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By: **Chairman, Economic Matters Committee (Departmental - Housing and  
Community Development)**

Introduced and read first time: January 22, 2001

Assigned to: Economic Matters

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Committee Report: Favorable

House action: Adopted

Read second time: February 13, 2001

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CHAPTER 57

1 AN ACT concerning

2 **Department of Housing and Community Development - Financing for**  
3 **Demolition and Lot Consolidation**

4 FOR the purpose of authorizing the Department of Housing and Community  
5 Development to include costs associated with certain demolitions and lot  
6 consolidations as part of the financing offered on certain residential  
7 development; defining certain terms; and generally relating to the Community  
8 Development Administration, Rental Housing Production Program, Maryland  
9 Home Financing Program, and the Department of Housing and Community  
10 Development.

11 BY renumbering  
12 Article 83B - Department of Housing and Community Development  
13 Section 2-501(g) through (o), respectively, and 2-601(e) through (j), respectively  
14 to be Section 2-501(h) through (p), respectively, and 2-601(f) through (k),  
15 respectively  
16 Annotated Code of Maryland  
17 (1998 Replacement Volume and 2000 Supplement)

18 BY repealing and reenacting, without amendments,  
19 Article 83B - Department of Housing and Community Development  
20 Section 2-501(a) and the subtitle "Subtitle 5. Rental Housing Production  
21 Program"; and 2-601(a) and the subtitle "Subtitle 6. Maryland Home  
22 Financing Program"  
23 Annotated Code of Maryland

1 (1998 Replacement Volume and 2000 Supplement)

2 BY adding to

3 Article 83B - Department of Housing and Community Development  
4 Section 2-501(g) and 2-601(e)  
5 Annotated Code of Maryland  
6 (1998 Replacement Volume and 2000 Supplement)

7 BY repealing and reenacting, with amendments,

8 Article 83B - Department of Housing and Community Development  
9 Section 2-501(b), 2-503, 2-602, 2-604, and 2-609  
10 Annotated Code of Maryland  
11 (1998 Replacement Volume and 2000 Supplement)

12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
13 MARYLAND, That Section(s) 2-501(g) through (o), respectively, and 2-601(e) through  
14 (j), respectively, of Article 83B - Department of Housing and Community  
15 Development of the Annotated Code of Maryland be renumbered to be Section(s)  
16 2-501(h) through (p), respectively, and 2-601(f) through (k), respectively.

17 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
18 read as follows:

19 **Article 83B - Department of Housing and Community Development**

20 Subtitle 5. Rental Housing Production Program.

21 2-501.

22 (a) In this subtitle the following words have the meanings indicated.

23 (b) "Development costs" means the costs incurred for the construction or  
24 rehabilitation of a rental housing production project including the costs of:

- 25 (1) Necessary studies, surveys, plans, and specifications;  
26 (2) Architectural, engineering, or other special services;  
27 (3) Acquisition of land and improvements;  
28 (4) Site preparation and development;  
29 (5) Construction, reconstruction, rehabilitation, ANCILLARY  
30 DEMOLITION, LOT CONSOLIDATION, and improvement;  
31 (6) Acquisition of necessary machinery, equipment, and furnishings;  
32 (7) Initial occupancy expenses of the project;

1 (8) Indemnity and surety bonds and premiums on insurance; and

2 (9) Other fees and relocation expenses.

3 (G) "LOT CONSOLIDATION" MEANS ACQUISITION OF REAL PROPERTY  
4 ADJACENT TO AND IN CONNECTION WITH A PROJECT FINANCED BY THE PROGRAM  
5 FOR THE PURPOSE OF INCLUDING THE REAL PROPERTY AS PART OF THE PROJECT.

6 2-503.

7 The purposes of the Program are to:

8 (1) Increase the supply of decent, safe, and sanitary rental housing for  
9 occupancy by families of lower income;

10 (2) Provide financial assistance for the costs of acquiring, constructing,  
11 or rehabilitating rental housing, INCLUDING DEMOLITION AND LOT CONSOLIDATION,  
12 so that it is affordable by families of lower income;

13 (3) Stimulate the participation of political subdivisions in providing  
14 assistance for the production of affordable rental housing for families of lower income;  
15 and

16 (4) Revitalize designated neighborhoods through office space conversion.

17 Subtitle 6. Maryland Home Financing Program.

18 2-601.

19 (a) In this subtitle the following words have the meanings indicated.

20 (E) "LOT CONSOLIDATION" MEANS ACQUISITION OF REAL PROPERTY  
21 ADJACENT TO AND IN CONNECTION WITH A RESIDENCE FINANCED BY THE  
22 PROGRAM FOR THE PURPOSE OF INCLUDING THE REAL PROPERTY AS PART OF THE  
23 RESIDENCE.

24 2-602.

