured by the Federal Housing Authority ("FHA"). Current Owner has also informed the City that the long-term taxable permanent loan for the Project has been underwritten at \$6.25 Million and that Current Owner will hold a subordinated seller note in excess of \$2 Million; and

WHEREAS, Current Owner has informed the City that hard costs for the Project are budgeted at \$65,000 per unit; and

WHEREAS, New Entity anticipates that the Project will be funded in the amounts requested but not all of which will necessarily be closed, completed, or funded by the Effective Date of this Agreement; and

WHEREAS, New Entity will continue to operate the Property as rental units exclusively for low-income persons; and

WHEREAS, the Annotated Code of Maryland, Tax-Property Article, Section 7-506.1 provides that, in specific circumstances, real property may receive real property tax benefits if New Entity, the County, and the City enter into a PILOT Agreement; and

WHEREAS, New Entity represents that the Project will qualify in all respects with the requirements of Tax-Property Article, Section 7-506.1, and for an agreement for negotiated payments in lieu of the otherwise full amount of County and City real property taxes that would be imposed upon the Property and Project; and

WHEREAS, New Entity seeks to enter into this PILOT Agreement in order to establish general stability and predictability for its real property tax exposure; and

WHEREAS, New Entity, the County, and the City collectively agreed to enter into a single, comprehensive PILOT Agreement; and

WHEREAS, the County and the City shall only enter into this PILOT Agreement with New Entity and accept payment of a reduced sum of money in lieu of Washington County and The City of Hagerstown real property taxes, provided that New Entity at all times conducts its operations in accordance with the requirements of this PILOT Agreement and the Tax-Property Article, Section 7-506.1.

NOW, THEREFORE, in consideration of the above premises, which are incorporated as part of the Agreement, and of the mutual covenants, terms and agreements hereof, and pursuant to the authority granted by the Annotated Code of Maryland, Tax-Property Article, Section 7-506.1, the parties agree as follows:

1. Recitals. The recitals set forth above shall be deemed to be a part of this PILOT Agreement.

2. Termination of Cooperation Agreement. Current Owner and City agree that the Cooperation Agreement shall be terminated as of the effective date of this Agreement and that the Current Owner is solely a party to this Agreement to confirm the termination of the Cooperation Agreement.

3. Term. This PILOT Agreement shall become effective as of the date of the closing on the refinance for the Project, June 1, 2017 (the "Effective Date"), and shall remain effective for forty-two (42) years from the Effective Date of this PILOT Agreement (the "Term").

(a) In no event shall the Term extend beyond such time as the Property fails or ceases (i) to be used for housing of low income persons; (ii) to be owned and used for provisions of rental housing and related service facilities (including parking facilities); (iii) to comply in all respects with Section 7-506.1 of the Tax-Property Article of the Annotated Code of Maryland pursuant to which the County and the City are authorized to enter into an agreement for the payment of a negotiated sum in lieu of taxes; or (iv) to comply with all obligations under this PILOT Agreement. Additionally, the Term may not extend beyond the effective date of a repeal or amendment of the applicable enabling tax and PILOT provisions of the Annotated Code of Maryland unless such legislation provides a grandfather provision for those PILOT Agreements already in existence prior to the effective date of the repeal or amendment.

4. Payment In Lieu of Taxes.

(a) Each fiscal year during the term of this PILOT Agreement, New Entity shall pay a PILOT in lieu of the respective real property taxes due to the County and the City. New Entity's PILOT obligation for each fiscal year of this Agreement shall be calculated in the same manner

as in the example set forth in **Exhibit B** to this Agreement, entitled Computation of Annual Payment Due the City of Hagerstown and Washington County from Bethel Gardens Development Partners, LP (EXAMPLE). Annual Shelter Rent Income shall mean the gross receipts of all charges paid directly by the tenants of Bethel Gardens (and not including subsidy payments received from the government). There shall be no deductions to Annual Shelter Rent Income for vacancies, model unit, bad debts, utility allowances, electricity, water, gas, or any other deductions of any kind.

