

# HOUSE BILL 453

C8

4lr0063

---

By: **Chair, Environmental Matters Committee (By Request – Departmental – Housing and Community Development)**

Introduced and read first time: January 27, 2014

Assigned to: Environmental Matters

---

Committee Report: Favorable with amendments

House action: Adopted

Read second time: February 20, 2014

---

## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Housing and Community Development – Multifamily Rental Housing**  
3 **Programs Efficiency Act**

4 FOR the purpose of repealing certain provisions of law governing the Elderly Rental  
5 Housing Program, the Nonprofit Rehabilitation Program, and the Rental  
6 Housing Production Program and establishing a new Rental Housing Program  
7 in the Department of Housing and Community Development; consolidating  
8 certain loan programs within the Department into a single program; providing  
9 for certain types of financing and repayment terms; establishing certain uses for  
10 loan proceeds; clarifying certain standards for multifamily loans; requiring the  
11 Department to provide notice of certain projects to certain local jurisdictions;  
12 altering certain standards for the Department's consultation with local  
13 jurisdictions on certain projects; requiring the Department to establish certain  
14 regulations; transferring authority over a certain fund from the Community  
15 Development Administration to the Department; repealing a certain finding  
16 relating to a proper public purpose for public money; authorizing the  
17 Department to make loans directly or through the Administration under certain  
18 circumstances; altering the circumstances under which the Department may  
19 approve the use of partnership rental housing funds under certain  
20 circumstances; authorizing funds provided under the Partnership Rental  
21 Housing Program to be made available as a deferred payment loan under  
22 certain circumstances; defining certain terms; making conforming and technical  
23 changes; and generally relating to the Rental Housing Program and the

---

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 Partnership Rental Housing Program in the Department of Housing and  
2 Community Development.

3 BY repealing

4 Article – Housing and Community Development  
5 Section 4–401 through 4–409 and the subtitle “Subtitle 4. Elderly Rental  
6 Housing Program”; 4–929; and 4–1501 through 4–1511 and the subtitle  
7 “Subtitle 15. Rental Housing Production Program”  
8 Annotated Code of Maryland  
9 (2006 Volume and 2013 Supplement)

10 BY repealing and reenacting, with amendments,

11 Article – Housing and Community Development  
12 Section 2–102(a)(9), 4–101, 4–103, 4–213, 4–504, 4–901, 4–903, 4–905, 4–906,  
13 4–907, 4–918, 4–921, 4–923, 4–1205, 4–1207, and 4–1208  
14 Annotated Code of Maryland  
15 (2006 Volume and 2013 Supplement)

16 BY adding to

17 Article – Housing and Community Development  
18 Section 4–401 through 4–411 to be under the new subtitle “Subtitle 4. Rental  
19 Housing Program”  
20 Annotated Code of Maryland  
21 (2006 Volume and 2013 Supplement)

22 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
23 MARYLAND, That Section(s) 4–401 through 4–409 and the subtitle “Subtitle 4.  
24 Elderly Rental Housing Program”; 4–929; and 4–1501 through 4–1511 and the subtitle  
25 “Subtitle 15. Rental Housing Production Program” of Article – Housing and  
26 Community Development of the Annotated Code of Maryland be repealed.

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

29 **Article – Housing and Community Development**

30 2–102.

31 (a) The Department shall:

32 (9) administer federal programs **RELATING** to community assistance;  
33 and

34 4–101.

35 (a) In this title the following words have the meanings indicated.

1 (b) “Administration” means the Community Development Administration.

2 (c) “Division” means the Division of Development Finance.

3 (d) “Elderly household” means one or more individuals who occupy a  
4 residential dwelling unit, at least one of whom meets the age limit specified by the  
5 Secretary that:

6 (1) is greater than or equal to age 55; and

7 (2) may vary for different programs or types of projects.

8 [(e) “Elderly rental housing project” means a project that meets the  
9 qualifications in § 4–407 of this title.]

10 [(f)] (E) “Nonprofit sponsor” means a sponsor that is:

11 (1) a nonprofit organization; or

12 (2) a limited partnership, if:

13 (i) 1. each general partner is a nonprofit organization; or

14 2. each general partner is a wholly owned subsidiary of a  
15 nonprofit organization;

16 (ii) the limited partnership is formed to undertake a project that  
17 is eligible as a whole or in part for a federal program or incentive, including  
18 low-income housing tax credits; and

19 (iii) a nonprofit organization manages the project or will receive  
20 the net cash flow or residual sale proceeds on the sale of the project.

21 4–103.

22 The Division includes:

23 (1) the Community Development Administration;

24 (2) the Disaster Relief Housing Program;

25 (3) the Down Payment and Settlement Expense Loan Program;

26 [(4) the Elderly Rental Housing Program;]

27 [(5)] (4) federal and State weatherization programs;

## HOUSE BILL 453

- 1            [(6)] (5)     the Group Home Financing Program;
- 2            [(7)] (6)     the Lead Hazard Reduction Grant Program;
- 3            [(8)] (7)     the Lead Hazard Reduction Loan Program;
- 4            [(9)] (8)     the local government infrastructure program;
- 5            [(10)] (9)    the Maryland Home Financing Program;
- 6            [(11)] (10)   the Maryland Housing Rehabilitation Program;
- 7            [(12)] (11)   the Neighborhood Housing Services Fund;
- 8            [(13)] (12)   the Operating Assistance Grants Demonstration Projects;
- 9            [(14)] (13)   the Partnership Rental Housing Program;
- 10           [(15)] (14)   the Radium [Pilot] Grant Program;
- 11           [(16)] (15)   the Rental Allowance Program and other rental assistance  
12 programs;
- 13           [(17)] (16)   the Rental Housing [Production] Program; and
- 14           [(18)] (17)   the Self-Help Homeownership Technical Assistance  
15 Program.
- 16           4-213.