25 The purposes of the Program are to make, purchase, and participate in making:

26 (1) Preferred interest rate loans for the purchase, purchase and  
27 rehabilitation, PURCHASE AND REHABILITATION TOGETHER WITH DEMOLITION OR  
28 LOT CONSOLIDATION, or refinancing of a primary residence by:

29 (i) Households of limited income who will occupy a single-unit  
30 primary residence; or

31 (ii) Owner-occupants of residential buildings with no more than 4  
32 units, where all units other than the owner's will be occupied by households of limited  
33 income;

1           (2)     Short-term construction loans to developers for the construction or  
2 rehabilitation of residential units affordable to households of limited income;

3           (3)     Short-term loans to nonprofit sponsors, as defined in regulations  
4 adopted by the Department, for the acquisition and construction, ACQUISITION AND  
5 REHABILITATION TOGETHER WITH DEMOLITION OR LOT CONSOLIDATION, or  
6 acquisition and rehabilitation, of residential units affordable for households of limited  
7 income to buy under a purchase or lease-purchase contract;

8           (4)     Emergency assistance loans to households of limited income who,  
9 because of unemployment or other extraordinary hardship, are unable to make  
10 current mortgage payments on their homes and are likely to have to forfeit the title to  
11 their home; and

12          (5)     Reverse equity loans to elderly households of limited income for  
13 housing related expenses and personal expenses which enable the owner to continue  
14 to occupy the owner's home.

15 2-604.

16       (a)     The Department shall:

17           (1)     Manage and supervise the Program;

18           (2)     Carry out the Program in a manner that:

19                   (i)     Serves all of the areas of the State; and

20                   (ii)    Avoids creating or aggravating low income concentrations that  
21 adversely affect communities;

22          (3)     Adopt policies to insure that all loans made under the Program are  
23 made only to:

24           (i)     Households that:

25                           1.     Have adjusted annual incomes at the time the loan is  
26 made within the applicable upper limits determined by the Secretary in accordance  
27 with paragraph (5) of this subsection; and

28                           2.     Cannot qualify for conventional or other available  
29 departmental financing to enable the owner to continue to occupy the home, or for the  
30 purchase, purchase and rehabilitation, PURCHASE AND REHABILITATION TOGETHER  
31 WITH DEMOLITION OR LOT CONSOLIDATION, or refinancing of a home;

32                   (ii)    Developers who the Department reasonably anticipates can  
33 build or rehabilitate housing affordable to households of limited income; or

34                   (iii)   Owner-occupants of residential buildings with no more than 4  
35 units who agree to rent to households of limited income;

1           (4)     Periodically set interest rates which may be as low as 0.0 percent or  
2 as high as is reasonable depending upon the incomes of the proposed occupants and  
3 terms appropriate for each type of loan described in § 2-602 of this subtitle, taking  
4 into account rates available in the conventional private housing market and the  
5 adjusted annual income and assets of borrowers to be served by each type of loan to be  
6 made by the Program;

7           (5)     Periodically set upper limits on adjusted annual income:

8           (i)     Taking into consideration factors including:

- 9                     1.     The amount of the total income of each individual  
10 expected to reside in a home;
- 11                    2.     The size of the household;
- 12                    3.     The cost of available housing facilities;
- 13                    4.     The ability of such individuals to compete successfully in  
14 the conventional private housing market; and
- 15                    5.     Pertinent standards and definitions established for  
16 federal housing programs;

17           (ii)    Which limits may differ for different types of housing, types of  
18 financing offered by the Program, and regions of the State; and

19           (iii)   Within such upper limits, lower income limit ranges and lower  
20 interest rates may be established for loans to households with adjusted annual  
21 incomes in lower ranges;

22           (6)     Use federal or State programs that complement or facilitate carrying  
23 out the Program; and

24           (7)     Adopt rules and regulations to carry out the Program in conformance  
25 with statutory requirements.

26           (b)     Except for loans made under § 2-602(4) of this subtitle, the upper limits on  
27 adjusted annual income established under subsection (a) of this section may not  
28 exceed, but may be less than, the median annual family income.

29 2-609.

30           (a)     For short-term construction loans under § 2-602(2) of this subtitle, a  
31 developer or nonprofit sponsor shall:

32                   (1)     Provide construction costs, marketing data, and such other  
33 information as may be required by the Department; and

1                   (2)       Have a commitment from the Department under § 2-611(j) of this  
2 subtitle for permanent financing for the sale of the residences to be built or  
3 rehabilitated with the short-term construction loan.

4       (b)       For short-term loans under § 2-602(3) of this subtitle, a nonprofit sponsor  
5 shall:

6                   (1)       Provide [acquisition and construction or rehabilitation costs] COSTS  
7 FOR ACQUISITION, CONSTRUCTION, REHABILITATION, DEMOLITION, OR LOT  
8 CONSOLIDATION, marketing data, and such other information as may be required by  
9 the Department; and

10                  (2)       (i)       Have a commitment from the Department for permanent  
11 financing for sale of the residences acquired and constructed or rehabilitated with the  
12 short-term loan; or

13                               (ii)       Have approval from the Department to rent the residence  
14 subject to a lease purchase agreement acceptable to the Department.

15       SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take  
16 effect October 1, 2001.