



## **ANNE ARUNDEL COUNTY GOVERNMENT RELATIONS OFFICE**

### **Legislative and Fiscal Summary of Administration Legislation**

**To:** Members, Anne Arundel County Council

**From:** Ethan Hunt, Director of Government Affairs /s/

**Date:** June 2, 2025

**Subject:** Bill No. 57-25 – AN ORDINANCE concerning: Payment in Lieu of Taxes – Arundel Community Development Services, Inc.

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This summary was prepared by the Anne Arundel County Government Relations Office for use by members of the Anne Arundel County Council during consideration of Bill No. \_\_-25.

#### **Summary**

Arundel Community Development Services, Inc. ("ACDS") is the County's nonprofit housing and community development agency, administering local, state and federal funds, as well as housing initiatives on behalf of the County.

In this role, ACDS owns and operates 96 units of rental housing at various locations across the County, all of which are rent restricted and made affordable to rental households with incomes between 50% and 80% of Area Median Income ("AMI"). In addition, ACDS is continuously looking for additional properties to own and operate in the same manner for the benefit of low- to moderate-income households.

Pursuant to Md. Code Ann. Tax - Prop. Art. §7-503 (the "State PILOT Law"), a nonprofit that is engaged in construction or operation of housing for low-income households is eligible to enter into a payment in lieu of taxes ("PILOT") agreement with the political subdivision in which it owns property. ACDS qualifies as such a nonprofit under the State PILOT Law.

In addition, pursuant to Md. Code Ann. Tax-Prop Art. Section 7-522 (the "PILOT Expansion Act"), exemptions from real property taxes are authorized for real property that is used for rental housing and the owner of the real property enters into an agreement with the governing body of the County to maintain at least 25% of the rental housing units at the property as affordable dwelling units for a period of at least 15 years.

Because the ACDS properties are limited in the rental income that can be achieved due to the reduced income of the households served, a reduction in taxes pursuant to a PILOT Agreement allows ACDS to reduce property expenses, thereby freeing up income to (i)

**Note: This Legislative and Fiscal Summary provides a synopsis of the legislation as introduced. It does not address subsequent amendments to the legislation.**

accumulate reserves for operating expenses to maintain the current properties as safe, livable homes for the residents and assets to their neighborhoods; (ii) purchase additional properties for rental to low- to moderate-income households; and/or (iii) finance other affordable housing projects on behalf of the County.

ACDS is requesting a PILOT under which ACDS would pay a nominal amount of \$1 per property per year. This is similar to the PILOT Agreement between the County and the Housing Commission of Anne Arundel County (HCAAC), which owns and operates low-income public housing on behalf of the County. Like HCAAC, ACDS provides similar services on behalf of the County.

A copy of the proposed PILOT agreement between the County and ACDS has been provided to the Council. It enumerates the types of properties that the Agreement would apply to, including all real properties for which ACDS is the fee simple owner, and shall also include all real property or improvements of which ACDS becomes the fee simple owner after the date of the Agreement, that meet the criteria of § 7-503(a)(2) of the Tax-Property Article; property for which the fee simple owner is a limited liability company that is wholly owned by ACDS, and engaged solely in the operation, construction, or management of rental housing that meets the criteria in § 7-503(a)(2)(i)2 of the Tax-Property Article (nonprofit corporation that is exempt from income tax); or property for which the fee simple owner is a limited partnership whose managing general partner is (i) ACDS; (ii) a limited liability company that is wholly owned by ACDS; or (iii) a for profit corporation in which ACDS holds 100% of the stock, and where the limited partnership is engaged in the operation, construction, or management of a qualified low-income housing project. It also includes all property owned by ACDS on which ACDS provides rental housing where at least 25% of the rental housing units are maintained as affordable dwelling units for a period of at least 15 years pursuant to the criteria of 7-522 of the Tax-Property Article. “Affordable dwelling unit”, as currently defined in § 7-501 of the Land Use Article of the Annotated Code of Maryland “means a dwelling unit that is affordable to households earning 60% or less of the area median income.” “Area median income” means the median household income for the area adjusted for household size as published and annually updated by the U.S. Department of Housing and Urban Development.” Additionally, the Agreement applies to properties that are or become subject to a leasehold interest of less than 99 years which is held (i) by ACDS; or (ii) by an entity in which ACDS has an ownership interest, provided the property is used to provide qualified low income housing project or for rental housing with affordable dwelling units, and ACDS is engaged in the operation, construction, or management of the real property and improvements.

The Agreement further provides that for each subject property, commencing with the tax year starting July 1, 2025 (fiscal year 2026), ACDS shall pay the County, and the County agrees to accept, the amount of One Dollar (\$1.00) annually in lieu of all County real property taxes. For any property that becomes subject to the PILOT after the date of the Agreement, commencing with the tax year starting after the date of meeting the criteria of the Agreement, ACDS shall pay the County One Dollar (\$1.00) annually in lieu of all County real property taxes. Payments shall be made within ninety (90) days of July 1 of each tax year as long as this Agreement remains in effect.

### **Purpose**

The purpose of this legislation is to allow the County to enter into a PILOT Agreement with ACDS for the rental housing units that ACDS operates across the County for residents

earning 50% to 80% of AMI.

**Fiscal Impact**

Please see the Fiscal Note the Budget Office has prepared for an explanation of the fiscal impact of this Bill.

**Additional Information**

The Government Relations Office is available to answer any additional questions regarding this Bill. Specific questions should be directed to Kelly Kenney, Office of Law, or Honora Sutor, Chief Affordable Housing Officer, Arundel Community Development Services. Thank you.

cc: Honorable Steuart Pittman, County Executive  
Christine Anderson, Chief Administrative Officer  
Jenny Proebstle, Chief of Staff  
Gregory Swain, County Attorney  
Erin Karpewicz, Director, ACDS