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By: **Chairman, Environmental Matters Committee (By Request -  
Departmental - Housing and Community Development)**

Introduced and read first time: February 11, 2004

Assigned to: Environmental Matters

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A BILL ENTITLED

1 AN ACT concerning

2 **Department of Housing and Community Development - Neighborhood**  
3 **Business Development Program**

4 FOR the purpose of authorizing financial assistance under the Neighborhood  
5 Business Development Program to be provided to microenterprises; clarifying  
6 that financial assistance under the Program may be provided to nonprofit  
7 organizations; authorizing the Department of Housing and Community  
8 Development to dispose of a business development program loan or revenue  
9 from a loan under certain circumstances; providing for a maximum amount of  
10 sale proceeds within any fiscal year; requiring the Department to try to make a  
11 certain percentage of its Program loans and grants to microenterprises;  
12 authorizing the Community Development Administration, an agency within the  
13 Department of Housing and Community Development, to provide funds to  
14 programs eligible to receive funding from the Neighborhood Business  
15 Development Fund; specifying that the Neighborhood Business Development  
16 Fund consists in part of moneys received from the disposition of Program loans  
17 and certain moneys received from the Community Development Administration;  
18 defining a certain term; making a certain technical correction; and generally  
19 relating to the Neighborhood Business Development Program.

20 BY adding to  
21 Article 83B - Department of Housing and Community Development  
22 Section 2-204(18)  
23 Annotated Code of Maryland  
24 (2003 Replacement Volume)

25 BY repealing and reenacting, with amendments,  
26 Article 83B - Department of Housing and Community Development  
27 Section 4-201, 4-202, 4-204, 4-205, and 4-208  
28 Annotated Code of Maryland  
29 (2003 Replacement Volume)

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

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

4 2-204.

5 The Administration shall have the following functions and responsibilities:

6 (18) PROVIDE FUNDS TO PROGRAMS ELIGIBLE TO RECEIVE FUNDING  
7 UNDER THE NEIGHBORHOOD BUSINESS DEVELOPMENT FUND, ESTABLISHED UNDER  
8 TITLE 4, SUBTITLE 2 OF THIS ARTICLE.

9 4-201.

10 (a) The Neighborhood Business Development Program is hereby created  
11 within the Department, for the following purposes:

12 (1) To assist in the development, redevelopment, or expansion of small  
13 business enterprises AND MICROENTERPRISES in designated neighborhoods;

14 (2) To stimulate investment by the private sector in designated  
15 neighborhoods;

16 (3) To invest in small business AND MICROENTERPRISE revitalization  
17 projects in designated neighborhoods; and

18 (4) To stimulate the participation of local jurisdictions in developing and  
19 expanding small business enterprises AND MICROENTERPRISES in designated  
20 neighborhoods.

21 (b) The Neighborhood Business Development Program includes the Business  
22 Development Program and the Capital Access Program.

23 4-202.

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

25 (b) "Designated neighborhood" means a geographically defined area of a local  
26 jurisdiction which is designated as an eligible neighborhood in accordance with §  
27 4-203(c) of this subtitle.

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

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

31 (2) Architectural, engineering, or other special services related to  
32 construction or rehabilitation, including flood plain studies, environmental audits,  
33 and critical area or wetland assessments;

- 1 (3) Acquisition of land and improvements;
- 2 (4) Site preparation;
- 3 (5) Construction, reconstruction, and rehabilitation;
- 4 (6) Acquisition of machinery, equipment, and furnishings;
- 5 (7) Essential start-up operating costs, including working capital and  
6 initial occupancy expenses;
- 7 (8) Indemnity and surety bonds and premiums on insurance; and
- 8 (9) Other necessary fees and temporary relocation expenses.

9 (d) "Fund" means the Neighborhood Business Development Fund.

10 (e) "Local jurisdiction" means a municipal corporation or county.

11 (F) "MICROENTERPRISE" MEANS A BUSINESS WITH NOT MORE THAN FIVE  
12 EMPLOYEES THAT:

13 (1) REQUIRES NOT MORE THAN \$35,000 IN TOTAL START-UP CAPITAL;  
14 AND

15 (2) DOES NOT HAVE ACCESS TO THE TRADITIONAL COMMERCIAL  
16 BANKING SECTOR.

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) "Project" means a neighborhood business development project which  
22 receives financial assistance from the Neighborhood Business Development Fund.

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

27 4-204.