17           (a)     In accordance with regulations that the Secretary adopts, an agreement  
18 that the Administration makes to carry out its functions and responsibilities under §§  
19 4-211, 4-214, and 4-225 through 4-235 of this subtitle shall be approved by:

- 20           (1)     the Secretary; and
- 21           (2)     the Board of Public Works, if its approval is required by law.

22           (b)     The Administration shall [get approval of the land use for a community  
23 development project by resolution of the appropriate governing body] **PROVIDE**  
24 **WRITTEN NOTICE AND A REASONABLE OPPORTUNITY TO COMMENT TO THE**  
25 **CHIEF EXECUTIVE OFFICER OR THE EQUIVALENT OFFICER AND THE HEAD OR**  
26 **PRESIDENT OF THE LEGISLATIVE BODY** of the [locality] **POLITICAL SUBDIVISION**  
27 in which [the] **A PROPOSED COMMUNITY development PROJECT OR A PUBLIC**  
28 **PURPOSE PROJECT** is located [before:



1 (ii) a statement of the identity of the proposed purchaser or  
2 lessee and the proposed use or reuse of the property;

3 (iii) the price or rental to be paid by the purchaser or lessee; and

4 (iv) the conditions of the sale or lease that ensure that the  
5 community development purposes of this subtitle will be carried out.

6 [(e)] (F) In carrying out this subtitle, the Administration shall comply with  
7 local laws applicable to the community development project.

8 [(f)] (G) (1) In carrying out this subtitle, the Administration shall:

9 [(i)] (i) work closely, consult, and cooperate with local elected  
10 officials;

11 [(ii)] (ii) give primary consideration to local needs and desires;

12 [(iii)] (I) foster local initiative and participation in community  
13 development activities; and

14 [(iv)] (II) consider local and regional goals and policies as  
15 expressed in urban renewal, community renewal, and local comprehensive land use  
16 plans and regional plans.

17 (2) Wherever possible, the Administration shall carry out community  
18 development projects together with and through the use of:

19 (i) private enterprise;

20 (ii) limited dividend corporations;

21 (iii) local development agencies; and

22 (iv) local development entities.

23 **SUBTITLE 4. RENTAL HOUSING PROGRAM.**

24 **4-401.**

25 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS  
26 INDICATED.

27 (B) "FUND" MEANS THE RENTAL HOUSING FUND ESTABLISHED UNDER  
28 § 4-504 OF THIS TITLE.

1           (C) **“HOUSEHOLD OF LIMITED INCOME” MEANS ~~A FAMILY OR AN~~**  
2 **~~INDIVIDUAL WHOSE~~ ONE OR MORE INDIVIDUALS WHO OCCUPY THE SAME**  
3 **RESIDENTIAL DWELLING UNIT AND WHOSE TOTAL HOUSEHOLD INCOME DOES**  
4 **NOT EXCEED THE UPPER INCOME LIMITS ESTABLISHED BY THE SECRETARY FOR**  
5 **THE PROGRAM UNDER § 4-404 OF THIS SUBTITLE.**

6           (D) **“OFFICE OR OTHER COMMERCIAL SPACE CONVERSION” MEANS THE**  
7 **CONVERSION TO RENTAL HOUSING OF A BUILDING THAT:**

8                   (1) **IS IN A SUSTAINABLE COMMUNITY AS DEFINED IN § 6-301 OF**  
9 **THIS ARTICLE;**

10                   (2) **WAS BUILT MORE THAN 30 YEARS BEFORE AN APPLICATION IS**  
11 **SUBMITTED TO THE DEPARTMENT TO FINANCE THE CONVERSION;**

12                   (3) **CONSISTS OF AT LEAST TWO FLOORS AT OR ABOVE GROUND**  
13 **LEVEL; AND**

14                   (4) **WAS LAST USED AS OFFICE OR OTHER COMMERCIAL SPACE.**

15           (E) **“PROGRAM” MEANS THE RENTAL HOUSING PROGRAM.**

16           (F) **“RENTAL HOUSING PROJECT” MEANS A PROJECT ELIGIBLE FOR**  
17 **FINANCIAL ASSISTANCE UNDER § 4-407 OF THIS SUBTITLE.**

18 **4-402.**

19           **THERE IS A RENTAL HOUSING PROGRAM.**

20 **4-403.**

21           **THE PURPOSES OF THE PROGRAM ARE TO:**

22                   (1) **STIMULATE THE PRODUCTION AND PRESERVATION OF**  
23 **RENTAL HOUSING;**

24                   (2) **INCREASE AND IMPROVE THE SUPPLY OF DECENT, SAFE, AND**  
25 **SANITARY RENTAL HOUSING AT COSTS THAT ARE AFFORDABLE TO HOUSEHOLDS**  
26 **OF LIMITED INCOME;**

27                   (3) **USE AVAILABLE RESOURCES EFFICIENTLY TO SERVE THE**  
28 **HOUSEHOLDS THAT ARE IN NEED OF QUALITY AFFORDABLE HOUSING**  
29 **OPPORTUNITIES, INCLUDING FAMILIES, THE ELDERLY, AND PERSONS WITH**  
30 **DISABILITIES OR SPECIAL NEEDS;**

1           (4)    SUPPORT ECONOMIC GROWTH AND ACTIVITY BY FINANCING,  
2 IN WHOLE OR IN PART, THE CONSTRUCTION OR SUBSTANTIAL REHABILITATION  
3 OF RENTAL HOUSING PROJECTS; AND

4           (5)    REVITALIZE SUSTAINABLE COMMUNITIES, AS DEFINED IN §  
5 6-301 OF THIS ARTICLE, THROUGH OFFICE OR OTHER COMMERCIAL SPACE  
6 CONVERSION.

7 4-404.