That computation notwithstanding, no payment for any fiscal year shall be made to the County or to the City in excess of the amount of real property taxes that would have been paid to the County and the City for such fiscal year if the Property was not exempt from taxation, and in no event shall New Entity's total PILOT payment obligation for any fiscal year (payable to the City, the County and the State, collectively) be less than \$24,000.00.

(b) New Entity shall make separate annual payments directly to the County and to the City.

(c) The payment to be made by New Entity to the County and to the City provided for herein with respect to the Property, shall be in lieu of the otherwise full amount of County or City real property tax that would be due and is in addition to any other County and City taxes and charges, including but not limited to applicable fire and rescue tax, sewer and water charges, system benefit charges, charges relating to the enforcement of public safety, and building excise tax that New Entity may be required to pay to the County or City that is not already included, or may be included in the future, in the respective jurisdiction's real property tax and fees bill. The payment in lieu of real property taxes provided for herein is not in lieu of any other applicable municipal or state taxes or charges of any kind unrelated to real property taxes for which New

Entity shall also continue to be responsible, nor is the payment in lieu of taxes provided for herein in lieu of any permitting costs associated with construction of the Project.

5. Taxes Upon Expiration or Termination. Except as otherwise may be provided in Section 7 hereof, upon expiration or termination otherwise of this PILOT Agreement, full County and City real property taxes shall be paid from the point of expiration or termination forward, based on the assessed value of the Property and the applicable real property tax rate in effect at such time.

6. Requirements For Continued PILOT. The continued right of New Entity to enjoy the benefits of this PILOT Agreement and to make the payments calculated in accordance with Paragraph 4 above is expressly conditioned upon compliance at all times during the Term of this PILOT Agreement with the following conditions, the failure to comply with any of which shall effect an immediate termination of this PILOT Agreement without further notice being required to be given to New Entity:

(a) The Project shall be substantially completed by June 1, 2019, *i.e.*, within two years after the date of closing on the refinance for the Project;

(b) New Entity shall participate in the City's Crime Free Housing Program throughout the term of this Agreement;

(c) New Entity shall comply in all respects with the provisions of the Tax-Property Article and other provisions of the Annotated Code of Maryland, as they relate to the Property;

(d) Within one hundred and twenty (120) days after December 31 of the year in which this Agreement is entered into, and within 120 days of each subsequent December 31 thereafter, or otherwise upon fifteen (15) days of request, New Entity shall provide to the County's and the City's chief financial officers (the "CFOs") an annual financial report audited

by an independent Certified Public Accountant in accordance with Generally Accepted Accounting Principles. Furthermore, the CFOs shall have the ability upon reasonable notice to New Entity, to examine New Entity's books and records. Such books and records shall be sufficient to verify that the housing units have been rented exclusively to low income persons and to verify the amount of annual Shelter Rent Income;

(e) The PILOT payment for each fiscal year during the term of this Agreement shall be due to the County and the City within thirty (30) after the annual deadline to submit the audit to the County and the City (as required by subsection 6(d) above);

(f) New Entity shall certify in writing to the respective CFOs, on an annual basis or otherwise upon request of the CFOs, the continued compliance with the terms and conditions of this PILOT Agreement and the applicable provisions of the Tax-Property Article and other sections of the Annotated Code of Maryland;

(g) "Payment in lieu of tax" payments shall be paid as required hereunder, and payment of all other taxes and charges (including interest) applicable to the Property shall be timely paid; such bills being delinquent thirty (30) days after being due. Interest on overdue payments, in the same amount as charged to other delinquent County and City taxpayers, shall be added to the amount due and collected by the County and/or the City in the same manner as real property taxes are collected; and

(h) New Entity shall perform all work necessary during the term of this Agreement to maintain the exterior of the buildings and the common areas of the Property in good repair and proper working order. New Entity shall maintain the Property as quality housing for low-income persons during the term of this Agreement.

