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**Senator Shelly Hettleman Testimony in Support of SB 369
Nonprofit Housing Corporations – Tax and Enforcement of Judgment
Exemptions – Alterations**

Chair, Vice Chair, and Members of the Committee:

Thank you for the opportunity to testify in support of Senate Bill 369, legislation that would modernize Maryland’s tax exemption framework to better support nonprofit affordable housing developers.

Maryland continues to face a significant shortage of affordable housing at every income level. Nonprofit developers are among the State’s most reliable partners in addressing this crisis, producing and preserving housing that remains affordable for decades and is paired with strong property management and resident services. SB 369 removes a technical but meaningful barrier that currently undermines the efficiency and predictability of nonprofit housing development.

In nearly every instance, when a nonprofit affordable housing developer brings forward a project, the local government ultimately awards a payment-in-lieu-of-taxes (PILOT) agreement. These agreements reflect a local policy decision that long-term affordability provides a public benefit that justifies reduced property taxes. SB 369 does not change that practice, nor does it eliminate local control. Instead, it ensures that nonprofit developers are not forced to navigate unnecessary legal uncertainty or duplicative processes simply to preserve a tax status that is already widely recognized and supported at the local level.

Under current law, nonprofit developers often must rely on PILOTs even when their projects are clearly charitable in nature, in part because modern affordable housing finance requires the use of subsidiary entities and complex ownership structures. These structures are not designed to generate profit; they are required to access federal tax credits, bond financing, and other public resources. SB 369 updates the statute to reflect these realities by clarifying that nonprofit ownership and mission – not outdated formalities – should control eligibility for tax exemption.

This clarification matters for three reasons.

First, certainty improves feasibility. Property taxes are one of the largest and least flexible operating expenses in affordable housing. While PILOTs are typically granted, they are negotiated late in the development process and can vary by jurisdiction. Clear statutory exemption authority reduces risk, strengthens underwriting, and allows nonprofit developers to devote more time and resources to delivering housing rather than navigating avoidable legal hurdles.

Second, the bill aligns state law with local practice. Because PILOTs are already awarded in the vast majority of nonprofit affordable housing developments, SB 369 does not represent a new policy direction. It simply harmonizes state tax law with what local governments are already doing in practice — recognizing that nonprofit affordable housing serves a public purpose deserving of tax relief.

Third, any fiscal benefit flows directly to affordability. Nonprofit developers do not distribute profits. Any reduction in operating costs — whether through a PILOT or a statutory exemption — is reinvested into deeper affordability, longer affordability periods, improved maintenance, or resident services. This is one of the most cost-effective ways the State can support affordable housing without new appropriations.

In short, SB 369 is a technical fix with meaningful impact. It respects local authority, reflects real-world development practice, and strengthens Maryland's nonprofit affordable housing sector at a time when the need has never been greater.

For these reasons, I respectfully urge the Committee to issue a favorable report on SB 369.