

# Racial Equity and Social Justice (RESJ)

## Impact Statement

Office of Legislative Oversight

### BILL 25-25: TAXATION – PAYMENTS IN LIEU OF TAXES – PUBLIC HOUSING AUTHORITIES

#### SUMMARY

The Office of Legislative Oversight (OLO) anticipates Bill 25-25 will have a positive impact on racial equity and social justice (RESJ) in the County. Expanding the By Right Payment in Lieu of Taxes (PILOT) to public housing authorities outside of the Housing Opportunities Commission (HOC) could incentivize the development of more affordable housing units. This would especially benefit Black and Latinx families who live in Rockville, since Rockville Housing Enterprises is currently the only other public housing authority in the County.

#### PURPOSE OF RESJ IMPACT STATEMENTS

RESJ impact statements (RESJIS) evaluate the anticipated impact of legislation on racial equity and social justice in the County. RESJ is a **process** that focuses on centering the needs, leadership, and power of Black, Indigenous, and other People of Color (BIPOC) and communities with low incomes. RESJ is also a **goal** of eliminating racial and social inequities. Applying a RESJ lens is important to achieve RESJ.<sup>1</sup> This involves seeing, thinking, and working differently to address the racial and social inequities that cause racial and social disparities.<sup>2</sup>

#### PURPOSE OF BILL 25-25

The County’s Payment in Lieu of Taxes (PILOT) program aims “to support the construction and preservation of affordable multifamily rental housing” in the County.<sup>3</sup> A PILOT lowers or completely abates County real property taxes on affordable rental housing projects for a given period. The By Right PILOT is one of three PILOT options offered by the County.<sup>4</sup> The By Right PILOT offers a 100 percent property tax exemption for qualifying housing developments.<sup>5</sup> Currently, HOC and non-profit housing developers can qualify for a By Right PILOT. Figure 1 provides more information on eligibility for the By Right PILOT.

Figure 1. Conditions to Qualify for By Right PILOT

Housing Developer	Conditions to Qualify
Public housing authority (HOC only)	At least 25 percent of the units in property are rented to households making up to 60 percent of the area median income (AMI) for at least 15 years. <sup>6</sup>
Non-profit	At least 50 percent of the units in property are rented to households making up to 60 percent of the AMI for at least 15 years.
Non-profit	All dwelling units in property are subject to Section 8 Project-Based Rental Assistance Payment contract.

Source: [Introduction Staff Report for Bill 25-25](#)

As noted in Figure 1, HOC is the only public housing authority (PHA) in the County that can qualify for a By Right PILOT. Recent changes to state law now allow other PHAs and affiliated nonprofits to qualify for By Right PILOTs.<sup>7</sup>

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The purpose of Bill 25-25 is to update eligibility for the County's By Right PILOT to align with recent changes to state law. If enacted, Bill 25-25 would extend eligibility for the By Right PILOT to any PHA in the County. Further, nonprofit entities owned by a PHA could also qualify for the By Right PILOT. Additionally, the Bill would require the Department of Finance to develop Method (2) regulations to implement the By Right PILOT program.<sup>8,9</sup>

The Council introduced Bill 25-25 on June 17, 2025.

This RESJIS builds on the RESJIS for Bill 18-24, Housing Policy – Standards and Procedures – Amendments,<sup>10</sup> which OLO published in October 2024. Please refer to this RESJIS for background on housing affordability and racial equity.

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### ANTICIPATED RESJ IMPACTS

To consider the anticipated impact of Bill 25-25 on RESJ in the County, OLO recommends the consideration of two related questions:

- Who would primarily benefit or be burdened by this bill?
- What racial and social inequities could passage of this bill weaken or strengthen?

OLO identified the following groups who would be impacted by Bill 25-25:

- **PHAs other than HOC** would benefit from having access to the By Right PILOT. Currently, Rockville Housing Enterprises (RHE) is the only other PHA in the County.<sup>11</sup> If PHAs are established in other County municipalities, such as Gaithersburg or Takoma Park, they could also benefit from the PILOT in the future.

PHAs are public entities that do not operate for profit. Their primary purpose is to manage public housing programs for community members with low incomes.<sup>12</sup> As noted in Figure 1, for a PHA to receive a By Right PILOT, at least 25 percent of the units in a housing development must be affordable. By decreasing operating costs from property taxes, the PILOT could help RHE and future PHAs to develop more housing with affordable units. Of note, RHE owns 372 housing units across several properties in Rockville. Of these units, 317 (85 percent) are affordable.<sup>13</sup> This suggests RHE would likely use the PILOT to develop housing where most units are affordable.