7. Tax Implications for Noncompliance. If the Property, or any portion of the Property, is taken out of service as housing available for low income persons during the Term of the PILOT Agreement, by virtue of sale, refinancing, or other action of New Entity such as, but not limited to, renting a unit to someone who at the start of that resident's occupancy is other than a qualified low income person, then it shall be as though there never was a PILOT Agreement on the unit(s) removed from low income housing. At such time as a unit is taken out of service as described above, however, New Entity shall have 180 days from the date any PILOT Agreement party identifies that the unit is not in compliance to remedy the noncompliance and to return the unit to housing available for low income persons. If New Entity fails to return the unit to compliance within the 180-day cure period, then all County and City real property tax that would have been imposed from the initial Effective Date of the PILOT Agreement for the unit, less any already paid PILOT for the out of service unit, will be immediately due and payable to the County and the City. If, at any time an otherwise qualified occupant's income increases above the limits established to qualify as a low income person, the PILOT Agreement terms remain in effect unless New Entity fails to comply with Internal Revenue Code Section 42(g)(2)(D). An unoccupied or empty unit is deemed a unit that is in compliance, and is therefore not subject to the tax implications of this paragraph, which apply only to those units which are taken out of service as housing available for low income persons.

8. Residential Use. New Entity shall not in any manner or to any extent transfer or exchange the Property in a way that would change its use as a residential rental project for low income persons without risking immediate termination of this PILOT Agreement.

9. Limitation on Scope of Agreement. The terms of this Agreement will not apply with respect to any additional units that may be constructed in the future above and beyond the

94 units that currently comprise Bethel Gardens as of the Effective Date of this Agreement. Similarly, the terms of this Agreement will not apply to any real property other than the real property that comprises Bethel Gardens (tax parcel identification numbers 25-028120 and 25-028171) as of the Effective Date of this Agreement.

10. Referenced Documents. Any document, or amendments thereto, referenced in this PILOT Agreement shall be provided, with appropriate recording references, by New Entity when executed and shall be attached to this PILOT Agreement by an addendum identifying such documents for the purpose of this PILOT Agreement.

11. Non-Assignability. This Agreement shall not be assignable by New Entity without the prior written consent of both the County and the City. The granting or withholding of consent to assign shall be absolutely within the discretion of the County and the City.

12. Amendment. This PILOT Agreement may not be amended, altered or modified except by a written amendment executed by the parties.

13. Governing Law and Dispute Resolution. This PILOT Agreement and the rights and obligations of the parties hereto and any claims or disputes thereto shall be governed by and construed in accordance with the laws of the State of Maryland. The exclusive venue for litigation shall be Washington County. If parties are not able to resolve disputes directly with each other, the parties, prior to litigation, shall first attempt to resolve any disputes that arise out of this Agreement through mediation before a mutually acceptable mediator.

14. Other Taxes and Fees. Nothing herein shall be deemed or construed to be a reduction or waiver by the County or the City of any tax or fee of any kind whatsoever, including but not limited to any development impact fee, building excise tax, recordation tax, fire or rescue tax, or income tax except as provided for above in Paragraph 3.

15. Counterparts. This PILOT Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties shall not have signed the same counterpart.

16. Notices. All notices shall be in writing and either hand delivered or sent by United States certified or registered mail, postage prepaid, return receipt requested. Notices shall be given to the parties as follows:

If to the County, then to: Board of County Commissioners
ATTN: Housing authority of Washington County,
Maryland
319 E. Antietam Street, #2
Hagerstown, Maryland 21740

Copy to: Washington County Attorney
100 W. Washington Street
Hagerstown, Maryland 21740

If to the City, then to: Hagerstown City Hall
Attn: Mayor & Council of Hagerstown
1 E. Franklin Street
Hagerstown, Maryland 21740

Copy to: City Hall
ATTN: Director of Planning and Code
Administration
1 E. Franklin Street, Suite 300
Hagerstown, Maryland 21740

Copy to: Thomas E. Lynch, III, Esq.
Paul D. Rose, Jr., Esq.
Miles & Stockbridge P.C.
30 West Patrick Street, Suite 600
Frederick, Maryland 21701

If to New Entity, then to:

Bethel Gardens Development Partners, LP
356 Henry Avenue
Hagerstown, Maryland 21740

Copy to:

Andrew F. Wilkinson, Esq.
Divelbiss & Wilkinson
13424 Pennsylvania Avenue, Suite 302
Hagerstown, Maryland 21742
Counsel for New Entity

Any party may modify the address to which notice to it shall be sent, by delivery of notice to the other parties in accordance with the foregoing. Each notice that is sent in accordance with the foregoing shall be presumed to have been received on the business day it is personally delivered or three (3) business days after the date of mailing, as applicable.