8           (A)    THE DEPARTMENT SHALL:

9               (1)    ADMINISTER THE PROGRAM;

10              (2)    ADOPT POLICIES TO ENSURE THAT RENTAL HOUSING IS MADE  
11 AVAILABLE TO HOUSEHOLDS OF LIMITED INCOME;

12              (3)    DEVELOP PROCEDURES TO ENSURE THAT THE PROJECTS  
13 RECEIVING FINANCIAL ASSISTANCE FROM THE PROGRAM ARE IN COMPLIANCE  
14 WITH APPLICABLE OCCUPANCY RESTRICTIONS;

15              (4)    USE FEDERAL AND STATE PROGRAMS TO HELP CARRY OUT  
16 THE PROGRAM; AND

17              (5)    ENCOURAGE THE ASSISTANCE OR PARTICIPATION OF LOCAL  
18 POLITICAL SUBDIVISIONS.

19           (B)    THE SECRETARY SHALL SET INCOME GUIDELINES BY CONSIDERING:

20               (1)    THE MEDIAN INCOME FOR THE AREA;

21               (2)    THE MINIMUM INCOME NEEDED TO AFFORD AVAILABLE  
22 STANDARD RENTAL UNITS IN THE AREA;

23               (3)    FEDERAL INCOME GUIDELINES, INCLUDING THE  
24 REQUIREMENTS OF THE FEDERAL LOW-INCOME HOUSING TAX CREDIT  
25 PROGRAM; AND

26               (4)    ANY OTHER RELEVANT FACTOR.

27           (C)    IN ADMINISTERING THE PROGRAM UNDER THIS SUBTITLE, THE  
28 DEPARTMENT MAY ACT EITHER DIRECTLY OR THROUGH THE ADMINISTRATION.

1           **(D) THE DEPARTMENT SHALL PROVIDE WRITTEN NOTICE AND A**  
2 **REASONABLE OPPORTUNITY TO COMMENT TO THE CHIEF EXECUTIVE OFFICER**  
3 **OR THE EQUIVALENT OFFICER AND THE HEAD OR PRESIDENT OF THE**  
4 **LEGISLATIVE BODY OF THE POLITICAL SUBDIVISION IN WHICH A PROPOSED**  
5 **PROJECT IS LOCATED.**

6           **(E) IF THE PROPOSED PROJECT IS LOCATED IN A MUNICIPAL**  
7 **CORPORATION, THE NOTICE REQUIRED UNDER SUBSECTION (D) OF THIS**  
8 **SECTION SHALL BE SENT TO THE CHIEF EXECUTIVE OFFICER AND HEAD OR**  
9 **PRESIDENT OF THE MUNICIPAL CORPORATION AND NOT TO THE COUNTY.**

10 **4-405.**

11           **TO ACHIEVE THE PURPOSES OF THE PROGRAM, THE DEPARTMENT**  
12 **SHALL, FROM TIME TO TIME, ASK THE STATE TO INCREASE OR REPLACE**  
13 **AMOUNTS DEPOSITED WITH THE STATE TREASURER IN THE FUND.**

14 **4-406.**

15           **(A) THE DEPARTMENT SHALL ADOPT REGULATIONS TO CARRY OUT THE**  
16 **PROGRAM.**

17           **(B) THE REGULATIONS SHALL PROVIDE FOR:**

18                   **(1) APPLICATIONS FOR MONEY FROM THE FUND;**

19                   **(2) STANDARDS OF ELIGIBILITY, TERMS, AND FEES;**

20                   **(3) CHARGES THAT SHALL BE IMPOSED ON PROGRAM LOANS; AND**

21                   **(4) THE RECAPTURE OF MONEY OF THE FUND FROM A BORROWER**  
22 **THAT DOES NOT USE THE MONEY IN A TIMELY MANNER.**

23 **4-407.**

24           **(A) A PROJECT QUALIFIES AS A RENTAL HOUSING PROJECT UNDER**  
25 **THIS SUBTITLE IF:**

26                   **(1) ITS PURPOSE IS TO ACQUIRE, CONSTRUCT, OR REHABILITATE**  
27 **REAL PROPERTY OR ALL OR PART OF A BUILDING OR IMPROVEMENTS THAT**  
28 **WILL BE OCCUPIED BY HOUSEHOLDS OF LIMITED INCOME AS PROVIDED IN THIS**  
29 **SUBSECTION; AND**

1           **(2) A PORTION OF THE RENTAL UNITS IN THE PROJECT ARE SET**  
2 **ASIDE FOR HOUSEHOLDS OF LOWER INCOME FOR THE GREATER OF:**

3                   **(I) 15 YEARS; OR**

4                   **(II) THE NUMBER OF YEARS REQUIRED BY FEDERAL LAW.**

5           **(B) THE MINIMUM NUMBER OF RENTAL UNITS SET ASIDE UNDER**  
6 **SUBSECTION (A)(2) OF THIS SECTION SHALL BE THE GREATER OF:**

7                   **(1) THE NUMBER THAT BEARS THE SAME RATIO TO THE WHOLE**  
8 **NUMBER OF RENTAL UNITS IN THE PROJECT AS THE AMOUNT OF THE PROGRAM**  
9 **LOAN BEARS TO THE WHOLE FINANCING OF THE UNDERTAKING; OR**

10                   **(2) THE NUMBER OF RENTAL UNITS CHOSEN BY THE SPONSOR TO**  
11 **SATISFY FEDERAL OCCUPANCY REQUIREMENTS, IF THE PROJECT RECEIVES**  
12 **FEDERAL LOW-INCOME HOUSING TAX CREDITS OR IS FINANCED IN PART WITH**  
13 **GOVERNMENT-ISSUED, FEDERALLY TAX-EXEMPT REVENUE BONDS.**

14           **(C) RENTAL UNITS RESTRICTED FOR OCCUPANCY TO MEET OTHER**  
15 **FEDERAL, STATE, OR LOCAL OCCUPANCY REQUIREMENTS MAY BE COUNTED**  
16 **TOWARD THE MINIMUM NUMBER REQUIRED UNDER THIS SECTION.**

