

HOUSE BILL 452

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C8

1998 Regular Session
(8lr6151)

ENROLLED BILL

-- Appropriations/Economic and Environmental Affairs --

Introduced by **Chairman, Appropriations Committee (Departmental -
Housing and Community Dev.)**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this
____ day of _____ at _____ o'clock, ____ M.

Speaker.

CHAPTER _____

1 AN ACT concerning

2 **Department of Housing and Community Development - Rental Housing**
3 **Production Program - Office and Commercial Space Conversion**

4 FOR the purpose of authorizing the Department of Housing and Community
5 Development to provide financial assistance through the Rental Housing
6 Production Program for conversion of office and other commercial space to
7 rental housing; ~~limiting Program income eligibility requirements; requiring that~~
8 ~~a certain percentage of dwelling units resulting from a conversion of office and~~
9 ~~commercial space to rental housing be restricted to occupancy by families of~~
10 ~~lower incomes~~ ~~limiting Program income eligibility requirements;~~ providing for
11 certain contingencies; and generally relating to the Rental Housing Production
12 Program and the Department of Housing and Community Development.

13 BY repealing and reenacting, with amendments,
14 Article 83B - Department of Housing and Community Development
15 Section 2-501, 2-503, and 2-504

1 Annotated Code of Maryland
2 (1995 Replacement Volume and 1997 Supplement)

3 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
4 MARYLAND, That the Laws of Maryland read as follows:

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

6 2-501.

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

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

- 10 (1) Necessary studies, surveys, plans, and specifications;
- 11 (2) Architectural, engineering, or other special services;
- 12 (3) Acquisition of land and improvements;
- 13 (4) Site preparation and development;
- 14 (5) Construction, reconstruction, rehabilitation, and improvement;
- 15 (6) Acquisition of necessary machinery, equipment, and furnishings;
- 16 (7) Initial occupancy expenses of the project;
- 17 (8) Indemnity and surety bonds and premiums on insurance; and
- 18 (9) Other fees and relocation expenses.

19 (c) (1) "Families of lower income" means families or persons whose incomes
20 do not exceed upper income limits established by the Secretary taking into
21 consideration factors including:

- 22 (i) The amount of the total income of the families available for
23 housing needs;
- 24 (ii) The size of the family;
- 25 (iii) The cost and condition of housing facilities available;
- 26 (iv) The ability of the families to compete successfully in the
27 conventional private housing market; and
- 28 (v) Relevant standards and definitions established for federal
29 housing programs.

1 (2) The income limits for families of lower income shall be established at
 2 levels lower than the income limits established for families of limited incomes as
 3 provided in § 2-203 of this article. The limits may differ for different areas or regions
 4 of the State. A limit of general applicability may be supplemented by a lower limit
 5 applicable to a particular project.

6 (d) "Fund" means the Rental Housing Programs Fund.

7 (e) "Limited equity cooperative housing" has the meaning stated in §
 8 143(k)(9)(C) of the Internal Revenue Code and the regulations adopted by the
 9 Internal Revenue Service under § 143(k)(9)(C) of the Internal Revenue Code.

10 (f) "Loan" means a loan of money made by the Department under this
 11 subtitle.

12 (G) "OFFICE AND OTHER COMMERCIAL SPACE" MEANS BUILDINGS:

13 (1) CONSTRUCTED MORE THAN ~~40~~ 30 YEARS BEFORE AN APPLICATION IS
 14 SUBMITTED TO THE DEPARTMENT TO FINANCE THE CONVERSION OF THE BUILDING
 15 TO RENTAL HOUSING UNITS;

16 (2) CONSISTING OF TWO OR MORE FLOORS AT OR ABOVE GROUND
 17 LEVEL; AND

18 (3) ~~IN WHICH AT LEAST TWO FLOORS OR 50% OF TOTAL FLOOR SPACE,~~
 19 ~~WHICHEVER IS GREATER,~~ WAS BUILT FOR THE PRIMARY PURPOSE OF BEING USED
 20 FOR OFFICE OR OTHER COMMERCIAL SPACE AND WAS LAST USED AS OFFICE OR
 21 OTHER COMMERCIAL SPACE.

