



Committee: Joint GO/ECON
Committee Review: At a future date
Staff: Jim Ogorzalek, Legislative Attorney
Purpose: To introduce agenda item – no vote expected

AGENDA ITEM #6A
February 4, 2025
Introduction

SUBJECT

Expedited Bill 2-25, Taxation – Payments in Lieu of Taxes – Affordable Housing – Amendments

Lead Sponsors: Councilmembers Fani-González and Friedson

Co-Sponsors: Councilmember Luedtke, Council President Stewart, and Councilmembers Balcombe and Sayles

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

N/A

DESCRIPTION/ISSUE

Expedited Bill 2-25 would require the Director of Finance to offer a payment in lieu of taxes for a residential development resulting from the conversion of a property that was designated for commercial use but had at least a 50% vacancy rate at the time of the development application. To be eligible for the payment in lieu of taxes, the conversion of the property must comply with the requirements set forth in companion Zoning Text Amendments 25-02 and 25-03 and Subdivision Regulation Amendment 25-01 and provide for a certain percentage of affordable units. The Bill would require the payment in lieu of taxes that would exempt 100% of the real property tax that would otherwise be levied for a period of 25 years.

SUMMARY OF KEY DISCUSSION POINTS

N/A

This report contains:

Staff Report
Bill 2-25

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MEMORANDUM

January 29, 2025

TO: County Council

FROM: Jim Ogorzalek, Legislative Attorney

SUBJECT: Expedited Bill 2-25, Taxation – Payments in Lieu of Taxes – Affordable Housing – Amendments

PURPOSE: Introduction – no Council votes required

Expedited Bill 2-25 Taxation – Payments in Lieu of Taxes – Affordable Housing – Amendments is scheduled for introduction on February 4, 2025. Its Lead Sponsors are Councilmembers Fani-González and Friedson and is co-sponsored by Councilmember Luedtke, Council President Stewart, and Councilmembers Balcombe and Sayles. Public hearings are tentatively scheduled for March 11, 2025, at 1:30 p.m. and 7:00 p.m.

Expedited Bill 2-25 would:

- (1) establish a minimum payment in lieu of taxes for certain conversions of high-vacancy commercial properties to residential use;
- (2) establish the amount of the payment in lieu of taxes; and
- (3) generally amend the law governing payments in lieu of taxes.

Background

Currently, the County Code authorizes three mechanisms by which an owner may receive the benefit of a Payment in Lieu of Taxes (“PILOT”). Montgomery County Code § 52-24(b) contains the “Standard PILOT,” which permits the Finance Director to negotiate a PILOT for any qualifying housing development eligible under state law, functionally serving as local authorizing language to provide any PILOT allowed under state law. M.C.C. § 52-24(c) contains the “By Right Pilot,” which requires the Finance Director to grant a minimum PILOT for certain housing developments based upon ownership or enumerated affordability requirements. M.C.C. § 52-24A allows for a PILOT for properties leased from WMATA.

The purpose of this bill is to expand the By Right Pilot to include an extended tax exemption period and reduced affordability requirements when the property developed is a

conversion from a high-vacancy commercial use to a residential use that achieves timely approval as set forth in Sections 3.3.2.B and 7.3.5 of Chapter 59 (Zoning).

Bill Specifics

Expedited Bill 2-25 would require the Director of Finance to offer a PILOT for a residential development resulting from the conversion of a property that was designated for commercial use but had at least a 50% vacancy rate at the time of the development application to the Planning Department or Department of Permitting Services. To be eligible for the PILOT, the conversion of the property must comply with the requirements set forth in Section 3.3.2.B of Chapter 59 (Zoning)—which allows for demolition or adaptive reuse, contemplates multifamily or townhouse developments depending upon the context, and sets applicable timelines for approval—and provide that at least 15% of units be affordable to households earning 60% or less of the area median income for a period of 25 years. The Bill would require a PILOT that would exempt 100% of the real property tax that would otherwise be levied for a period of 25 years.

The Bill contains an effective date of 20 days after the date on which it becomes law, which aligns with the anticipated effective dates of companion Zoning Text Amendments 25-02 and 25-03 and Subdivision Regulation Amendment 25-01, which compose the “More Housing N.O.W. (New Options for Workers)” package.

This packet contains:
Expedited Bill 2-25

Circle #
1

Expedited Bill No. 2-25
Concerning: Taxation – Payments in Lieu
of Taxes – Affordable Housing –
Amendments
Revised: 1/27/2025 Draft No. 5
Introduced: February 4, 2025
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsors: Councilmembers Fani-González and Friedson
Co-sponsors: Councilmember Luedtke, Council President Stewart, and Councilmembers Balcombe
and Sayles

AN EXPEDITED ACT to:

- (1) establish a minimum payment in lieu of taxes for certain conversions of high-vacancy commercial properties to residential use;
- (2) establish the amount of the payment in lieu of taxes; and
- (3) generally amend the law governing payments in lieu of 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:

28 percent of the real property tax that would otherwise be levied as
29 long as the Section 8 Project-Based Rental Assistance Payment
30 contract is in effect[.]; or

31 (4) owned or controlled by a person engaged in constructing or
32 operating housing structures or projects if:

33 (A) the property receiving the payment in lieu of taxes is
34 converted to residential use from a commercial use with at
35 least a 50 percent vacancy rate at the date of application to
36 either the Department of Permitting Services or Planning
37 Department pursuant to Section 3.3.2.B of Chapter 59;

38 (B) the property’s development meets all the requirements of an
39 expedited approval plan under Section 7.3.5 of Chapter 59;
40 and

41 (C) at least 15 percent of the dwelling units located on the
42 property are built under a government regulation or binding
43 agreement with the County limiting the rent charged for the
44 unit for at least 25 years to make the unit affordable to
45 households earning 60 percent or less of the area median
46 income.

47 The offer must exempt 100 percent of the real property tax that
48 would otherwise be levied for a period of at least 25 years
49 beginning in the year a use and occupancy permit is issued for the
50 qualifying development, but no more than the number of years that
51 rents charged for 15 percent of the dwelling units must remain
52 restricted to households earning 60 percent or less of the area
53 median income.

54 * * *

55 **Sec. 2. Effective date.** The Council declares that this legislation is necessary for
56 the immediate protection of the public interest. This Act takes effect 20 days after the
57 date on which it becomes law.

58 **Sec. 3. Short title.** This expedited bill may be cited as part of the “More Housing
59 N.O.W. (New Options for Workers)” package.