



Committee: Joint
Committee Review: At a future date
Staff: Ludeen McCartney-Green, Legislative Attorney
Purpose: To introduce agenda item – no vote expected
Keywords:
#AffordableHousing#publichousingauthority#PILOT

AGENDA ITEM #11
June 17, 2025
Introduction

SUBJECT

Bill 25-25, Taxation – Payments in Lieu of Taxes – Public Housing Authorities
Lead Sponsor: Councilmember Katz

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- N/A

DESCRIPTION/ISSUE

Bill 25-25 would:

- (1) define housing authority;
- (2) expand the automatic payment in lieu of taxes for public housing authorities of qualifying housing developments;
- (3) modify the procedural method for executive regulations;
- (4) technical and stylistic changes; and
- (5) generally amend the law governing a payment in lieu of real property taxes.

This report contains:

Staff Report
Bill 25-25

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MEMORANDUM

June 12, 2025

TO: County Council

FROM: Ludeen McCartney-Green, Legislative Attorney

SUBJECT: Bill 25-25, Taxation – Payments in Lieu of Taxes – Public Housing Authorities

PURPOSE: Introduction – no Council vote required

Bill 25-25, Taxation – Payments in Lieu of Taxes – Public Housing Authorities, sponsored by Lead Sponsor Councilmember Katz, is scheduled to be introduced on June 17, 2025. A public hearing is tentatively scheduled for July 8 at 1:30 p.m.¹ A joint committee worksession with the Planning, Housing, and Parks (PHP) and Government Operations and Fiscal Policy (GO) Committees will be scheduled at a later date.

Bill 25-25 would:

- (1) define housing authority;
- (2) expand the automatic payment in lieu of taxes for public housing authorities of qualifying housing developments;
- (3) modify the procedural method for executive regulations;
- (4) make technical and stylistic changes; and
- (5) generally amend the law governing a payment in lieu of real property taxes.

PURPOSE

The purpose of Bill 25-25 is to increase the housing stock in the County by expanding the existing tax abatement program, payment in lieu of taxes (PILOT), for an affordable housing development owned or controlled by a public housing authority or an affiliated nonprofit entity of a public housing authority. A PILOT provides a negotiated agreement that allows the County to lower or exempt 100% of the costs of real property taxes in exchange for a property owner's commitment to provide affordable housing.

¹ #AffordableHousing#Pilot

BACKGROUND

The authority for the County to grant a PILOT is expressly authorized under state law. The enabling authority for County PILOTS related to qualified affordable housing is found in Md. Code Ann., Tax-Prop. § 7-506.1 (“Government subsidized housing outside Baltimore City”); Md. Code Ann., Tax-Prop. §7-215 (“Housing authorities”); and Md. Code Ann., HCD. §12-104 (“Tax-exempt status”).

In December 2021, the County Council passed Bill 26-21, Taxation – Payments in Lieu of Taxes – Affordable Housing - Amendments. Bill 26-21 amended County Code §52-24, and among other things, the bill established a “by-right” or “automatic” PILOT. A “by-right” or “automatic” PILOT means the entity has a legal right to the benefit as long as they meet certain predefined criteria. Bill 26-21 made it a requirement for the County to enter into a negotiated agreement with the developer and offer a Payment-in-Lieu-of-Taxes (PILOT) program, simply because before the legislation was enacted, the amount of the PILOT was discretionary and not always guaranteed by the Director of Finance.

There are 3 types of “by-right” PILOTs established under Bill 26-21, where the Director of Finance, in consultation with the Department of Housing and Community Affairs (DCHA), must offer a 100% PILOT for qualifying housing developments. The 3 PILOTs are: 1) owned or controlled by County’s **Housing Opportunities Commission (HOC)**; (2) owned or controlled **by a non-profit housing developer if at least 50% of the dwelling units** are built under government regulation or binding agreement that limit the rent charged for at least 15 years to an amount affordable to households earning less than 60% of the area median income; and (3) owned or controlled by a non-profit housing developer if all of the dwelling units are subject to a **Section 8 Project-Based Rental Assistance** contract.

Under County law, HOC is the sole public housing authority that is eligible for a 100% property tax abatement financing. The General Assembly recently passed [House Bill 1085](#) (Housing Authorities - Tax-Exempt Status – Modifications), effective June 1, 2025, which removed the specific carve-out for HOC under §12-104 of Housing and Community Development (HCD) Article, and expanded the ability for other local housing authorities and nonprofit entities created by a public housing authority to take advantage of the tax-exempt status. The enabling legislation would make the same financing tools available statewide and standardize a toolkit for all local housing authorities.

Bill 25-25 seeks to align with state law and expand the by-right PILOT for any eligible public housing authority in the County.