17           **(D) A RENTAL UNIT THAT CONTINUES TO MEET APPLICABLE FEDERAL**  
18 **OCCUPANCY RESTRICTIONS UNDER SUBSECTION ~~(A)(2)(H)~~ (B)(2) OF THIS**  
19 **SECTION SHALL BE DEEMED TO CONTINUE TO MEET THE APPLICABLE**  
20 **RESTRICTIONS FOR PURPOSES OF THIS SUBTITLE.**

21           **(E) A PROJECT QUALIFIES AS A RENTAL HOUSING PROJECT UNDER**  
22 **THIS SUBTITLE AND IS NOT SUBJECT TO THE INCOME RESTRICTIONS SPECIFIED**  
23 **IN THIS SECTION IF IT WILL:**

24                   **(1) EFFECT AN OFFICE OR OTHER COMMERCIAL SPACE**  
25 **CONVERSION INTO MARKET RATE RENTAL HOUSING; AND**

26                   **(2) PROVIDE SUBSTANTIAL ECONOMIC DEVELOPMENT TO A**  
27 **SUSTAINABLE COMMUNITY AS DEFINED IN § 6-301 OF THIS ARTICLE.**

28 **4-408.**

29           **(A) THE DEPARTMENT SHALL REVIEW APPLICATIONS FOR LOANS**  
30 **SUBMITTED BY PRIVATE OR NONPROFIT SPONSORS, POLITICAL SUBDIVISIONS,**  
31 **OR LOCAL HOUSING AUTHORITIES ESTABLISHED UNDER DIVISION II OF THIS**  
32 **ARTICLE ON BEHALF OF SPONSORS OF PROPOSED RENTAL HOUSING PROJECTS.**

1           **(B) IN REVIEWING AN APPLICATION FOR A PROGRAM LOAN UNDER THIS**  
2 **SUBTITLE, THE DEPARTMENT SHALL CONSIDER:**

3           **(1) THE EXTENT TO WHICH HOUSEHOLDS OF LIMITED INCOME**  
4 **WILL BE ASSISTED BY THE PROPOSED PROJECT;**

5           **(2) THE NUMBER AND PERCENTAGE OF HOUSEHOLDS OF LIMITED**  
6 **INCOME CURRENTLY LIVING IN THE COMMUNITY WHERE THE PROJECT IS**  
7 **PROPOSED;**

8           **(3) THE QUANTITY, CONDITION, AND AFFORDABILITY OF**  
9 **RESIDENTIAL PROPERTY IN THE COMMUNITY WHERE THE PROJECT IS**  
10 **PROPOSED;**

11           **(4) THE ECONOMIC FEASIBILITY OF THE PROPOSED PROJECT;**

12           **(5) THE DEGREE OF LOCAL GOVERNMENT INCENTIVE AND**  
13 **SUPPORT PROVIDED TO THE PROPOSED PROJECT, INCLUDING CONTRIBUTION**  
14 **OF LAND, ABATEMENT OF TAXES OR FEES, DIRECT OR INDIRECT RENTAL**  
15 **SUBSIDIES, AND GRANTS; AND**

16           **(6) ANY OTHER RELEVANT FACTORS.**

17 **4-409.**

18           **(A) MONEY IN THE FUND MAY BE USED TO MAKE LOANS TO AN**  
19 **APPROVED APPLICANT TO:**

20           **(1) ACQUIRE, CONSTRUCT, OR REHABILITATE A RENTAL HOUSING**  
21 **PROJECT;**

22           **(2) CONVERT AN EXISTING BUILDING OR BUILDINGS TO A RENTAL**  
23 **HOUSING PROJECT; OR**

24           **(3) PROVIDE OPERATING ASSISTANCE TO REDUCE THE**  
25 **OPERATING COSTS OF A PROJECT BY DEPOSITING THE PROCEEDS OF THE**  
26 **PROGRAM LOAN IN AN INTEREST BEARING ACCOUNT THAT IS UNDER THE**  
27 **CONTROL OF THE DEPARTMENT AND IS USED TO PAY THE OPERATING COSTS,**  
28 **INCLUDING THE PRINCIPAL AND INTEREST WHEN DUE, ON ANY PRIOR**  
29 **MORTGAGE LOAN SECURING THE PROJECT.**

30           **(B) A PROGRAM LOAN MAY:**

- 1           **(1) BE SECURED BY A MORTGAGE LIEN;**
- 2           **(2) BE SUBORDINATE TO OTHER FINANCING;**
- 3           **(3) HAVE AN INTEREST RATE AS LOW AS ZERO PERCENT;**
- 4           **(4) BE PAYABLE OUT OF SURPLUS CASH;**
- 5           **(5) BE A DEFERRED PAYMENT LOAN;**
- 6           **(6) PROVIDE FOR AN EQUITY PARTICIPATION BY THE**  
7 **DEPARTMENT OR CONTINGENT INTEREST PAYABLE OUT OF SURPLUS CASH OR**  
8 **NET EQUITY; OR**
- 9           **(7) HAVE ANY OTHER TERMS THE DEPARTMENT MAY REQUIRE.**

10           **(C) TO FACILITATE REPAYMENT OF THE PROGRAM LOAN AND ACHIEVE**  
11 **THE PURPOSES OF THE PROGRAM, THE DEPARTMENT MAY MODIFY:**

- 12           **(1) THE INTEREST RATE;**
- 13           **(2) THE TIME OR AMOUNT OF PAYMENT; OR**
- 14           **(3) ANY OTHER TERM OF THE PROGRAM LOAN.**

15 **4-410.**

16           **(A) IF A PROGRAM LOAN IS SECURED BY A MORTGAGE, THE**  
17 **DEPARTMENT MAY:**

- 18           **(1) ENFORCE THE MORTGAGE;**
- 19           **(2) FORECLOSE ON THE MORTGAGE AND TAKE TITLE TO THE**  
20 **MORTGAGED PROPERTY OR TAKE DEED IN LIEU OF FORECLOSURE;**
- 21           **(3) CONVEY TITLE TO A PURCHASER;**
- 22           **(4) OBTAIN AND ENFORCE A DEFICIENCY JUDGMENT;**
- 23           **(5) ALLOW ASSUMPTION OF THE MORTGAGE; AND**
- 24           **(6) CONTRACT WITH A PRIVATE MORTGAGE SERVICER TO**  
25 **PERFORM ON BEHALF OF THE DEPARTMENT ANY FUNCTIONS A SERVICER**  
26 **ORDINARILY PERFORMS.**

