



Gregory J. Swain, County Attorney

MEMORANDUM

To: Council Members, Anne Arundel County Council

Via: Gregory J. Swain, County Attorney /s/

From: Lori L. Blair Klasmeier, Supervising County Attorney /s/

Date: June 3, 2021

Subject: Bill No. 58-21 – Payment in lieu of taxes (“PILOT”) – Park View at Furnace Branch

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. 58-21. The summary is intended to explain the purposes and legal effects of the bill.

Background. PILOT Agreements are authorized by State law for certain types of properties, including 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 a 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, means an action of the County Executive and confirmed by the County Council. (Charter Section 1014). Once a PILOT is in place, the owner is required to pay the negotiated amount, rather than any taxes for the property.

Park View at Furnace Branch is an existing 101 unit multi-family development located on Furnace Branch Road in Glen Burnie that serves seniors of limited means. It was completed in 2003, and has been owned by Glen, LLLP, which was primarily owned by Shelter Group. Funding for the project included a PILOT that has been in place since fiscal 2002. In 2017, Enterprise Community Development, Inc., acquired Shelter Group’s interest in Glen, LLLP, and the PILOT remained in place.

Note: This Legislative Summary provides a synopsis of the bill as introduced. It does not address subsequent amendments to the bill.

The property is now being acquired and renovated by RF Furnace Branch, LLC, which will be funded through a number of sources. A PILOT has been requested by the new owner and has been negotiated by Arundel Community Development Services (“ACDS”). According to the financial analysis by the owner, a PILOT is needed to maximize the various loan and bond funding options. The PILOT with Glen, LLLP, will terminate when the property is transferred. PILOT agreements are personal to the owner of the property and do not run with the land. Therefore, for the property to be subject to a PILOT, a new agreement is needed to apply a PILOT to the property.

Purpose. The purpose of this Bill is to authorize the County Executive to enter into a Payment in Lieu of Taxes (“PILOT”) Agreement with RF Furnace Branch, LLC, which is acquiring and renovating Park View at Furnace Branch.

Bill provisions.

Section 1 of the Ordinance authorizes an exemption from County real property taxes for Park View at Furnace Branch 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 identifies the property and, in paragraph 1, the number of units that will be made available to various income levels. As set forth in the Agreement, the payment in lieu of taxes shall begin in Fiscal Year 2022 (July 1, 2021), and will be in place for 40 years (ending June 30, 2061), unless any of the events listed in paragraph 3 occurs. Under paragraph 5 of the PILOT Agreement, the payment in lieu of taxes for Fiscal Year 2022 shall be \$25,250. For fiscal years 2023 through fiscal year 2061, the payment in lieu of taxes shall be the previous year's amount, plus 4% per annum.

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 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
Matt Power, Chief Administrative Officer
Lori Rhodes, Deputy Chief Administrative Officer for Land Use
Pamela Jordan, Deputy Chief Administrative Officer of Health and Human Services
Dr. Kai Boggess-de Bruin, PhD, Chief of Staff
Peter Baron, Legislative Liaison
Kathleen Koch, Arundel Community Development Services
Karin McQuade, Controller
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