

**TESTIMONY OF COUNCILMEMBER ANDREW FRIEDSON – IN FAVOR OF SB327 –  
Affordable Housing Payment In Lieu of Taxes Expansion Act**

Good morning. My name is Andrew Friedson, Councilmember for Council District 1 in Montgomery County. I am also Chair of the Montgomery County Council’s Planning, Housing, and Parks Committee. I am providing written testimony in favor of SB327. I appreciate Senator Hettleman and Delegate Korman for their leadership in moving this important legislation forward, which I requested on behalf of nonprofit housing partners in our community. Together, I know we share a commitment at the state and county level to lower the costs and barriers facing working people who seek safe and stable housing.

Payments in Lieu of Taxes (PILOTs) represent one critical tool in our toolkit to make a meaningful impact in the housing affordability crisis we face, especially through creative partnerships with our nonprofit housing providers. In 2021, I sponsored county legislation that established a new by-right PILOT for a housing development owned or controlled by the Housing Opportunities Commission or a nonprofit housing developer with at least 50 percent of the dwelling units affordable to households earning 60 percent or less of area median income.

Despite that bill’s unanimous passage, Montgomery County’s PILOT program is not working as intended due to the interpretation of various Maryland State Property Tax Code provisions, which this legislation will help clarify. Currently, many affordable housing projects are unable to obtain a tax abatement unless they are constructed or substantially rehabilitated under a federal, state, or local government program, which unnecessarily leaves out a large number of worthy preservation projects.

When the authorizing legislation was initially passed by the General Assembly, 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 program, or state and local programs. However, the real estate market and the type of properties that are being preserved for affordable housing have changed dramatically in recent years and it is important for state law to reflect that.

Affordable housing providers are increasingly acquiring Naturally Occurring Affordable Housing (NOAH) properties that are at risk due to market pressures, but which are in fair condition and not necessarily in need of immediate, significant renovations. Since these NOAH properties are not being substantially renovated through a federal, state, or local program, they are often not eligible for tax abatements under the state authorizing legislation.

As a result, nonprofit affordable housing providers in Montgomery County are unable to obtain the County’s new by-right PILOT and housing providers in other jurisdictions face similar limitations as NOAH deals become increasingly common and critically important ways for our housing providers to provide housing stability and affordability. In practical terms, SB327 would help us level the playing field for our nonprofit housing providers, who are critical partners in the efforts to lower housing costs and provide more housing units for more people.

As Governor Moore has said: “Work, wages, wealth.” All of that starts with stable housing. Passage of this legislation will provide Maryland’s local jurisdictions the support we need to

reduce our state's housing gap and provide more of our neighbors a chance at safe and stable housing. With this modest change, we will see big results thanks to the power of partnership with our nonprofit housing providers. Thank you for your thoughtful consideration and I would respectfully urge a favorable report on this legislation.