

PROPOSED

COUNTY COUNCIL OF ANNE ARUNDEL COUNTY, MARYLAND

Legislative Session 2025, Legislative Day No. 12

Bill No. 57-25

Introduced by Ms. Hummer, Chair
(by request of the County Executive)

By the County Council, June 2, 2025

Introduced and first read on June 2, 2025
Public Hearing set for July 7, 2025
Bill Expires September 5, 2025

By Order: Kaley Schultze, Administrative Officer

A BILL ENTITLED

1 AN ORDINANCE concerning: Payment in Lieu of Taxes – Arundel Community
2 Development Services, Inc.

3
4 FOR the purpose of approving exemptions from County real property taxes for a certain
5 properties owned by Arundel Community Development Services, Inc. that provide
6 low-income or affordable housing within the County; authorizing the County Executive
7 to enter into a certain agreement for payment of a negotiated amount in lieu of County
8 real property taxes for properties owned, operated, or leased to Arundel Community
9 Development Services, Inc.; and providing for the time and terms under which the tax
10 exemptions will take effect.

11
12 WHEREAS, Arundel Community Development Services, Inc. (“ACDS”) is a
13 nonprofit organization created in 1993 to act as the administrator of community
14 services and of federal, State and County Community Development Programs on
15 behalf of the County, pursuant to the authority in §§ 3-5-101 and 3-5-102 of the
16 County Code; and

17
18 WHEREAS, ACDS directly implements several homeownership and rental
19 programs and acts as a developer, funding administrator, and project manager for a
20 variety of affordable housing and community development initiatives within the
21 County; and

22
23 WHEREAS, the County Council recognizes there is a significant need for quality
24 affordable housing in Anne Arundel County for households of low or limited
25 income; and

WHEREAS, exemptions from County real property taxes for certain properties owned or operated by ACDS is authorized by § 7-503(a)(2)(i) and (ii) of the Tax-Property Article of the State Code, if the owner of the real property is ACDS or a limited liability company that is wholly owned by ACDS and engaged solely in constructing, operating or managing rental housing that are substantially completed or rehabilitated after a certain date and are partially or totally financed under a government program that provides housing for low income families; or where the real property or improvements constructed or maintained on such real property are owned by a limited partnership for which ACDS is the managing general partner, so long as the limited partnership is engaged in the operation, construction, or management of a qualified low income housing project as defined in the Internal Revenue Code, and provided that the County and the property owner enter into an agreement for the payment of a negotiated amount in lieu of the County real property tax; and

WHEREAS, exemptions from County real property taxes are authorized under § 7-522 of the Tax-Property Article of the State Code, (effective June 1, 2025), if the real property is used for rental housing in the County 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 located at the real property as affordable dwelling units for a period of at least 15 years; and if the governing body of the County approves an agreement for a payment in lieu of taxes; and

WHEREAS, pursuant to § 6-102 of the Tax-Property Article of the State Code, certain leaseholds by ACDS of less than 99 years or other limited interest are subject to property tax as though ACDS were the owner of the property; now, therefore,

SECTION 1. *Be it enacted by the County Council of Anne Arundel County, Maryland,* That, in accordance with §§ 6-102, 7-503 and 7-522 of the Tax-Property Article of the State Code, there is an exemption from County real property taxes for the real properties described in the payment in lieu of taxes (“PILOT”) Agreement between Anne Arundel County and ACDS, attached hereto as Exhibit A.

SECTION 2. *And be it further enacted,* That the County Executive is hereby authorized to enter into the PILOT Agreement between Anne Arundel County and ACDS, for a payment in lieu of real property taxes for the “Property” or “Properties”, as more fully described in the PILOT Agreement, attached hereto as Exhibit A.

SECTION 3. *And be it further enacted,* That these exemptions and payment in lieu of taxes may not take effect until the requirements of §§ 7-503 and 7-522 of the Tax-Property Article of the State Code and the conditions of the PILOT Agreement are met, and shall take effect in accordance with the terms of the PILOT Agreement between Anne Arundel County and ACDS.

SECTION 4. *And be it further enacted,* That this Ordinance shall take effect 45 days from the date it becomes law.

**PILOT AGREEMENT BETWEEN
ANNE ARUNDEL COUNTY, MARYLAND, AND
ARUNDEL COMMUNITY DEVELOPMENT SERVICES, INC.**

This Payment in Lieu of Taxes Agreement (“Agreement”) is made this _____ day of _____, 2025, by and between Anne Arundel County, Maryland (the “County”), a body corporate and politic of the State of Maryland, and Arundel Community Development Services, Inc. (“ACDS”).

