
By: **Chairman, Appropriations Committee (Departmental - Housing and Community Dev.)**

Introduced and read first time: February 4, 1998

Assigned to: Appropriations

A BILL ENTITLED

1 AN ACT concerning

2 **Department of Housing and Community Development - Rental Housing**
3 **Production Program - Office 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 space to rental housing; limiting
7 Program income eligibility requirements; providing for certain contingencies;
8 and generally relating to the Rental Housing Production Program and the
9 Department of Housing and Community Development.

10 BY repealing and reenacting, with amendments,
11 Article 83B - Department of Housing and Community Development
12 Section 2-501, 2-503, and 2-504
13 Annotated Code of Maryland
14 (1995 Replacement Volume and 1997 Supplement)

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

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

18 2-501.

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

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

22 (1) Necessary studies, surveys, plans, and specifications;

23 (2) Architectural, engineering, or other special services;

24 (3) Acquisition of land and improvements;

25 (4) Site preparation and development;

1 (5) Construction, reconstruction, rehabilitation, and improvement;

2 (6) Acquisition of necessary machinery, equipment, and furnishings;

3 (7) Initial occupancy expenses of the project;

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

5 (9) Other fees and relocation expenses.

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

9 (i) The amount of the total income of the families available for
10 housing needs;

11 (ii) The size of the family;

12 (iii) The cost and condition of housing facilities available;

13 (iv) The ability of the families to compete successfully in the
14 conventional private housing market; and

15 (v) Relevant standards and definitions established for federal
16 housing programs.

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

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

23 (e) "Limited equity cooperative housing" has the meaning stated in §
24 143(k)(9)(C) of the Internal Revenue Code and the regulations adopted by the
25 Internal Revenue Service under § 143(k)(9)(C) of the Internal Revenue Code.

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

28 (G) "OFFICE SPACE" MEANS BUILDINGS:

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

32 (2) CONSISTING OF TWO OR MORE FLOORS AT OR ABOVE GROUND
33 LEVEL; AND

1 (3) IN WHICH AT LEAST TWO FLOORS OR 50% OF TOTAL FLOOR SPACE,
2 WHICHEVER IS GREATER, WAS BUILT FOR THE PRIMARY PURPOSE OF BEING USED
3 FOR OFFICE SPACE AND WAS LAST USED AS OFFICE SPACE.

4 (H) "OFFICE SPACE CONVERSION" MEANS OFFICE SPACE THAT:

5 (1) IS RENOVATED FOR RENTAL HOUSING; AND

6 (2) IS IN A DESIGNATED NEIGHBORHOOD ESTABLISHED UNDER §
7 4-203(B) OF THIS ARTICLE.

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

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

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

15 (1) A nonprofit organization; or

16 (2) A limited partnership if:

17 (i) Each of the general partners qualifies as a nonprofit
18 organization; or

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

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

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

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

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

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

31 (I) AN OFFICE SPACE CONVERSION; OR

32 (II) [any] ANY project or undertaking for the acquisition,
33 construction, or rehabilitation of buildings and improvements, or any portion thereof,

1 which buildings and improvements or portion thereof will be occupied by families of
2 lower income as follows:

3 [(1)] 1. At least a minimum number of dwelling units shall be restricted
4 for occupancy by families of lower income for at least a minimum number of years[.];

5 [(2)] 2. The minimum number of dwelling units shall be the greater of:

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

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

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

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

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

18 [(3)] 3. The minimum number of years shall be the greater of the
19 number of years imposed by the federal requirements or 15 years[.]; AND

20 [(4)] 4. Units restricted for occupancy to meet other federal or State
21 occupancy requirements may be counted towards the minimum number required
22 under this section.

23 [(5)] (2) "Rental housing production project" or "project" includes:

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

27 (ii) Single room occupancy and shared living unit facilities and
28 emergency and temporary shelters.

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

1 2-503.

2 The purposes of the Program are to:

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

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

8 (3) Stimulate the participation of political subdivisions in providing
9 assistance for the production of affordable rental housing for families of lower income;
10 AND

11 (4) REVITALIZE DESIGNATED NEIGHBORHOODS THROUGH OFFICE
12 SPACE CONVERSION.

13 2-504.

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

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

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

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

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

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

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

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

32 (1) Make and participate in making loans to sponsors for any rental
33 housing production project including loans for development costs related to the
34 construction or rehabilitation of a project and loans for the acquisition of completed
35 projects;

1 (2) Own or lease a rental housing production project or the land therefor
2 during the construction or rehabilitation of a project and sell, assign, or transfer the
3 project without public bidding or public sale to a sponsor upon its completion upon
4 such terms and conditions as may be determined to make economically feasible rental
5 housing available for OFFICE SPACE CONVERSION OR TO families of lower income;

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

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

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

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

16 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take
17 effect July 1, 1998, contingent upon the inclusion in the Budget Bill for Fiscal Year
18 1999 of an increase in appropriations to the Rental Housing Production Program
19 above the Fiscal Year 1998 appropriation, provided that in Fiscal Year 1999 and
20 thereafter no part of the appropriation for the Program except any increase above the
21 Fiscal Year 1998 appropriation may be used for conversion of office space to rental
22 housing.