22 (H) "OFFICE AND COMMERCIAL SPACE CONVERSION" MEANS OFFICE AND
 23 OTHER COMMERCIAL SPACE THAT:

24 (1) IS RENOVATED FOR RENTAL HOUSING; AND

25 (2) IS IN A ~~DESIGNATED NEIGHBORHOOD~~ ONE OF THE DESIGNATED
 26 NEIGHBORHOODS ESTABLISHED UNDER § 4-203(B) OF THIS ARTICLE.

27 [(g)] (I) "Operating costs" means any costs incurred by a sponsor of a
 28 completed project necessary to maintain or operate a project including payments of
 29 principal and interest on a loan to cover development costs.

30 [(h)] (J) "Nonprofit organization" means a corporation, foundation, or other
 31 legal entity, no part of the net earnings of which inures to the benefit of any private
 32 shareholder or individual holding any interest in such entity.

33 [(i)] (K) "Nonprofit sponsor" means a sponsor who is:

34 (1) A nonprofit organization; or

35 (2) A limited partnership if:

1 (i) Each of the general partners qualifies as a nonprofit
2 organization; or

3 (ii) 1. The limited partnership is a wholly owned subsidiary of a
4 nonprofit organization;

5 2. The limited partnership is formed for the purpose of
6 undertaking a project that is eligible in whole or in part for federal programs or
7 incentives, including low income housing tax credits; and

8 3. A nonprofit organization manages the project or will be
9 the recipient of net cash flow or the residual sale proceeds upon sale of the project.

10 [(j)] (L) "Political subdivision" means any municipal corporation in Maryland
11 subject to the provisions of Article XI-E of the Constitution, the Mayor and City
12 Council of Baltimore, and any of the 23 counties in Maryland.

13 [(k)] (M) "Program" means the Rental Housing Production Program.

14 [(l)] (N) (1) "Rental housing production project" or "project" means:

15 (I) AN OFFICE AND COMMERCIAL SPACE CONVERSION; OR

16 (II) [any] ANY project or undertaking for the acquisition,
17 construction, or rehabilitation of buildings and improvements, or any portion thereof,
18 which buildings and improvements or portion thereof will be occupied by families of
19 lower income as follows:

20 [(1)] 1. At least a minimum number of dwelling units shall be restricted
21 for occupancy by families of lower income for at least a minimum number of years[.];

22 [(2)] 2. The minimum number of dwelling units shall be the greater of:

23 [(i)] A. The number of units which is equal to the proportion of the
24 amount of the program loan for the project to the total financing of the undertaking;
25 [or]

26 [(ii)] B. For projects which receive an allocation of federal low
27 income housing tax credits, the number of units selected by the sponsor to satisfy the
28 federal occupancy requirements; or

29 [(iii)] C. For projects which finance a portion of the project costs
30 with government issued federally tax exempt revenue bonds, the greater of:

31 [1.] I. The number of units required for community
32 development projects under § 2-203(f)(1)(ii) of this title; or

33 [2.] II. The number of units selected by the issuer of the
34 bonds[.]; AND

1 [(3)] 3. The minimum number of years shall be the greater of the
2 number of years imposed by the federal requirements or 15 years[.]; AND

3 [(4)] 4. Units restricted for occupancy to meet other federal or State
4 occupancy requirements may be counted towards the minimum number required
5 under this section.

6 [(5)] (2) "Rental housing production project" or "project" includes:

7 (i) Limited equity cooperative housing if such housing satisfies, at
8 the time of sale or transfer of shares, the occupancy requirements contained in this
9 subsection; and

10 (ii) Single room occupancy and shared living unit facilities and
11 emergency and temporary shelters.