28 (a) Financial assistance under the Business Development Program may be  
29 provided to a small business, NONPROFIT ORGANIZATION, OR MICROENTERPRISE in  
30 any of the following forms:

31 (1) Grant;

32 (2) Loan;

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

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

5 (5) Assurance;

6 (6) Guarantee; or

7 (7) Any other form of credit enhancement.

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

9 (c) Applications shall be submitted by an applicant, which may be a [for profit  
10 or nonprofit] small business, NONPROFIT ORGANIZATION, OR MICROENTERPRISE.

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

12 (1) The project has significant commitments for funding from other  
13 private and nonstate public sources that are sufficient to complete the project with  
14 the funds from the Neighborhood Business Development Fund;

15 (2) The financial assistance from the Neighborhood Business  
16 Development Fund is the least amount necessary to make the project financially  
17 feasible;

18 (3) The project is ready to proceed upon funding of financial assistance  
19 from the Business Development Program; and

20 (4) The local jurisdiction adopted a local resolution, or its authorized  
21 designee delivered a letter to the Business Development Program, expressing support  
22 for the project.

23 4-205.

24 The Department shall:

25 (1) Manage, supervise, and administer the Business Development  
26 Program;

27 (2) Adopt rules and regulations to carry out the Business Development  
28 Program in conformance with statutory requirements; [and]

29 (3) For each category of financing described under § 4-204(a) of this  
30 subtitle, establish minimum percentages or amounts of private and non-state public  
31 funding that the applicant is required to secure before the Department may  
32 determine that the applicant is qualified for the Business Development Program;

33 (4) HAVE THE AUTHORITY TO:

1 (I) SELL, ASSIGN, OR OTHERWISE DISPOSE OF ANY BUSINESS  
2 DEVELOPMENT PROGRAM LOAN OR REVENUE FROM A LOAN ON TERMS AND  
3 CONDITIONS ACCEPTABLE TO THE DEPARTMENT, INCLUDING SELLING LOANS AT A  
4 DISCOUNT, PROVIDED HOWEVER, THAT THE MAXIMUM SALE PROCEEDS IN ANY  
5 FISCAL YEAR DO NOT EXCEED \$4,000,000; AND

6 (II) APPLY THE PROCEEDS RECEIVED FROM ANY SUCH SALE TO  
7 THE NEIGHBORHOOD BUSINESS DEVELOPMENT FUND; AND

8 (5) TRY TO MAKE 25% OF ITS BUSINESS DEVELOPMENT PROGRAM LOANS  
9 AND GRANTS TO MICROENTERPRISES.

10 4-208.

11 (a) The Neighborhood Business Development Program shall be operated with  
12 MONEYS AVAILABLE TO THE PROGRAM INCLUDING moneys in the Neighborhood  
13 Business Development Fund, which Fund shall be a continuing, nonlapsing special  
14 fund consisting of:

15 (1) Moneys appropriated by the State for the Neighborhood Business  
16 Development Program;

17 (2) Any repayment or prepayment of financial assistance under this  
18 subtitle or under the State Action Loans for Targeted Areas Program under the  
19 former Subtitle 6, Title 4 of this article;

20 (3) Moneys transferred to the Fund from any other fund as provided for  
21 in this article; [and]

22 (4) ANY MONEYS RECEIVED FROM THE SALE, ASSIGNMENT, OR OTHER  
23 DISPOSITION OF BUSINESS DEVELOPMENT PROGRAM LOANS; AND

24 [(4)] (5) Any other moneys received [by]:

25 (I) BY the Neighborhood Business Development Program under  
26 this subtitle; OR

27 (II) FROM THE COMMUNITY DEVELOPMENT ADMINISTRATION  
28 UNDER TITLE 2, SUBTITLE 2 OF THIS ARTICLE.

29 (b) The Department shall use the Fund to provide financial assistance to  
30 small businesses, NONPROFIT ORGANIZATIONS, AND MICROENTERPRISES, and to pay  
31 expenses of the Neighborhood Business Development Program.

32 (c) The State Treasurer shall hold and the State Comptroller shall account for  
33 the Neighborhood Business Development Fund. The Fund shall be invested and  
34 reinvested. Any investment earnings shall be paid into the Fund.

35 (d) At any time following the first 8 months of any fiscal year, the Department  
36 may transfer, subject to approval of the Legislative Policy Committee and subject to

1 the provisions of § 7-209 of the State Finance and Procurement Article,  
2 unencumbered moneys in the Neighborhood Business Development Fund to any other  
3 fund established under Title [2] 4 of this article.

4 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take  
5 effect October 1, 2004.