



SB 327 Affordable Housing Payment in Lieu of Taxes Expansion Act

Hearing before the Budget and Taxation Committee
January 29, 2025

Position: SUPPORT WITH AMENDMENTS (FWA)

Arundel Community Development Services, Inc., (“ACDS”) urges the Committee to issue a Favorable report, with amendments as set forth below, on SB 327, which would authorize the owner of real property used for rental housing and the governing body of a county to enter into a payment in lieu of taxes agreement for maintaining at least 50% of the units in the property as affordable units for a period of 15 years.

ACDS serves as Anne Arundel County’s nonprofit housing and community development agency, helping Anne Arundel County residents and communities thrive through the provision of safe and affordable housing opportunities, programs to prevent and end homelessness, and community development initiatives. As part of this role, ACDS advises the County on issues related to affordable housing, develops housing and community development strategies for Anne Arundel residents and communities, and implements programs that provides direct assistance to renters facing eviction and homeowners facing foreclosure.

This bill provides an additional method for obtaining a payment in lieu of taxes agreement (“PILOT”) to promote affordable housing. Currently, Tax Property Section 7-506.1 allows a property owner and a county to enter into a PILOT agreement only if the project obtains federal, state or local subsidy which restricts all or a portion of the project for affordable housing. This bill would permit a property owner and a county to enter into a PILOT without additional federal, state or local subsidy if at least 50% of the units in the property are restricted as affordable housing for households with incomes up to 60% of area median income, without the need for additional federal, state or local subsidy. Thus, the bill provides flexibility to counties and project developers in promoting the preservation and new development of much-needed affordable units.

While the bill, as written, provides an additional path to receive PILOTs and promote housing affordability, ACDS suggests that the percentage of affordable units required to access the PILOT benefit should be lowered to at least 20%, rather than at least 50%, as this will allow each jurisdiction to establish its own level of PILOT subsidy based on the affordable housing needs of the jurisdiction and the unique financing for each project. Local jurisdictions can still ensure that the PILOT subsidy amount is scaled appropriately based on the number of subsidized units and allows for preservation of affordable units in true mixed income developments. This will be particularly useful in “naturally occurring affordable housing” or “NOAH”, i.e. housing that does not receive any federal, state or local subsidy but due to location or market contains units that have historically been affordable to lower income households but are in danger of rising rents without an agreement with the local government. **For the reasons noted above, ACDS urges the Committee to issue a FAVORABLE report, with AMENDMENTS, on SB 327.**