12 [(m)] (O) "Sponsor" means any political subdivision, person, partnership, joint
13 venture, corporation, nonprofit organization, or other legal entity, including the
14 Department, that applies for a loan under the Rental Housing Production Program
15 established under this subtitle.

16 2-503.

17 The purposes of the Program are to:

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

20 (2) Provide financial assistance for the costs of acquiring, constructing,
21 or rehabilitating rental housing so that it is affordable by families of lower income;
22 [and]

23 (3) Stimulate the participation of political subdivisions in providing
24 assistance for the production of affordable rental housing for families of lower income;
25 AND

26 (4) REVITALIZE DESIGNATED NEIGHBORHOODS THROUGH OFFICE
27 SPACE CONVERSION.

28 2-504.

29 (a) ~~[(The)] EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION, THE~~
30 EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION, THE Department shall:

31 (1) Manage, supervise, and administer the Program;

32 (2) Adopt policies to ensure that rental housing is made available to
33 families of lower income with the assistance of political subdivisions;

34 (3) Attach such specific terms to any purchase, sale, or lease of a project
35 or land therefor as may be necessary to carry out the purposes of the Program;

1 (4) Develop procedures for monitoring the occupancy of the rental units
 2 produced under the Program by families of lower income to ensure that the rental
 3 units receiving financial assistance under the Program are occupied by families of
 4 lower income;

5 (5) Comply with the requirements of local laws, ordinances, codes,
 6 charters, or regulations applicable to any particular project; and

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

9 (b) ~~[Notwithstanding] EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS~~
 10 ~~SECTION AND NOTWITHSTANDING~~ any provision of this subtitle or any other law or
 11 regulation, the Department may:

12 (1) Make and participate in making loans to sponsors for any rental
 13 housing production project including loans for development costs related to the
 14 construction or rehabilitation of a project and loans for the acquisition of completed
 15 projects;

16 (2) Own or lease a rental housing production project or the land therefor
 17 during the construction or rehabilitation of a project and sell, assign, or transfer the
 18 project without public bidding or public sale to a sponsor upon its completion upon
 19 such terms and conditions as may be determined to make economically feasible rental
 20 housing available for ~~OFFICE SPACE CONVERSION OR TO~~ families of lower income OR
 21 FROM OFFICE AND OTHER COMMERCIAL SPACE CONVERSIONS;

22 (3) Own, lease, construct, or rehabilitate a rental housing production
 23 project or the land therefor and may at any time following completion of the project
 24 transfer the project or land to an eligible sponsor;

25 (4) Limit the return on equity allowed to sponsors or enter into equity
 26 participation agreements with sponsors; or

27 (5) Within the limits established for families of lower income, establish
 28 income ranges and percentages of each income range to be served by a rental housing
 29 production project.

30 ~~(C) SUBSECTIONS (A)(2), (A)(4), AND (B)(5) OF THIS SECTION SHALL NOT APPLY~~
 31 ~~TO OFFICE SPACE CONVERSIONS.~~

32 ~~(C) AT LEAST 20% OF THE DWELLING UNITS RESULTING FROM EACH OFFICE~~
 33 ~~AND COMMERCIAL SPACE CONVERSION SHALL BE RESTRICTED TO OCCUPANCY BY~~
 34 ~~FAMILIES OF LOWER INCOMES.~~

35 (C) SUBSECTIONS (A)(2) AND (4) AND (B)(5) OF THIS SECTION DO NOT APPLY TO
 36 OFFICE SPACE CONVERSION.

37 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take
 38 effect July 1, 1998, contingent upon the inclusion in the Budget Bill for Fiscal Year

1 1999 of an increase in appropriations to the Rental Housing Production Program
2 above the Fiscal Year 1998 appropriation, provided that in Fiscal Year 1999 and
3 thereafter no part of the appropriation for the Program except any increase above the
4 Fiscal Year 1998 appropriation may be used for conversion of office space to rental
5 housing.