



*Gregory J. Swain, County Attorney*

## MEMORANDUM

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

**From:** Gregory J. Swain, County Attorney /s/

**Via:** Kelly Phillips Kenney, Supervising County Attorney /s/

**Date:** September 3, 2019

**Subject:** Bill No. 67-19 – Payment in lieu of taxes (PILOT) – Homes on the Glen

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### Legislative Summary

This summary was prepared by the Anne Arundel County Office of Law for use by members of the Anne Arundel County Council during consideration of Bill No. 67-19. The summary is intended to explain the purposes and legal effects of the bill.

#### Purpose.

**Purpose and Background.** The primary purpose of Bill No. 67-19 is to authorize the County Executive to enter into a Payment in Lieu of Taxes (“PILOT”) Agreement with Homes on the Glen Limited Partnership, which owns Homes on the Glen, a multifamily subsidized housing community for households of limited income located at Juliana Circle East within the City of Annapolis. Homes on the Glen was subject to a prior PILOT agreement with the County that expired on June 30, 2018.

PILOT Agreements are authorized by State law for certain types of properties, including but not limited to, housing for persons of limited income, subsidized housing, housing commission or housing authority properties, and housing for senior citizens. Md. Code Ann., Tax-Prop., §§ 7-501, et seq. The State law allows a county to exempt those specific properties from county real property taxes if certain conditions are met, including entry into an agreement for negotiated amount in lieu of property taxes. The agreement must be entered with the owner of the property and the governing body of the county, which in Anne Arundel County, requires approval by both the County Council and the County Executive. Once a PILOT is in place, the owner is required to pay the negotiated amount, rather than any taxes for the property.

**Section 1** of the Ordinance authorizes an exemption from County real property taxes for certain units of Homes on the Glen in accordance with § 7-506.1 of the Tax-Property Article of the Annotated Code of Maryland, which provides, among other things, that real property may be exempt from county property tax if:

(i) the real property is owned by a person engaged in constructing or operating housing structures or projects; and

(ii) the real property is used for a housing structure or project that is constructed or substantially rehabilitated under a federal, state or local government program that:

(1) funds construction, or insures its financing in whole or in part, or

(2) provides interest subsidy, rent subsidy or rent supplements; and

(iii) the owner and the governing body of the county enter into an agreement for the payment of a negotiated sum in lieu of applicable county property taxes on the Property; and

(iv) the owner:

(1) agrees to continue to maintain the real property as rental housing for lower income persons under the requirements of the government programs and 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 property or the portion of the property which was maintained for lower income persons to remain as housing for lower income persons for a term of at least five (5) years.

**Section 2** authorizes the County Executive to enter into the PILOT Agreement, which is attached to the Ordinance as Exhibit A. The PILOT Agreement lists the specific tax account numbers that are subject to the PILOT. The units within Homes on the Glen are offered for purchase to tenants at the end of a mandatory 15-year rental period, and to date, six units have been sold and will not be subject to the PILOT. Paragraph 2 provides that when an individual unit is conveyed by Deed to a tenant after the entry of the PILOT Agreement, it will be considered a “released unit” and will no longer be subject to the PILOT Agreement. The new owner of the unit will thereafter be responsible for the taxes on the unit. Homes on the Glen must own at least 29 units for the PILOT Agreement to remain in effect. *See* PILOT Agreement, ¶ 4(e).

Under paragraph 5 of the PILOT Agreement, the payment in lieu of taxes for Fiscal Year 2020 shall be \$15,733. For fiscal year 2021 through fiscal year 2034, the payment in lieu of taxes shall be the previous year’s amount, plus 4% per annum. The PILOT amount will not be adjusted as the released units are sold. The PILOT shall be in effect through June 30, 2034, unless any of the events listed in paragraph 4 occurs.

**Section 3** provides that the exemptions and PILOT may not take effect until the requirements of § 7-506.1 of the Tax-Property Article of the Annotated Code of Maryland are met.

**Section 4** makes the Ordinance and the PILOT retroactive to July 1, 2019 so that the PILOT will become effective for this Fiscal Year.

**Section 5** provides that the Ordinance shall take effect 45 days from the date it becomes law.

The Office of Law is available to answer any additional questions regarding this Bill. Thank you very much.

cc: Honorable Steuart Pittman, County Executive  
Jennifer Purcell, Chief of Staff  
Benjamin J. Birge, Chief Administrative Officer  
Peter Baron, Legislative Liaison  
Kathleen Koch, Arundel Community Development Services  
Karin McQuade, Controller  
Darcy Good, Office of Finance  
Helen Shomberg, Assistant Controller  
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