

**Department of Legislative Services**  
Maryland General Assembly  
2017 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 107 (Chair, Environment and Transportation Committee)(By  
Request - Departmental - Housing and Community  
Development)

Environment and Transportation

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**Department of Housing and Community Development - Funding for Newly  
Constructed Single-Family Homes**

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This departmental bill authorizes the Department of Housing and Community Development (DHCD) to provide funding for growth-related residential construction projects outside of a priority funding area without the approval of the Board of Public Works under specified circumstances. Funds may be used only for the construction or purchase of newly constructed single-family homes or the purchase of loans for newly constructed single-family homes if DHCD determines that building and fire code compliance costs make it difficult for a low- or moderate-income family to purchase a newly constructed single-family home.

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**Fiscal Summary**

**State Effect:** The bill primarily expands the purposes for which existing funds may be used. To the extent it requires administrative changes, the department can handle them with existing resources. No effect on revenues.

**Local Effect:** The bill does not materially affect local government finances or operations. To the extent that the bill results in additional new home construction and economic development, local government revenues may increase; however, any increase in new home construction as a result of the bill is assumed to be minimal.

**Small Business Effect:** DHCD has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

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## Analysis

### Current Law:

#### *Priority Funding Areas*

Chapter 759 of 1997 established that State spending on certain growth-related activities must be directed to priority funding areas. Growth-related projects include most State programs that encourage or support growth and development such as highways, sewer and water construction, economic development assistance, and State leases or construction of new office facilities. Priority funding areas include all municipalities that existed in the State in 1997; areas inside the Washington Beltway and the Baltimore Beltway; and areas designated as enterprise zones, neighborhood revitalization areas, heritage areas, and certain industrial areas. Areas that were annexed by a municipality after 1997 may also be designated priority funding areas, as long as the areas satisfy specified requirements in statute generally related to density, water and sewer access, and other related factors.

The Board of Public Works must approve any project that provides State funding for a growth-related project that is *not* located within a priority funding area, subject to limited exceptions, including for (1) a project that is required to protect public health or safety; (2) a project involving federal funds, to the extent that compliance with priority funding area rules would conflict or be inconsistent with federal law; or (3) a specified growth-related project related to a commercial or industrial activity which, due to its operational or physical characteristics, must be located away from other development.

#### *Maryland Building Performance Standards*

DHCD is required to adopt, as the Maryland Building Performance Standards (MBPS), the most recent version of the International Building Code (IBC), including the International Energy Conservation Code (IECC), along with applicable modifications authorized in Title 12 of the Public Safety Article. Within 12 months of the release of each new version of IBC, DHCD is required to review the new version, consider modifications, and adopt specified modifications related to energy conservation and efficiency. DHCD is prohibited from adopting any modification that is more stringent than IBC, except that an energy conservation requirement may be more stringent than IECC. DHCD and local governments may also adopt by regulation the International Green Construction Code.

A local jurisdiction may adopt local amendments to MBPS if the local amendments do not (1) prohibit the minimum implementation and enforcement activities required by State law; (2) weaken the energy conservation and efficiency provisions; (3) except for specified exceptions, weaken the automatic fire sprinkler systems provisions for townhouses and one- and two-family dwellings; or (4) weaken the wind design and wind-borne debris

provisions contained in the standards. If a local amendment conflicts with MBPS, the local amendment prevails in the local jurisdiction. A local jurisdiction that adopts a local amendment is required to ensure that the local amendment is adopted in accordance with applicable local law.

Local governments are responsible for the implementation and enforcement of MBPS, which includes, at a minimum, (1) review and acceptance of appropriate plans; (2) issuance of building permits; (3) inspection of work authorized by the building permits; and (4) issuance of appropriate use and occupy certificates. Any modification of MBPS adopted by the State must be implemented and enforced by a local jurisdiction no later than six months after the modifications are adopted by the State.

**Background:** DHCD advises that the requirement (under MBPS) that new single-family homes be equipped with sprinklers can add to construction costs, particularly for homes in rural areas that rely on well water. The department is already authorized to provide financial tools for new residential construction inside priority funding areas; the bill allows the department to provide those same tools outside of priority funding areas, subject to the Secretary's determination that the cost of compliance with building codes is overly burdensome. DHCD advises that, under the bill, it intends to mitigate the costs associated with the fire sprinkler requirement by providing financial assistance to new home construction and purchases that are currently prohibited from receiving priority funding area assistance.

### *International Building Code*

DHCD currently incorporates by reference the 2015 IBC, including the 2015 IECC, with modifications, as MBPS. In general, the standards apply to all buildings and structures within the State for which a building permit application is received by a local government.

The International Code Council (ICC) develops and publishes IBC. ICC was established in 1994 as a nonprofit organization dedicated to developing a single set of comprehensive and coordinated national model construction codes, including IBC, which has been adopted by all 50 states as well as thousands of local jurisdictions.

Chapters 265 and 266 of 2012 prohibited local amendments to MBPS that weaken the automatic fire sprinkler systems provisions for townhouses and one- and two-family dwellings contained in MBPS.

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## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Housing and Community Development; Maryland Department of Planning; Board of Public Works; International Code Council; Department of Legislative Services

**Fiscal Note History:** First Reader - January 27, 2017  
mm/mcr

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**ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES**

**TITLE OF BILL:** DHCD — Single Family Home Construction

**BILL NUMBER:** HB 107

**PREPARED BY** Department of Housing and Community Development

**PART A. ECONOMIC IMPACT RATING**

X WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

\_\_\_\_\_ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

**PART B. ECONOMIC IMPACT ANALYSIS**