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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

TESTIMONY OF SENATOR SHELLY HETTLEMAN
SB 327 - AFFORDABLE HOUSING PAYMENT IN LIEU OF TAXES EXPANSION ACT

Maryland is facing an undeniable affordable housing crisis and SB 327 Affordable Housing Payment in Lieu of Taxes Expansion Act is an innovative way of addressing the issue.

As housing prices continue to climb, the availability of affordable options continues to fall, resulting in a struggle to manage the financial demands of securing safe and stable housing. With more than half of Marylanders now spending over a third of their income on housing, many are left to sacrifice other basic necessities like food, medical bills, utilities, or future savings. This ongoing crisis underscores the critical need an effective solution that supports affordable housing development and preservation.

A payment in lieu of taxes (PILOT) agreement for affordable housing is a financial incentive that allows property owners to receive a tax abatement in exchange for maintaining a certain percentage of their units as affordable housing. PILOT agreements encourage the development of new housing options that are within reach for low- and moderate-income families, while ensuring that existing units remain available and accessible. Importantly, they incentivize affordability without directly increasing public spending.

Current law limits tax abatements unless the property undergoes substantial rehabilitation. As the affordable housing market evolves, market pressures are putting at risk Naturally Occurring Affordable Housing (NOAH) properties, which may not require substantial rehabilitation, because developers are not able to access tax abatements that would enable properties to remain affordable.

Several counties in Maryland have already demonstrated the success of PILOT agreements for affordable housing. For example, Montgomery County and Baltimore City have leveraged PILOT agreements to preserve existing affordable units and revitalize neighborhoods with the development of new units. SB 327 seeks to expand the ability to establish PILOT agreements to all counties in Maryland, making these programs available statewide. It aims to address affordable housing needs more comprehensively throughout the state, building on existing programs and extending opportunities to other counties.

Housing is a fundamental need but should not come at the cost of other basic necessities. Yet, in 2025, it does. By passing SB 327, we can ensure that every county in Maryland has the opportunity to provide their residents with additional stable, affordable housing.

SB 327 is in the same posture as the House cross-file, HB390, which passed out of the Ways and Means and Environment and Transportation Committees before passing on the House floor. I urge a favorable report and thank you for your consideration.