

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 444

(Prince George's County Delegation)

Ways and Means

Budget and Taxation

Prince George's County - Payment in Lieu of Taxes Agreements - Low-Income
Housing
PG 403-23

This bill authorizes Prince George's County to enter into a payment in lieu of taxes (PILOT) agreement with owners of specified low-income housing developments that are financed through the county's Right of First Refusal Program or acquired, constructed, or rehabilitated for the purpose of operating rental housing for lower income persons. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County property tax revenues may decrease beginning in FY 2024 to the extent that certain low-income housing developments are exempt from real property taxes. The amount of any decrease depends on the number of low-income housing developments taking place in the county and the assessed value of each affected property. County property tax revenue decreases will be mitigated by negotiated PILOT agreements between the county and developers.

Small Business Effect: Minimal.

Analysis

Current Law: Chapter 248 of 2021 authorizes Prince George's County to enter into a PILOT agreement with owners of specified low-income housing developments. Prince George's County may exempt real property from the county real property tax if:

- the real property is owned by a person engaged in constructing or operating housing structures or projects;
- the real property is used for a housing structure or project that (1) is acquired, constructed, or rehabilitated under a specified federal, State, or local government program for lower income housing or (2) is acquired under the Right of First Refusal Program, as specified in the Prince George’s County Code;
- the owner and Prince George’s County agree to a negotiated PILOT agreement in place of the applicable county property tax; and
- the owner of the real property (1) agrees to commence or continue to maintain the real property as rental housing for lower income persons under the requirements of specified government programs and agrees to renew any annual contributions contract or other agreement for rental subsidy or supplement or (2) enters into an agreement with the county to allow the entire property or the portion of the property that was maintained for lower income persons to remain as housing for lower income persons for a term of at least five years.

The real property may contain service facilities to serve its occupants and the surrounding neighborhood if the structure and facilities of the real property are predominantly used for residential purposes.

Chapter 402 of 2012 authorized Prince George’s County to enter into a PILOT agreement for specified economic development projects located in designated focus areas. This authority was extended by Chapter 206 of 2020, which repealed the termination date for the existing authorization and broaden the authority to enable the county to enter into multiple PILOT agreements for different phases of an economic development project.

Right of First Refusal Program and Preservation Fund

The Prince George’s County Right of First Refusal Program is designed to expand the availability of affordable rental housing in Prince George’s County. The Right of First Refusal Preservation Fund provides flexible financing for the acquisition, rehabilitation, and stabilization of rental apartment complexes subject to the Prince George’s County Right of First Refusal Program authorized under the Prince George’s County Code.

Prince George’s County advises that the program is funded up to a maximum of \$1.5 million annually.

Local Fiscal Effect: Prince George’s County advises that the bill expands the scope of the county’s authority to enter into PILOT agreements for specified low-income housing developments by authorizing the county to exempt properties from property taxation that are financed under the County’s Right of First Refusal Program.

The county reports that because the bill does not require the county to alter its current practices, the bill will not have a significant impact on county operations or finances unless the county opts to change its current program.

To the extent that the county alters its current program, Prince George's County property tax revenues may decrease beginning in fiscal 2024 to the extent that certain low-income housing developments are exempt from real property taxes. The amount of any decrease depends on the number of low-income housing developments taking place in the county and the assessed value of each affected property. For fiscal 2023, the county real property tax rate is \$1.374 per \$100 of assessed value. Property tax revenue decreases will be mitigated by negotiated PILOT agreements between the county and developers.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Prince George's County; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - February 13, 2023
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