BILL SPECIFICS

As permitted under state law, Bill 25-25 would amend the County law by extending the eligibility for automatic 100% PILOT agreements, not only for HOC, but for any other public housing authority of the County, municipal, or an affiliated entity of that public housing authority that is an owner of a qualified housing development.

The bill defines “housing authority” as having the same meaning as stated in Md. HCD §12-101, which means, “a public corporation created as a housing authority under this Division II.” Division II refers to the housing authority of the County, municipal, or designated in the

articles of organization.² Further, the bill also incorporates by meaning under HCD §12-204, as amended, a “housing authority entity” is a nonprofit or subsidiary owned or controlled by a housing authority that may also be eligible for a PILOT.

In addition, the bill modifies the procedural method for review of the executive regulations - from Method 1 to Method 2. Method 2 review allows the Council, after a 30-day public comment period, the option to review the regulations to administer this program and decide whether to approve or reject the regulations within 60 days.

Finally, Bill 25-25 makes technical and stylistic changes to comply with the Maryland Plain Language Drafting Manual.

This packet contains:
Bill 25-25

Circle #
1

² §12-201 of Housing and Community Development Article (“Authorities established”).

Bill No. 25-25
Concerning: Taxation – Payments in Lieu
of Taxes – Public Housing Authorities
Revised: 6/2/2025 Draft No. 2
Introduced: June 17, 2025
Expires: December 7, 2026
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: _____
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Councilmember Katz

AN ACT to:

- (1) define housing authority;
- (2) expand the automatic payment in lieu of taxes for public housing authorities of qualifying housing developments;
- (3) modify the method of review for executive regulations;
- (4) technical and stylistic changes; and
- (5) generally amend the law governing a payment in lieu of real property taxes.

By amending

Montgomery County Code
Chapter 52, Taxation
Section 52-24

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. Section 52-24 is amended as follows:

52-24. Payments in lieu of taxes for certain housing developments.

(a) *Definitions.* In this Section, the following words have the following meanings.

Area median income means the median household income for the Washington, DC metropolitan area as estimated by the U.S. Department of Housing and Urban Development, adjusted by household size based on the occupancy standard for the unit.

Authority means a public housing entity as defined under Section 12-101 of the Housing and Community Development Article of the Maryland Code, as amended.

Director means the Director of Finance or the Director's designee.

Housing authority entity has the same meaning as defined under Section 12-104 of the Housing and Community Development Article of the Maryland Code, as amended.

Payment in lieu of taxes means an authorized payment made by the owner of a qualifying housing development instead of paying the County real property tax, including a County real property tax levied under a special area taxing law, that would otherwise be due.

* * *

(b) When authorized by state law, the Director may agree to accept a negotiated payment in lieu of the real property tax that would otherwise be levied on a qualifying housing development. A qualifying housing development is any housing development of which the owner is expressly eligible under state law to make payments in lieu of taxes.

(c) When authorized by state law, the Director must offer a payment in lieu of taxes for a qualifying housing development:

- (1) owned or controlled by an authority or housing authority entity [the Housing Opportunities Commission] that exempts 100[%] percent of the real property tax that would otherwise be levied;
- (2) owned or controlled by a non-profit housing developer if at least 50[%] percent of the dwelling units located on the property receiving the payment in lieu of taxes are built under a government regulation or binding agreement with the County limiting the rent charged for the unit for at least 15 years to make the unit affordable to households earning 60[%] percent or less of the area median income. The offer must exempt 100[%] percent of the real property tax that would otherwise be levied for a period of at least 15 years, but no more than the number of years that rents charged for 50[%] percent of the dwelling units must remain restricted to households earning 60[%] percent or less of the area median income; [or]
- (3) owned or controlled by a non-profit housing developer if all of the dwelling units are subject to a Section 8 Project-Based Rental Assistance Payment contract. The offer must exempt 100[%] percent of the real property tax that would otherwise be levied as long as the Section 8 Project-Based Rental Assistance Payment contract is in effect[.]; or

* * *

- (e) Any payment accepted by the Director must conform to guidelines included in a regulation adopted by the Executive under method [(1)] (2). Before the Director accepts a payment in lieu of taxes, the Director must consult the Director of the Department of Housing and Community Affairs on whether:

(1) the subject of the payment is a qualifying housing development;

and

(2) the amount of the payment complies with applicable guidelines.

(f) The Executive, in each annual operating budget submitted to the Council, must calculate the amount of pending payments in lieu of taxes already approved under this Section, including payments for housing developments owned or [operated] controlled by an authority or housing authority entity [the Housing Opportunities Commission].

Sec. 2. Transition. Section 1 of this Act applies to a qualifying housing development owned or controlled by an authority or housing authority entity only if the affordable dwelling units in the development are subject to government regulation or a binding agreement with the County that limits the rent charged on or after this Act takes effect.