1           **(B) WITHOUT APPROVAL OR EXECUTION BY THE BOARD OF PUBLIC**  
 2 **WORKS, THE DEPARTMENT MAY:**

3           **(1) ASSIGN A MORTGAGE FOR VALUE; OR**

4           **(2) CONVEY PROPERTY AFTER ACQUISITION.**

5 **4-411.**

6           **(A) (1) A PERSON MAY NOT KNOWINGLY MAKE OR CAUSE TO BE MADE**  
 7 **A FALSE STATEMENT OR REPORT IN A DOCUMENT REQUIRED TO BE SUBMITTED**  
 8 **TO THE DEPARTMENT UNDER AN AGREEMENT RELATING TO A PROGRAM LOAN.**

9           **(2) A LOAN APPLICANT MAY NOT KNOWINGLY MAKE OR CAUSE A**  
 10 **FALSE STATEMENT OR REPORT TO BE MADE TO INFLUENCE THE ACTION OF THE**  
 11 **DEPARTMENT ON A PROGRAM LOAN APPLICATION OR TO INFLUENCE ACTION**  
 12 **OF THE DEPARTMENT AFFECTING A PROGRAM LOAN ALREADY MADE.**

13           **(B) A PERSON WHO VIOLATES THIS SECTION IS GUILTY OF A**  
 14 **MISDEMEANOR AND ON CONVICTION IS SUBJECT TO IMPRISONMENT NOT**  
 15 **EXCEEDING 5 YEARS OR A FINE NOT EXCEEDING \$50,000 OR BOTH.**

16 **4-504.**

17           (a) In this section, "Fund" means the Rental Housing [Programs] Fund.

18           (b) There is a Rental Housing [Programs] Fund.

19           (c) ~~[(1)]~~ The Department shall use the Fund to[:

20                           (i) operate, make loans, and pay expenses of the [Maryland]  
 21 **RENTAL** Housing [Rehabilitation] Program, including reserves for anticipated future  
 22 losses directly related to the [Maryland Housing Rehabilitation] **RENTAL HOUSING**  
 23 Program, as provided in the State budget[: and

24                           (ii) operate, make loans, and pay expenses of the Rental  
 25 Housing Production Program].

26           ~~(2) The [Administration] DEPARTMENT shall use the Fund to~~  
 27 ~~operate, make loans, and pay expenses of the [Elderly] Rental Housing Program.~~

28           ~~(3) (i) The [Administration] DEPARTMENT may use the Fund to~~  
 29 ~~make deferred payment loans to approved applicants to enable the applicants to~~  
 30 ~~acquire, construct, or rehabilitate elderly rental housing projects or to convert existing~~  
 31 ~~rental housing to elderly rental housing projects.~~

1                   (ii) ~~Deferred payment loans may be subordinate to other~~  
2 ~~financing.~~

3           (d) The [Administration] **DEPARTMENT** shall administer the Fund **EITHER**  
4 **DIRECTLY OR THROUGH THE ADMINISTRATION.**

5           (e) [(1)] The Fund consists of:

6                   [(i)] **(1)** money appropriated by the State for [rental housing  
7 programs, including the Elderly Rental Housing Program] **THE RENTAL HOUSING**  
8 **PROGRAM** under § 4-402 of this title[, the Multifamily Rehabilitation Program under  
9 § 4-906(b) of this title, the Nonprofit Rehabilitation Program under § 4-929 of this  
10 title, and the Rental Housing Production Program under § 4-1502 of this title];

11                   [(ii)] **(2)** repayments and prepayments of loans made under  
12 the [programs set forth in item (i) of this paragraph] **RENTAL HOUSING PROGRAM**  
13 **AND FROM LOAN PROGRAMS UNDER THIS TITLE THAT HAVE BEEN REPEALED;**

14                   [(iii)] **(3)** money appropriated under § 4-501(c) of this subtitle;

15                   [(iv)] **(4)** money transferred to the Fund in accordance with §§  
16 4-502(e), 4-503(d), and 4-505(h) of this subtitle and [§§ 3-203(i) and 6-310(g)] §  
17 ~~3-203~~ **3-203(1)** of this article;

18                   **(5) FUNDS RECEIVED BY THE DEPARTMENT OR THE**  
19 **ADMINISTRATION FROM THE FEDERAL GOVERNMENT OR OTHER PUBLIC OR**  
20 **PRIVATE SOURCES; and**

21                   [(v)] **(6)** investment earnings of the Fund.

22                   [(2)] The State, under § 4-501(c) of this subtitle, may appropriate to the  
23 Fund money received as repayment of principal or payment of interest on a loan made  
24 by the Maryland Housing Rehabilitation Program.]

25           (f) (1) When the Department issues a binding commitment to make a  
26 loan, the Department shall withdraw from the Fund an amount equal to the  
27 commitment.

28                   (2) Subject to § 7-209 of the State Finance and Procurement Article  
29 and except as otherwise provided in the State budget, after the first 8 months of a  
30 fiscal year the Department may transfer unencumbered money in the Fund to any  
31 other fund established under this title.

32 4-901.

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

2 (b) “Cooperative housing corporation” has the meaning stated in § 5–6B–01  
3 of the Corporations and Associations Article.

4 (c) “Cooperative interest” has the meaning stated in § 5–6B–01 of the  
5 Corporations and Associations Article.

6 (d) (1) “Family of limited income” means a family or individual whose  
7 income does not exceed the limits that the Secretary establishes under § 4–915 of this  
8 subtitle.