WITNESSETH:

WHEREAS, ACDS is a nonprofit organization, created in 1993 to act as the administrator of community services and of federal, State and County Community Development Programs on behalf of the County, pursuant to the authority in §§ 3-5-101 and 3-5-102 of the County Code;

WHEREAS, ACDS directly implements several homeownership and rental programs and acts as a developer, funding administrator, and project manager for a variety of affordable housing and community development initiatives on behalf of the County;

WHEREAS, ACDS owns or controls, or intends to own or control various real properties developed to provide low-income or affordable housing within the County;

WHEREAS, there is need for low-income or affordable housing within the County;

WHEREAS, Section 7-503(a)(2) of the Tax-Property Article of the Annotated Code of Maryland, as amended, provides, among other things, that real property in the County may be exempt from County property tax if the governing body of the political subdivision approves an agreement and, if the owner of the real property, in relevant part is:

(i) 1. B. a nonprofit corporation that is exempt from income tax under § 10-104 of the Tax--General Article; [or]

C. a limited liability company that is wholly owned by a nonprofit corporation that is exempt from income tax under § 10-104(2) of the Tax--General Article; ...; and

2. engaged solely in constructing, operating, or managing rental housing and other related essential service facilities that:

A. are substantially completed or substantially rehabilitated on and after July 1, 1973...;

B. are partially or totally financed under a government program that provides housing for low income families; and

C. are operated on a nonprofit basis with the revenues from the operation of the housing and facilities controlled under the government program in order not to produce any net income; or

(ii) 1. a limited partnership whose managing general partner is: ...

B. a nonprofit corporation that is exempt from income tax under § 10-104(2) of the Tax--General Article;

C. a limited liability company that is wholly owned by a nonprofit corporation that is exempt from income tax under § 10-104(2) of the Tax--General Article; or

D. a for profit corporation in which 100% of the stock is owned by a nonprofit corporation that is exempt from income tax under § 10-104(2) of the Tax--General Article; and

2. engaged in the operation, construction, or management of a qualified low income housing project as defined in the Internal Revenue Code.

WHEREAS, § 7-522 of the Tax-Property Article of the Annotated Code of Maryland (effective June 1, 2025) provides that real property used for rental housing in the County may be exempt from County property tax if the owner of the real property and the governing body of the County agree that the owner shall pay a negotiated amount in lieu of the County property tax and, if 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 located at the real property as affordable dwelling units for a period of at least 15 years;

WHEREAS, ACDS intends to operate Properties as defined herein as homeownership or rental housing for low income households and intends comply with § 7-503 of the Tax-Property Article of the Annotated Code of Maryland (as amended), or as rental housing with a percentage of affordable dwelling units in accordance with § 7-522 of the Tax-Property Article of the Annotated Code of Maryland, (effective June 1, 2025, and as amended) and this Agreement;

WHEREAS, ACDS demonstrated to the County that an agreement for payments in lieu of taxes is necessary; and

WHEREAS, pursuant to Anne Arundel County Council Bill No. _____, effective on _____, the County Council of Anne Arundel County, Maryland, approved the terms and conditions for payments in lieu of taxes for the Properties, and authorized the County Executive to enter into this Agreement.

NOW, THEREFORE, THIS AGREEMENT, WITNESSETH: In consideration of the mutual covenants, terms, and agreements hereof and pursuant to the power and authority of §§ 7-503 and 7-522 of the Tax-Property Article of the Annotated Code of Maryland, it is agreed as follows:

1. “Property” or “Properties” means all those 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 this Agreement, that meet the criteria of § 7-503(a)(2) of the Tax-Property Article (as amended).

2. “Property” or “Properties” shall also, include properties that meet the criteria of:

a. § 7-503(a)(2)(i)1.C of the Tax-Property Article, 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; or

b. § 7-503(a)(2)(ii)1.B or C of the Tax-Property Article, 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, as defined in the Internal Revenue Code, as required in § 7-503(a)(2)(ii) of the Tax-Property Article.

3. “Property” or “Properties” shall also include properties that do not meet the criteria of paragraph 1 or 2 of this Agreement, that are 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. “Affordable dwelling unit” has the meaning stated in § 7-501 of the Land Use Article of the Annotated Code of Maryland, as may be amended for time to time. “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.”

