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BILL NO.: SB 327

TITLE: Affordable Housing Payment In Lieu of Taxes Expansion Act

SPONSOR: Senator Hettleman

COMMITTEE: Budget and Taxation

POSITION: **SUPPORT WITH AMENDMENTS**

DATE: January 29, 2025

The Baltimore County Department of Housing and Community Development (DHCD) SUPPORTS WITH AMENDMENTS SB 327 – Affordable Housing Payment In Lieu of Taxes Expansion Act. This legislation would authorize an owner of real property used for rental housing to enter into a Payment In Lieu of Taxes (PILOT) agreement with the governing body of a county if 50% of the rental housing units located in the property are preserved as affordable dwelling units for at least 15 years.

Currently, local jurisdictions can provide PILOT agreements to projects that are new construction or substantial rehabilitation projects. Such projects are also currently required to be funded or subsidized at least in part under a federal, state or local program. This bill would expand the ability to utilize PILOTs to also include existing sites, even if they do not undergo substantial rehabilitation, and remove the government program funding requirement that these sites are funded under a government program, if at least 50% of the units are reserved for families at or below 60% of the Area Median Income (AMI) for at least 15 years.

DHCD believes the proposed expansion of PILOTs to existing sites is a valuable tool to give local jurisdictions further flexibility to preserve affordability at sites with naturally occurring affordable housing. However, the Department has concerns that the threshold of 50% of units in a project may be too high a standard, and believes that a lower figure would be more likely to benefit a wider variety of projects in the County. Depending on how an agreement is structured, it is possible that a PILOT agreement would not have enough of a financial impact to support affordability of half of the units at a site. A lower threshold of units could therefore benefit the County in cases where some amount units are preserved through a PILOT agreement, even if the number of units does not reach 50% of the project.

The Department believes 20% of units (at 60% AMI) is a more appropriate threshold that provides counties further flexibility to structure deals in a manner that is appropriate for each specific property. If a higher threshold is preferred, the bill's sponsors could also consider a mixed-income model that incorporates units preserved at AMIs higher than 60% (i.e. 25% of units at 60% AMI and 25% of units at 80% AMI), as this could also create further flexibility.

Accordingly, the Baltimore County Department of Housing and Community Development urges a FAVORABLE WITH AMENDMENTS report on SB 327 from the Senate Budget and Taxation Committee. For more information, please contact Amanda Carr with the Baltimore County Office of Government Affairs at acarr@baltimorecountymd.gov.