9 (2) “Family of limited income” includes a trust described in 42 U.S.C. §  
10 1396p(d)(4), or a trust established for the benefit of an individual with a disability by  
11 an individual other than the beneficiary and that is funded with assets that were  
12 never owned or controlled by the beneficiary, if:

13 (i) the income of the trust does not exceed the upper income  
14 limits established by the Secretary under § 4–915 of this subtitle; and

15 (ii) the beneficiary of the trust is an individual who resides in  
16 the residential building owned by the trust.

17 (e) “Local rehabilitation program” means a rehabilitation program that uses  
18 Program loans and is administered by a political subdivision.

19 (f) “Member” has the meaning stated in § 5–6B–01 of the Corporations and  
20 Associations Article.

21 (g) “Minimum livability code” means a regulation, statute, or ordinance that  
22 establishes minimum property maintenance standards that the State or a political  
23 subdivision adopts under § 12–203 of the Public Safety Article.

24 (h) “Nonprofit sponsor” means:

25 (1) a nonprofit organization;

26 (2) a political subdivision; or

27 (3) a limited partnership formed to undertake a rehabilitation project  
28 that is eligible wholly or partly for federal programs or incentives[, including  
29 low-income housing tax credits], if:

30 (i) each general partner is a nonprofit organization or a  
31 political subdivision; or

1 (ii) 1. each general partner is a wholly owned subsidiary of a  
2 nonprofit organization or political subdivision; and

3 2. a nonprofit organization or political subdivision  
4 manages the rehabilitation project or will receive net cash flow or the residual sale  
5 proceeds on the sale of the rehabilitation project.

6 (i) “Program” means the Maryland Housing Rehabilitation Program.

7 (j) “Program loan” means a loan or grant under the Maryland Housing  
8 Rehabilitation Program or a special loan program.

9 **(K) “REGULAR REHABILITATION PROGRAM” MEANS THE PROGRAM**  
10 **WHEN USED TO FUND A LOAN ~~FROM~~ FOR A SINGLE FAMILY PROJECT.**

11 **[(k)] (L)** (1) “Rehabilitation project” means a project to repair,  
12 reconstruct, renovate, redevelop, improve, modify, or add to a building for a purpose  
13 listed in § 4–923 of this subtitle.

14 (2) “Rehabilitation project” includes providing utility submetering for  
15 dwellings in a residential rental building.

16 **[(l)] (M)** “Special loan program” means:

17 (1) the Accessory, Shared, and Sheltered Housing Program;

18 (2) the Indoor Plumbing Program;

19 (3) the Lead Paint Abatement Program;

20 (4) the Migratory Worker Housing Program;

21 (5) the Radon and Asbestos Abatement Pilot Program; and

22 (6) the Accessible Homes for Senior Homeowners Grant Program.

23 **(N) “SPECIAL REHABILITATION PROGRAM” MEANS THE PROGRAM**  
24 **WHEN USED TO FUND A LOAN UNDER A SPECIAL LOAN PROGRAM.**

25 **[(m)] (O)** “Sponsor” means an owner who receives a loan to rehabilitate a  
26 building for residential rental purposes or nonresidential purposes.

27 4–903.

28 The General Assembly finds that:

1           (1)   (i)   many residents of the State live in dwellings that do not  
2 conform to building, health, safety, fire, occupancy, or other codes and standards  
3 applicable to housing;

4                   (ii)   many communities or political subdivisions in the State do  
5 not have a minimum livability code; and

6                   (iii)   these conditions impede the development and maintenance  
7 of healthy, safe, and viable communities;

8           (2)   private sector financing is often unavailable for rehabilitation  
9 because:

10                   (i)   owner–occupants of housing in need of rehabilitation often  
11 have low incomes; and

12                   (ii)   nonoccupant owners often incur high risks in owning and  
13 managing the housing;

14           (3)   rehabilitating suitable housing:

15                   (i)   increases the economic life of the housing;

16                   (ii)   is often more economical and less disruptive than replacing  
17 the housing and relocating its occupants;

18                   (iii)   can better promote community development when it is done  
19 through organized housing rehabilitation programs;

20                   (iv)   is essential for sound community development; and

21                   (v)   can be helped by rehabilitating commercial buildings serving  
22 communities where housing rehabilitation is desirable;

23           (4)   it is a proper public purpose for which public money may be spent  
24 and property acquired to:

25                   (i)   rehabilitate housing;

26                   (ii)   develop healthful, safe, and viable communities;

27                   (iii)   rehabilitate commercial buildings to help rehabilitate and  
28 develop housing; and

29                   (iv)   provide healthful and safe housing for migratory workers to  
30 maintain and expand the agricultural activities that are dependent on the labor of  
31 these workers; and

1 (5) it is a proper public purpose for which public money may be spent  
2 to:

3 (i) improve, modify, and add to housing to increase the supply  
4 of special housing for special populations, such as elderly households, individuals with  
5 disabilities, and other disadvantaged residents of the State;

6 (ii) prevent lead poisoning by modifying older housing to provide  
7 a lead-safe environment, as lead paint in older housing is a major source of lead  
8 poisoning in children;

9 (iii) provide adequate indoor plumbing, water supply, and  
10 sewage disposal systems for dwellings; **AND**

11 **[(iv) rehabilitate or acquire and rehabilitate large rental housing**  
12 **facilities for low- and moderate-income individuals and keep those facilities in a**  
13 **decent, safe, and sanitary condition; and]**

14 **[(v) (IV) reduce or eliminate radon and asbestos, which are**  
15 **major detriments to the health and safety of residents, on a pilot program basis.**

16 4-905.

17 The Maryland Housing Rehabilitation Program includes:

18 (1) the Accessory, Shared, and Sheltered Housing Program;

19 (2) the Indoor Plumbing Program;

20 (3) the Migratory Worker Housing Program;

21 **[(4) the Nonprofit Rehabilitation Program;]**

22 **[(5) (4) the Radon and Asbestos Abatement Pilot Program; and**

23 **[(6) (5) the Accessible Homes for Senior Homeowners Grant**  
24 **Program.**

25 4-906.

