



MONTGOMERY HOUSING ALLIANCE

www.montgomeryhousingalliance.org

A coalition of organizations focused on increasing the rate of preservation and development of affordable housing in Montgomery County

Testimony on Bill 26-21
Taxation – Payments in Lieu of Taxes – Affordable Housing - Amendments
Montgomery Housing Alliance

July 20, 2021

Good afternoon, Council President Hucker and members of the Council. My name is Mary Kolar, and I am testifying on behalf of Montgomery Housing Alliance. MHA is a coalition of organizations focused on increasing the rate of affordable housing preservation and development in Montgomery County. MHA members include non-profit developers, organizations that serve people in need of affordable housing, and other groups who count affordable housing as one of their policy goals.

MHA strongly supports Bill 26-21, establishing a minimum payment in lieu of taxes (PILOT) for properties with affordable housing. PILOTs targeted to affordable housing properties are one of several important tools that allow the County to effectively partner with housing providers to meet our collective production and preservation goals.

As you know, the need for affordable housing in Montgomery County is acute and is projected to increase. In 2018, the County estimated a gap of 48,000 units affordable to households with incomes at or below 50% of the area median income, and between 2020 and 2040 this gap is projected to grow. Prior to the pandemic, half of tenants in Montgomery County were already cost burdened – paying more than 30% of adjusted income toward rent; the ongoing economic shocks caused by the COVID crisis have only deepened need.

We applaud the Council's commitment to affordable housing programs and your unanimous affirmation of the housing targets identified in the 2019 Council of Governments report. To make progress toward meeting these targets, the County needs an array of tools that allow developers to meaningfully provide affordable housing opportunities to households with low incomes. PILOTs are one such critical tool.

Establishing a minimum PILOT for affordable housing will increase certainty for developers as they work to structure deals. Right now, ambiguity around whether a property will receive a PILOT (and the amount of that PILOT) adds one more variable that complicates the bidding process, potentially jeopardizing projects.



The Montgomery Housing Alliance is a coalition of the Community Development Network of Maryland



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A minimum PILOT for affordable properties is also critical because it will amplify the County's investment in the Housing Initiative Fund (HIF). When a property does not receive a PILOT, a developer must seek a greater allocation from the HIF; ultimately a share of that HIF investment goes toward paying property taxes, therefore diluting the HIF. We estimate that every 100-unit affordable property not receiving a PILOT costs the HIF approximately \$1 million. Adding a minimum PILOT to the toolbox available to developers will allow HIF dollars to go further, and ultimately result in the production and preservation of more units.

We urge one point of clarity in Bill 26-21. It is critical to ensure that the PILOT does not terminate after the 15-year minimum threshold, so long as the housing provider maintains affordability beyond that period. The term of the benefit should be clearly linked to the term of affordability.

Again, we urge the Council to support Bill 26-21. We recognize that increasing the level of affordable housing in the County is an important goal of the Council, and PILOTs for affordable housing are one important step toward achieving the goal. Thank you for the opportunity to provide input.



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