17. Entire Agreement; Headings. This PILOT Agreement contains the entire agreement of the parties with respect to the matters herein set forth. All other agreements and understandings of the parties relating to the subject matter of this PILOT Agreement, written or oral, if any, are merged into this PILOT Agreement. The headings set forth at the beginning of each section or subsection of this PILOT Agreement are for convenience of reference only and do not have any independent legal significance.

IN WITNESS WHEREOF, The Bethel Corporation, a Maryland corporation, Bethel Gardens Development Partners, LP, a limited partnership of the State of Maryland, the Board of County Commissioners of Washington County, Maryland, a body corporate and politic of the State of Maryland, and The City of Hagerstown, a municipal corporation of the State of Maryland have caused this PILOT Agreement to be signed by duly authorized individuals, as duly attested, as of the day and year first hereinabove written.

WITNESS:

THE BETHEL CORPORATION

By: _____
Name: _____
Title: _____

WITNESS:

BETHEL GARDENS DEVELOPMENT PARTNERS, LP

By: _____
Bethel Gardens Group, LLC,
Managing General Partner

By: _____
The Bethel Corporation,
its sole member

By: _____
Name: _____
Title: _____

WITNESS:

BOARD OF COUNTY COMMISSIONERS OF
WASHINGTON COUNTY, MARYLAND

County Manager

By: _____

President

WITNESS:

THE CITY OF HAGERSTOWN, MARYLAND

Executive Assistant to
the Mayor

By: _____

Mayor

COOPERATION AGREEMENT

THIS AGREEMENT, Made this *27th* day of *March*, 1981, by and between THE CITY OF HAGERSTOWN, a municipal corporation hereinafter referred to as "CITY", and THE BETHEL CORPORATION, a non-profit corporation of Washington County, Maryland, hereinafter referred to as "BETHEL", respectively.

WHEREAS: "BETHEL" is duly incorporated in the State of Maryland as a non-profit corporation; and

WHEREAS: "BETHEL" is presently operating a governmentally funded and subsidized low rent apartment project known as BETHEL GARDENS, hereinafter the "Property".

WHEREAS: The funding of BETHEL GARDENS was accomplished by low interest loans made and guaranteed by state and federal governmental agencies based upon assurances from the CITY that the following Agreement would be entered into.

WHEREAS: The parties hereto desire to enter into this Agreement recognizing their legal rights, duties and obligations.

NOW, THEREFORE, in consideration of the mutual promises, agreements and covenants contained herein, it is hereby agreed by and between the parties hereto as follows:

I.

By virtue of the Constitution of the State of Maryland, and Article 81, Section 9(p) and Article 44A, Section 22 of the Annotated Code of Maryland, the above indicated project may be exempt from all real and personal property taxes and special assessments levied or imposed by any taxing body of the State. With respect to the said project so long as said project is owned by "BETHEL", and is used for low rent or assistance housing purposes, "CITY" agrees that it will not levy or impose any real or property taxes or special assessments upon "BETHEL", with

respect to said real property. During such period, "Bethel" shall make annual payments (herein called "payment in lieu of taxes") in lieu of such taxes and special assessments. Each such annual payment in lieu of taxes shall be due and payable at the same time and in the same manner, and subject to the same enforcement provisions as the real estate taxes are now paid in the "CITY" or in accordance with whatever laws or procedures may be in effect hereafter. Said payment in lieu of taxes shall be equal to ten percent (10%) of the annual shelter rent income of Bethel Gardens multiplied by a fraction, the numerator of which shall be the "CITY" real estate tax rate and the denominator of which shall be the combined city, Washington County, and Maryland State tax rate for the fiscal year. Shelter rent income shall mean the total of all charges to all tenants of BETHEL GARDENS less the cost to "BETHEL" of all utilities for said tenants. No payment for any year shall be made to "CITY" in excess of the amount of real property taxes which would have been paid to the said "CITY" for such year if "BETHEL" were not exempt from taxation.

II.

