

SENATE BILL 524

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1998 Regular Session
8lr2357
CF 8lr1834

By: **Senator Collins**

Introduced and read first time: February 6, 1998

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Neighborhood Business Development Program - Eligible Business**
3 **Financing**

4 FOR the purpose of repealing the definition of "small business"; adding the definition
5 of "eligible business" to include only those businesses that employ or plan to
6 employ less than a certain number of people at a certain location; requiring a
7 neighborhood business development project to provide employment at certain
8 sites in order to qualify for certain assistance; requiring the Department to
9 reserve a certain amount of the appropriation for certain applicants employing
10 less than a certain number of people; prohibiting the Department from requiring
11 applicants to have been denied certain other assistance in certain
12 circumstances; and generally relating to the Neighborhood Business
13 Development Program.

14 BY repealing and reenacting, with amendments,
15 Article 83B - Department of Housing and Community Development
16 Section 4-202, 4-203, 4-204, and 4-206
17 Annotated Code of Maryland
18 (1995 Replacement Volume and 1997 Supplement)

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

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

22 4-202.

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

24 (b) "Designated neighborhood" means a geographically defined area of a local
25 jurisdiction which is designated as an eligible neighborhood in accordance with §
26 4-203(b) of this subtitle.

27 (c) "Development costs" means the costs incurred for the construction or
28 rehabilitation of a neighborhood business development project, including the costs of:

- 1 (1) Necessary studies, surveys, plans, and specifications;
- 2 (2) Architectural, engineering, or other special services related to
3 construction or rehabilitation, including flood plain studies, environmental audits,
4 and critical area or wetland assessments;
- 5 (3) Acquisition of land and improvements;
- 6 (4) Site preparation;
- 7 (5) Construction, reconstruction, and rehabilitation;
- 8 (6) Acquisition of machinery, equipment, and furnishings;
- 9 (7) Essential start-up operating costs, including working capital and
10 initial occupancy expenses;
- 11 (8) Indemnity and surety bonds and premiums on insurance; and
- 12 (9) Other necessary fees and temporary relocation expenses.

13 (D) "ELIGIBLE BUSINESS" MEANS A BUSINESS THAT EMPLOYS OR PLANS TO
14 EMPLOY NO MORE THAN 150 PEOPLE AT THE SITE OF THE PROJECT.

15 [(d)] (E) "Fund" means the Neighborhood Business Development Fund.

16 [(e)] (F) "Local jurisdiction" means a municipal corporation or county.

17 [(f)] (G) "Nonprofit organization" means a corporation, foundation, or other
18 legal entity that specifies in its charter or bylaws that no part of the net earnings may
19 inure to the benefit of any private shareholder or individual holding any interest in
20 such entity.

21 [(g)] (H) "Program" means the Neighborhood Business Development Program.

22 [(h)] (I) "Project" means a neighborhood business development project which
23 receives financial assistance from the Neighborhood Business Development Fund.

24 [(i)] "Small business" means a business that employs a number of employees or
25 has annual receipts no greater than limits set forth in regulations by the Department
26 which shall not exceed the standards set by the federal Small Business
27 Administration.]

28 4-203.

29 (a) To qualify for financial assistance under the Program, a neighborhood
30 business development project must be located in a designated neighborhood AND
31 PROVIDE EMPLOYMENT AT THE SITE IN THE DESIGNATED NEIGHBORHOOD.

1 (b) Local jurisdictions may designate one or more eligible neighborhoods with
2 the concurrence of the Secretary of the Department, taking into consideration the
3 following factors:

4 (1) The availability, cost, and condition of business facilities;

5 (2) The age and number of abandoned structures;

6 (3) The age and number of substandard structures;

7 (4) The income of residents relative to State or regional median incomes,
8 including the number of persons who are welfare recipients or unemployed;

9 (5) The extent of unemployment and the availability in the area of jobs
10 for residents of the designated neighborhood;

11 (6) The need for financing for [small] ELIGIBLE businesses in order to
12 upgrade the social and economic conditions of the designated neighborhood;

13 (7) The neighborhood development or redevelopment strategy of the local
14 jurisdiction for the designated neighborhood and any plans and financial commitment
15 of the local jurisdiction to undertake improvements in the designated neighborhood;
16 and

17 (8) Other standards and criteria deemed relevant by the Department as
18 set forth in regulations, including standards established for other relevant State or
19 federal programs.

20 4-204.

21 (a) Financial assistance under the Program may be provided to a [small]
22 ELIGIBLE business in any of the following forms:

23 (1) Grant;

24 (2) Loan;

25 (3) Reduction in the principal obligation of or rate of interest payable on
26 a loan or portion of a loan;

27 (4) Prepayment of interest on a subordinate or superior loan or portion of
28 a loan;

29 (5) Assurance;

30 (6) Guarantee; or

31 (7) Any other form of credit enhancement.

32 (b) The Department shall review all applications for financial assistance.

1 (c) Applications shall be submitted by an applicant which may be a for profit
2 or nonprofit [small business] ELIGIBLE BUSINESS.

3 (d) To qualify for financial assistance, the application must demonstrate that:

4 (1) The project has significant commitments for funding from other
5 private and nonstate public sources that are sufficient to complete the project with
6 the funds from the Neighborhood Business Development Program;

7 (2) The financial assistance from the Neighborhood Business
8 Development Fund is the least amount necessary to make the project financially
9 feasible;

10 (3) The project is ready to proceed upon funding of financial assistance
11 from the Program; [and]

12 (4) THE PROJECT WILL CREATE OR RETAIN JOBS IN THE DESIGNATED
13 NEIGHBORHOOD; AND

14 [(4)] (5) The local jurisdiction adopted a local resolution, or its
15 authorized designee delivered a letter to the Program, expressing support for the
16 project.

17 4-206.

18 (a) Financial assistance may be used to finance a portion of the development
19 costs of a neighborhood business development project.

20 (b) The financial assistance shall be on such terms as the Department deems
21 necessary to make the enterprise financially feasible.

22 (c) Financial assistance under the Neighborhood Business Development
23 Program may be secured, at the discretion of the Department, by a mortgage lien or
24 other security instrument, which may be subordinate to other security interests.

25 (d) The Department may:

26 (1) Modify the rate of interest, the time or amount of payment, or any
27 other term of a grant or loan in order to facilitate the successful completion or
28 operation of a project; and

29 (2) Contract for services relating to the Program.

30 (E) THE DEPARTMENT SHALL RESERVE 20% OF THE ANNUAL APPROPRIATION
31 MADE TO THE PROGRAM TO BE USED ONLY TO MAKE FINANCIAL ASSISTANCE
32 AVAILABLE TO THOSE APPLICANTS THAT, AT THE TIME OF THE APPLICATION,
33 EMPLOY LESS THAN 150 EMPLOYEES NATIONWIDE.

34 (F) THE DEPARTMENT MAY NOT REQUIRE AN APPLICANT TO BE DENIED
35 OTHER FINANCIAL ASSISTANCE AS A CONDITION OF APPROVING A NEW
36 APPLICATION.

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
2 October 1, 1998.