26 (a) (1) The Department shall operate the Program and make Program  
27 loans.

28 (2) As much as possible, the Program shall be administered:

1 (i) in conjunction with federal programs assisting rehabilitation  
2 of housing, to ensure maximum use of available federal money; and

3 (ii) consistently with locally approved plans or programs of  
4 concentrated neighborhood revitalization.

5 (b) [(1) The Multifamily Rehabilitation Program consists of:

6 (i) Program loans made to rehabilitate or acquire and  
7 rehabilitate buildings providing more than four dwellings or serving nonresidential  
8 needs; and

9 (ii) Program loans to nonprofit sponsors under § 4–929 of this  
10 subtitle.]

11 [(2) (1) Except for Program loans made under a special loan  
12 program, the Regular Rehabilitation Program consists of Program loans to rehabilitate  
13 residential buildings providing four or fewer dwellings.

14 [(3) (2) The Special Rehabilitation Program consists of Program  
15 loans made under a special loan program.

16 4–907.

17 (a) The Regular Rehabilitation Program and the Special Rehabilitation  
18 Program shall operate with money in the Special Loan Programs Fund and other  
19 money available to the Department for these programs.

20 (b) [(1) If the applications that qualify for a Program loan under the  
21 Regular Rehabilitation Program or a special loan program do not commit all money  
22 appropriated to that loan program within 6 months after the appropriation, the  
23 Department may reallocate the remaining appropriated money to any other program  
24 financed by the Special Loan Programs Fund.

25 [(2) In like circumstances, the Department may reallocate money  
26 appropriated to the Nonprofit Rehabilitation Program or the Multifamily  
27 Rehabilitation Program to any other program financed by the Rental Housing  
28 Programs Fund.]

29 4–918.

30 (a) (1) When the Department makes a Program loan to finance a  
31 residential rehabilitation project, the sponsor or nonprofit sponsor shall restrict some  
32 dwellings for occupancy by families of limited income for at least the greater of 15  
33 years and the number of years required by federal law.

1           (2)    The number of dwellings restricted under paragraph (1) of this  
2 subsection shall be at least the greater of:

3                   (i)    the number that bears the same ratio to the total number of  
4 dwellings in the project as the amount the Program loan bears to the total financing of  
5 the undertaking; **AND**

6                   [(ii)   the number of dwellings chosen by the sponsor to satisfy  
7 federal occupancy requirements if the residential rehabilitation project receives an  
8 allocation of federal low-income housing tax credits; and]

9                   [(iii)] **(II)**   the number of dwellings required for a community  
10 development project under § 4-217(b)(1)(ii) of this title or the number of dwellings that  
11 the issuer of the bonds chooses, whichever is greater, if a portion of the costs of the  
12 residential rehabilitation project is financed by government-issued, federally  
13 tax-exempt revenue bonds.

14           (b)    Dwellings restricted for occupancy to meet other federal or State  
15 occupancy requirements may be counted toward the number required under  
16 subsection (a) of this section.

17           [(c)    As a condition to certain types of Program loans, the Department may  
18 require the political subdivision where a rehabilitation project is located to make a  
19 contribution to the project.]

20   4-921.

21           [(a)    Rehabilitation loans under the Multifamily Rehabilitation Program and  
22 nonprofit rehabilitation loans shall be financed by the Rental Housing Programs  
23 Fund.

24           (b)]   Rehabilitation loans under the Regular Rehabilitation Program and  
25 special loan programs shall be financed by the Special Loan Programs Fund.

26   4-923.

27           (a)    The purpose of a rehabilitation project is:

28                   (1)    to bring a building to a decent, safe, and sanitary condition in  
29 accordance with applicable codes and standards, including those for construction,  
30 health, safety, fire, and occupancy;

31                   (2)    to maintain the building in that condition;

32                   (3)    to make the building more useful and attractive;

1                   (4)    to conform the building to the appropriate minimum livability  
2 code;

3                   **[(5)]**   to acquire a building containing more than four dwelling units for  
4 the purposes set forth in items (1) through (4) of this subsection;]

5                   **[(6)] (5)**    to provide, under applicable special loan programs:

6                           (i)    lead paint abatement;

7                           (ii)   indoor plumbing; or

8                           (iii)   shared, accessory, or sheltered housing;

9                   **[(7)] (6)**    in the case of a loan or grant to an elderly household or a  
10 disabled homeowner, to modify or improve a dwelling to make it more accessible or  
11 functional for the occupants, if the building is, or after improvements will be,  
12 structurally sound and free of health and safety hazards; or

13                   **[(8)] (7)**    to provide, under applicable special loan pilot programs,  
14 radon abatement or asbestos abatement.

15                   (b)    (1)    The applicable codes and standards under subsection (a)(1) of this  
16 section are:

17                           (i)    those in force in the political subdivision where the building  
18 is located; or

19                           (ii)   those that the Department sets by regulation for that  
20 political subdivision solely for purposes of this subtitle, if the political subdivision  
21 lacks codes and standards that the Secretary considers sufficient to promote the  
22 objectives of this subtitle.

23                   (2)    With the approval of the local enforcement authority, the Secretary  
24 may allow exceptions to a code or standard to preserve the historic or architectural  
25 value of a building undergoing rehabilitation under this subtitle.

26 4-1205.

27                   (a)    The Department shall:

28                           (1)    administer the Program;

29                           (2)   adopt policies and procedures that encourage partnership rental  
30 housing throughout the State; and

1           (3)    adopt regulations to carry out the Program, including regulations  
2 that specify criteria for local contributions to the cost of partnership projects  
3 undertaken by a political subdivision or housing authority.

4           (b)    The Department may establish:

5           (1)    maximum limits for financing that it will provide to:

6                   (i)    individual partnership rental housing units;

7                   (ii)   any one partnership project; or

8                   (iii)   any political subdivision or housing authority;

9           (2)    a process for approving financing for partnership projects that  
10 encourages a broad geographic distribution of money; and

11           (3)    the time that a household may occupy the partnership rental  
12 housing after the annual income of the household exceeds the continuing occupancy  
13 income limits for households of lower income.