"BETHEL" shall not be exempt from the payment of the usual and normal charges or assessments made by "CITY" for the installation and/or furnishing of such public facilities, including but not limited to, hook-up or installation charges now in effect or that may be hereafter in effect, water, sewer, storm drains and electricity, within their absolute discretion unless the Mayor and Council of "CITY" deem it advisable to waive any of said charges at a later date, and further provided same is within the purview of the powers granted under the City Charter and the laws of the State of Maryland.

III.

The term "public services and facilities" does not include the usual and ordinary monthly or quarterly charges or

assessments for water, sewer, electricity and other utilities, and same shall be paid by "BETHEL" to "CITY" in accordance with the existing rate structures and/or regulations as are in existence at this time or may be in effect hereafter.

IV.

Nothing herein shall be construed to exempt "BETHEL" from the payment of standard permit fees (i.e., building, plumbing, electric, etc.) now charged by "CITY" or that may be in effect hereafter. "BETHEL" shall pay same as if the project site or work site were privately owned.

V.

This Agreement is contingent upon "BETHEL" furnishing written verification and substantiation of its non-profit status as indicated hereinabove.

IV.

This writing constitutes the entire agreement between the parties and cannot be changed, altered or terminated orally. There are no representations, agreements, arrangements or understandings, oral or written, between the parties which relate to the subject matter of this Agreement which are not fully expressed herein.

The parties further agree that their agents, servants, successors and assigns shall be bound by the terms of this Agreement.

VII.

This Agreement shall not be assignable by "BETHEL" without the consent of "CITY". The granting or withholding of consent to assign shall be absolutely with the discretion of "CITY".

IN WITNESS WHEREOF, the parties hereto, by their duly
authorized representatives and attorneys in fact, affix their
signatures and seals.

(SEAL)

CITY OF HAGERSTOWN

ATTEST:

Joseph V. Walz
Joseph V. Walz, City Clerk

By: Varner L. Paddack
Varner L. Paddack, Mayor

(SEAL)

THE BETHEL CORPORATION

ATTEST:

Bruce Johnson
Bruce Johnson, Board Secretary

By: William H. Stewart
William H. Stewart, President

EXHIBIT B

Computation of Annual Payment Due to the City of Hagerstown and Washington County from Bethel Gardens Development Partners, LP (EXAMPLE)

Step 1: Determine Total PILOT Payment

Annual Shelter Rent Income (gross receipts from tenants)		\$370,613.00
Percentage	(x)	<u>10%</u>
Total PILOT Payment Allocated to the City, the County, and the State	=	\$37,061.30

Step 2: Determine Percentage of Total PILOT Payment Allocated to the State

State of Maryland Real Property Tax Rate for Fiscal Year		0.112
Combined Real Property Tax Rate of the City, the County, and the State for Fiscal year	(÷)	<u>1.848</u>
Percentage of Total PILOT Payment Allocated to State	=	0.0607

Step 3: Determine Portion of Total PILOT Payment Allocated to the State

Total PILOT Payment Allocated to the City, the County and the State		\$37,061.30
Percentage of Total PILOT Payment Allocated to the State	(x)	<u>0.0607</u>
Amount of Total PILOT Payment Allocated to the State	=	\$2,249.62

Step 4: Determine Portion of Total PILOT Payment Allocated to the City and the County

Total PILOT Payment Allocated to the City, the County and the State \$37,061.30

Amount of Total PILOT Payment Allocated to the State (-) \$2,249.62

Amount of Total PILOT Payment Allocated to the City and the County (=) **\$34,811.68**

Formula to Calculate Amount Allocated to the City:

\$34,811.68
(x) 0.65
(=) \$22,627.59

Total PILOT Payment to the City: \$22,627.59

(x) .03
(=) \$678.84

(\$22,627.59 + \$678.84) **\$23,306.43**

Total PILOT Payment to the County: \$34,811.68

(x) 0.35
\$12,184.09

**REQUIRED MOTION
MAYOR AND CITY COUNCIL
HAGERSTOWN, MARYLAND**

Topic:

Joint Meeting with the Washington County Commissioners

Mayor and City Council Action Required:

Discussion:

Financial Impact:

Recommendation:

Motion:

Action Dates: