

**Testimony to the Senate Budget & Taxation Committee
Senate Bill 327 - Affordable Housing Payment In Lieu of Taxes Expansion Act**

Position: Favorable

Dear Chair Guzzone and Members of the committee:

My name is Chris Gillis and I am testifying today on behalf of MHP, a non-profit affordable housing provider with apartment communities located throughout Montgomery and Prince George's Counties. I'm testifying today in strong support of Senate Bill 327 which would give local jurisdictions additional flexibility in providing property tax abatements, also known as PILOTS, for qualifying affordable housing projects.

Payment in lieu of taxes, or PILOTS for short, are an important tool in creating and preserving affordable housing. In the market, there are two types of affordable rental housing – income restricted affordable housing and naturally occurring affordable housing. When either of these types of properties are put up for sale, it is critical that these properties be preserved as affordable housing. This should be a top priority for the state and our local jurisdictions.

Often times, when these properties are put up for sale, affordable housing developers are frequently competing with a host of market-rate developers who are seeking to convert the properties higher end market rate properties. PILOTS can play a huge role in assisting nonprofits in purchasing these properties to maintain their affordability.

Several years ago, Montgomery County enacted a new policy which provides automatic PILOTS if projects meet certain affordability criteria. However, certain nonprofit providers of affordable housing in Montgomery County have been having difficulty in obtaining the County's new by-right PILOT because of how narrow the state authorizing laws are when it comes to PILOTS. While there are about 3-4 laws in Maryland that authorize local jurisdictions to provide PILOTS for affordable housing, each one of them is fairly limited and require a comprehensive renovation to be done in order to get the PILOT.

As a result, at present, many affordable housing apartment projects are unable to obtain a tax abatement unless they are constructed or substantially rehabilitated under a federal, state, or local government program. Historically, most market-rate apartment communities that were acquired by an affordable housing provider were in severe disrepair and in need of immediate rehabilitation, which would be facilitated through government programs such as the Low-Income Housing Tax Credit (LIHTC) program.

However, the real estate market and the type of properties that are being preserved for affordable housing have changed dramatically in recent years. Affordable housing providers are increasingly acquiring Naturally Occurring Affordable Housing, or NOAH, properties that are at serious risk of exiting the affordable housing stock due to market pressures, but which are in fair condition and not in need of immediate and substantial renovations. Current state laws do not authorize PILOTs for the preservation of these important properties.

This bill would provide an additional avenue for local jurisdictions to provide PILOTs if at least 50% of the apartment units are maintained as affordable for at least 15 years, which is a high threshold. In addition, it would make NOAH acquisitions potentially eligible for local PILOTs. At the same time, this legislation does not mandate local jurisdictions to offer PILOTs for affordable housing – but gives them this important tool if they so choose to use it.

Updating state law regarding PILOTs would greatly help local jurisdictions and the state reach their goals for affordable housing.

Thank you for considering our views on the matter.

Best regards,

A handwritten signature in cursive script that reads "Chris Gillis".

Chris Gillis
Director, Policy & Neighborhood Development, MHP