4. The Property or Properties shall either: (i) be used to provide housing in accordance with § 7-503(a)(2) of the Tax-Property Article, as amended, and ACDS shall otherwise comply with § 7-503(a)(2) of the Tax-Property Article, as amended, or (ii) be used as rental housing, where at least 25% of the rental housing units are used as affordable dwelling units for a period of at least 15 years, in accordance with this Agreement and § 7-522 of the Tax-Property Article of the Annotated Code of Maryland, as may be amended for time to time.

5. Pursuant to § 6-102 of the Tax-Property Article, this Agreement shall also apply to Property or 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 that meet any of the criteria as set forth above in paragraph 2, provided the property is used to provide qualified low income housing project or for rental housing with affordable dwelling units, as defined in paragraphs 1, 2, 3, or 4 this Agreement, and ACDS is engaged in the operation, construction, or management of the real property and improvements.

6. “Property” or “Properties” shall also include any properties that meet the criteria of paragraphs 1 through 5 after the date of this Agreement.

7. PILOT Payments.

a. For each Property bearing a separate tax account number falling within the definitions of Paragraphs 1 through 5, 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.

b. For any Property bearing a separate tax account number that falls within the definition of Paragraph 6 after the date of entry into this Agreement, commencing with the tax year starting after the date of meeting the criteria of this Agreement, 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.

c. This paragraph applies so long as any Property is used for the low income housing purposes set forth in this Agreement and in accordance with State and federal law or used as rental housing, where at least 25% of the rental housing units are used as affordable dwelling units for a period of at least 15 years.

d. Payments under this paragraph shall be made within ninety (90) days of July 1 of each tax year as long as this Agreement remains in effect.

8. Termination. This Agreement shall remain in effect until terminated. This Agreement may be terminated either in full, or with respect to individual Properties as follows: (a) any Property no longer owned by ACDS or that no longer meets the criteria in this Agreement or State law as provided herein; or (b) any Property that no longer complies with §§ 7-503 or 7-522 of the Tax-Property Article of the Annotated Code of Maryland, as amended. This Agreement may be terminated, either in full or with respect to individual Properties, as of June of any tax year (the “Termination Date”) by either party if the terminating party provides at least six (6) months written notice to the other parties.

9. Counterparts. This Agreement may be executed in any number of Counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts, or as many of them as the parties shall preserve undestroyed, shall together constitute but one and the same instrument.

10. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or Sections in this Agreement.

11. Severability. In case any one or more of the provisions of this Agreement shall, for any reason, be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision hereof.

12. Miscellaneous.

a. No obligation or right under this Agreement other than set forth in this Agreement may be assigned, transferred, conveyed, or undertaken by any other party without the express written consent of the County.

b. For the purpose of this Agreement, all official notices shall be mailed, certified mail, return receipt requested, unless otherwise agreed in writing by the party, as follows:

TO THE COUNTY:

Anne Arundel County Controller
Anne Arundel County, Maryland
Office of Finance
44 Calvert Street
Annapolis, MD 21401

WITH A COPY TO:

Anne Arundel County Attorney
Anne Arundel County, Maryland
Office of Law
2660 Riva Road, 4th Floor
Annapolis, MD 21401

TO ACDS:

Arundel Community Development Services, Inc.
2666 Riva Road, Suite 210
Annapolis, MD 21401
Attn: Erin Karpewicz, Chief Executive Officer

13. This Agreement shall be governed by the laws of the State of Maryland and any lawsuit commenced as a result of this Agreement shall be brought in the Courts of Maryland and more specifically, venue shall lie solely in the Circuit Court for Anne Arundel County.

14. This Agreement contains the full and final Agreement between the parties and no other matter or variation therefrom, unless in writing, duly executed by the parties hereto, shall be considered as part of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement by causing the same to be signed on the day and year first written above.

ATTEST:

Arundel Community Development Services, Inc.

By: _____

Erin Shearman Karpewicz
Chief Executive Officer

ATTEST:

ANNE ARUNDEL COUNTY, MARYLAND

By: _____ (Seal)

Christine Anderson
Chief Administrative Officer

APPROVED FOR FORM AND LEGAL SUFFICIENCY
ANNE ARUNDEL COUNTY, MARYLAND
GREGORY J. SWAIN, COUNTY ATTORNEY

By: _____
Office of Law

Date

APPROVED:

By: _____
Controller

Date