14           **(C)    IN ADMINISTERING THE PROGRAM, THE DEPARTMENT MAY MAKE**  
15 **LOANS EITHER DIRECTLY OR THROUGH THE ADMINISTRATION.**

16    4–1207.

17           (a)    Except as provided in subsection (c) of this section, the Department may  
18 approve an application for a proposed partnership project only if:

19                   (1)    the application is authorized by the chief elected official of the  
20 political subdivision or, if there is no chief elected official, by the governing body of the  
21 political subdivision in which the project is located;

22                   (2)    the political subdivision or housing authority:

23                           (i)    contributes from nonstate sources the land for the  
24 partnership rental housing;

25                           (ii)   funds the part of the acquisition cost of the property that is  
26 attributable to the value of the land; or

27                           (iii)   makes a contribution under § 4–1208(d)(2) of this subtitle  
28 that equals or exceeds the value of the land;

29                   (3)    the political subdivision or housing authority is to have an  
30 ownership interest in the partnership project or in the rental units financed by the

1 Program and sold to the political subdivision or housing authority or to a partnership  
2 that includes the political subdivision or housing authority;

3 (4) the political subdivision or housing authority directly or indirectly  
4 manages the partnership project;

5 (5) the rental units financed by the Program are to be occupied on  
6 completion of the acquisition, construction, reconstruction, renovation, or  
7 rehabilitation by households of lower income;

8 (6) **UNLESS PROHIBITED BY ANY APPLICABLE FEDERAL**  
9 **REQUIREMENT**, the households of lower income occupying the partnership project or  
10 the part financed by the Program are required to contribute services to enhance or  
11 maintain the partnership project or the community in a way that the political  
12 subdivision or housing authority accepts; and

13 (7) it is reasonable to anticipate that:

14 (i) more State subsidies will not be needed for long-term  
15 occupancy by households of lower income; and

16 (ii) rental income, including any contribution to allow for more  
17 affordable rents under § 4-1208(d) of this subtitle, will be enough to pay the operating  
18 costs of the partnership project and to build an adequate reserve for the long-term  
19 maintenance and renovation of the partnership project.

20 (b) The rental units financed by the Program may include, as among those  
21 that must be occupied by households of lower income, rental units restricted for  
22 occupancy to meet other federal or State occupancy requirements.

23 (c) The Department may approve the use of partnership rental housing  
24 funds for a unit of partnership rental housing that [is not owned in whole or in part by  
25 a political subdivision or housing authority] **DOES NOT COMPLY WITH EACH**  
26 **REQUIREMENT SET FORTH IN SUBSECTION (A) OF THIS SECTION** if:

27 (1) the unit will be occupied by a household of lower income that  
28 includes one or more individuals with disabilities or special needs; and

29 (2) the project in which the unit is located complies with the  
30 requirements of the other State housing programs financing the project~~],~~ if any,  
31 [including requirements for local support or local contribution].

32 4-1208.

1 (a) A political subdivision [or], housing authority, **OR OTHER ELIGIBLE**  
2 **BORROWER** may participate in the Program and do all things necessary or convenient  
3 to its participation, including:

4 (1) developing, acquiring, improving, owning, operating, and  
5 managing rental housing;

6 (2) borrowing money; and

7 (3) mortgaging, pledging, and granting a security interest in real or  
8 personal property related to a particular partnership project.

9 (b) [The] **EXCEPT AS PROVIDED IN SUBSECTION (G) OF THIS SECTION,**  
10 **THE** Department may not require a [political subdivision or housing authority]  
11 **BORROWER** to repay money made available under the Program, unless the [political  
12 subdivision or housing authority] **BORROWER**:

13 (1) sells the partnership project; or

14 (2) fails to operate the partnership project for the benefit of  
15 households of lower income in accordance with agreements between the Department  
16 and the political subdivision or housing authority.

17 (c) The Department shall secure the obligations of the [political subdivision,  
18 housing authority, or private sector entity] **BORROWER** by using a mortgage, deed of  
19 trust, or other security device that the Department accepts on the property or on  
20 revenues derived from the property.

21 (d) (1) To allow for more affordable rents, a political subdivision or  
22 housing authority may contribute local money, including locally administered federal  
23 money or federal rental assistance.

24 (2) The contributions of political subdivisions or housing authorities  
25 under § 4-1207(a)(2)(iii) of this subtitle may include the costs of:

26 (i) necessary studies, surveys, tests, plans, and specifications;

27 (ii) architectural, design, engineering, and other special  
28 services;

29 (iii) site preparation;

30 (iv) indemnity and surety bonds and premiums on title and  
31 hazard insurance; and

32 (v) other costs of development.

1 (e) To participate in the Program and to receive loans, a political subdivision  
2 or housing authority may not be required to pledge its full faith and credit.

3 (f) For rental housing financed from the Fund and owned or managed by a  
4 housing authority, this subtitle supersedes:

5 (1) §§ 12-401, 12-402, and 12-405 of this article; and

6 (2) all other restrictions on tenant income under Division II of this  
7 article.

8 (G) IF NECESSARY TO COMPLY WITH, OR RECEIVE THE BENEFIT OF,  
9 FEDERAL OR OTHER FINANCIAL ASSISTANCE, FUNDS PROVIDED UNDER THE  
10 PROGRAM MAY BE MADE AVAILABLE AS A DEFERRED PAYMENT LOAN  
11 REPAYABLE ON THE LATER OF:

12 (1) THE OCCURRENCE OF ONE OF THE EVENTS SET FORTH IN  
13 SUBSECTION (B) OF THIS SECTION; OR

14 (2) A MATURITY DATE SET BY THE DEPARTMENT.

15 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
16 July 1, 2014.

Approved:

\_\_\_\_\_  
Governor.

\_\_\_\_\_  
Speaker of the House of Delegates.

\_\_\_\_\_  
President of the Senate.