- **Community members who demand affordable housing** would benefit from more housing availability if the PILOT incentivizes PHAs to develop more housing with affordable units. As described in the RESJIS for Bill 18-24, historical and contemporary racial inequities drive increased demand in affordable housing among Black and Latinx families in the County.<sup>14</sup> Racial inequities in housing worsen racial inequities in other areas of health and well-being for BIPOC.<sup>15,16</sup>

In Rockville specifically, Black and Latinx families are most likely to demand affordable housing. As of 2025, 60 percent of the AMI for a family of four in the County is \$98,340.<sup>17</sup> As noted in Table A (Appendix), the median incomes of Black and Latinx families who live in Rockville each fall below this threshold.

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- **Community members at large** would be burdened by 15 years of forgone property tax revenue from housing developed with a By Right PILOT. Property taxes are the largest source of tax revenue for the County government.<sup>18</sup> The forgone revenue would undermine the County's ability to provide public goods and services, especially with the increased demand from community members who are moving into the new housing. The resource limitations could particularly harm BIPOC community members, especially as they continue to become a larger part of the population.

**Conclusion.** OLO anticipates Bill 25-25 will have a positive impact on RESJ in the County. Expanding the By Right PILOT to PHAs outside of HOC could incentivize the development of more affordable housing units. RHE is currently the only other PHA in the County. Thus, OLO anticipates this Bill would especially benefit Black and Latinx families who live in Rockville, since they are most likely to demand affordable housing. Given the importance of housing to multiple areas of health and well-being, the benefit of more affordable housing is likely to outweigh the burden of forgone property tax revenue to BIPOC.

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## RECOMMENDED AMENDMENTS

The Racial Equity and Social Justice Act requires OLO to consider whether recommended amendments to bills aimed at narrowing racial and social inequities are warranted in developing RESJ impact statements.<sup>19</sup> OLO anticipates Bill 25-25 will have a positive impact on RESJ in the County. As such, OLO does not offer recommended amendments.

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## CAVEATS

Two caveats to this racial equity and social justice impact statement should be noted. First, predicting the impact of legislation on racial equity and social justice is a challenging analytical endeavor due to data limitations, uncertainty, and other factors. Second, this RESJ impact statement is intended to inform the legislative process rather than determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the bill under consideration.

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## APPENDIX

**Table A. Median Household Income by Race and Ethnicity, Rockville**

Race or ethnicity <sup>20</sup>	Median Household Income
Rockville	\$122,384
Asian	\$114,773
Black	\$77,149
White	\$140,797
Latinx	\$94,506

Source: [Table S1903, 2023 American Community Survey 5-Year Estimates, Census Bureau](#)

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<sup>1</sup> Definition of racial equity and social justice adopted from [Marlysa Gamblin et al., "Applying Racial Equity to U.S. Federal Nutrition Programs," Bread for the World](#) and [Racial Equity Tools](#).

<sup>2</sup> Ibid.

<sup>3</sup> [Payment in Lieu of Taxes \(PILOT\), Department of Housing and Community Affairs.](#)

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<sup>4</sup> Ibid.

<sup>5</sup> [Introduction Staff Report for Bill 25-25, Montgomery County Council, Introduced June 17, 2025, pg. 2.](#)

<sup>6</sup> Clarified by Council staff on June 24, 2025.

<sup>7</sup> Introduction Staff Report for Bill 25-25, pg. 2.

<sup>8</sup> Ibid, pgs. 3-4.

<sup>9</sup> Under Method (2), the Council can approve or disapprove the proposed regulation by Council resolution. If the Council does not vote on the regulation within 60 days, it is automatically approved. Refer to [Montgomery County Code § 2A-15](#).

<sup>10</sup> [RESJIS for Bill 18-24, Office of Legislative Oversight, October 3, 2024.](#)

<sup>11</sup> [Maryland Public Housing Authorities, Maryland Inclusive Housing.](#)

<sup>12</sup> [Public Housing, National Housing Law Project.](#)

<sup>13</sup> [2023 Annual Report, Rockville Housing Enterprises, pgs. 6-8.](#)

<sup>14</sup> Ibid.

<sup>15</sup> [“Racial Inequities in Housing,” Opportunity Starts at Home, 2020.](#)

<sup>16</sup> [Housing and health, Local Housing Solutions.](#)

<sup>17</sup> [2025 Rent and Income Limits, Department of Housing and Community Affairs.](#)

<sup>18</sup> [FY25 Approved Taxes](#), Revenues, Montgomery County Operating Budget.

<sup>19</sup> [Bill 27-19, Administration – Human Rights – Office of Racial Equity and Social Justice – Racial Equity and Social Justice Advisory Committee – Established, Montgomery County Council.](#)

<sup>20</sup> Race is inclusive of Latinx origin for data points presented in this RESJIS, unless otherwise noted. Estimates for Native American and Pacific Islander community members are not available for all data points in this RESJIS.