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By: **Chairman, Environmental Matters Committee (By Request -  
Departmental - Housing and Community Development) and Delegates  
Sossi, Niemann, Mitchell, and V. Clagett**

Introduced and read first time: February 11, 2004  
Assigned to: Environmental Matters

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Committee Report: Favorable with amendments  
House action: Adopted  
Read second time: March 26, 2004

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CHAPTER \_\_\_\_\_

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; requiring the Department of Housing and Community  
8 Development to make a reasonable, good faith effort to make a certain  
9 percentage of Program loans and grants to microenterprises; authorizing the  
10 Department of Housing and Community Development to sell, assign, or  
11 otherwise dispose of a business development program certain loan or revenue  
12 from a certain loan under certain circumstances; providing for a certain  
13 maximum amount of sale proceeds within any fiscal year under certain  
14 circumstances; requiring the Department to try to make a certain percentage of  
15 its Program loans and grants to microenterprises; authorizing the Department  
16 to apply certain proceeds to the Neighborhood Business Development Fund  
17 under certain circumstances; authorizing the Community Development  
18 Administration, an agency within the Department of Housing and Community  
19 Development, to provide funds to programs eligible to receive funding from  
20 under the Neighborhood Business Development Fund; specifying that the  
21 Neighborhood Business Development Fund consists in part of moneys received  
22 from the disposition of certain Program loans and certain moneys received from  
23 the Community Development Administration; defining a certain term; making a  
24 certain technical correction; and generally relating to the Neighborhood  
25 Business Development Program.

1 BY adding to  
2 Article 83B - Department of Housing and Community Development  
3 Section 2-204(18)  
4 Annotated Code of Maryland  
5 (2003 Replacement Volume)

6 BY repealing and reenacting, with amendments,  
7 Article 83B - Department of Housing and Community Development  
8 Section 4-201, 4-202, ~~4-203~~, 4-204, 4-205, and 4-208  
9 Annotated Code of Maryland  
10 (2003 Replacement Volume)

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

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

14 2-204.

15 The Administration shall have the following functions and responsibilities:

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

19 4-201.

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

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

24 (2) To stimulate investment by the private sector in designated  
25 neighborhoods;

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

28 (4) To stimulate the participation of local jurisdictions in developing and  
29 expanding small business enterprises AND MICROENTERPRISES in designated  
30 neighborhoods.

31 (b) The Neighborhood Business Development Program includes the Business  
32 Development Program and the Capital Access Program.

33 4-202.

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

1 (b) "Designated neighborhood" means a geographically defined area of a local  
2 jurisdiction which is designated as an eligible neighborhood in accordance with §  
3 4-203(c) of this subtitle.

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

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

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

10 (3) Acquisition of land and improvements;

11 (4) Site preparation;

12 (5) Construction, reconstruction, and rehabilitation;

13 (6) Acquisition of machinery, equipment, and furnishings;

14 (7) Essential start-up operating costs, including working capital and  
15 initial occupancy expenses;

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

17 (9) Other necessary fees and temporary relocation expenses.

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

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

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

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

24 (2) DOES NOT HAVE ACCESS TO THE TRADITIONAL COMMERCIAL  
25 BANKING SECTOR.

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

30 [(g)] (H) "Project" means a neighborhood business development project which  
31 receives financial assistance from the Neighborhood Business Development Fund.

32 [(h)] (I) "Small business" means a business that employs a number of  
33 employees or has annual receipts no greater than limits set forth in regulations by the

1 Department which shall not exceed the standards set by the federal Small Business  
2 Administration.

3 4-203.

4 (a) There is a Business Development Program within the Neighborhood  
5 Business Development Program.

6 (b) To qualify for financial assistance under the Business Development  
7 Program, a neighborhood business development project must be located in a  
8 designated neighborhood.

9 (c) Local jurisdictions may designate one or more eligible neighborhoods with  
10 the concurrence of the Secretary of the Department, taking into consideration the  
11 following factors:

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

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

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

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

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

19 (6) The need for financing for small businesses, NONPROFIT  
20 ORGANIZATIONS, OR MICROENTERPRISES in order to upgrade the social and economic  
21 conditions of the designated neighborhood;

22 (7) The neighborhood development or redevelopment strategy of the local  
23 jurisdiction for the designated neighborhood and any plans and financial commitment  
24 of the local jurisdiction to undertake improvements in the designated neighborhood;  
25 and

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

29 4-204.

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

33 (1) Grant;

34 (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    (A)     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; AND

1           (4)     ~~HAVE THE AUTHORITY TO MAKE A REASONABLE, GOOD FAITH~~  
 2 ~~EFFORT TO MAKE 25% OF THE BUSINESS DEVELOPMENT PROGRAM LOANS AND~~  
 3 ~~GRANTS TO MICROENTERPRISES.~~

4     (B)     THE DEPARTMENT MAY:

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

10                   (2)     APPLY THE PROCEEDS RECEIVED FROM ANY ~~SUCH SALE~~  
 11 ~~SALE, ASSIGNMENT, OR OTHER DISPOSITION UNDER ITEM (1) OF THIS SUBSECTION~~  
 12 ~~TO THE NEIGHBORHOOD BUSINESS DEVELOPMENT FUND; AND~~

13                   (5)     ~~TRY TO MAKE 25% OF ITS BUSINESS DEVELOPMENT PROGRAM LOANS~~  
 14 ~~AND GRANTS TO MICROENTERPRISES.~~

15 4-208.

16     (a)     The Neighborhood Business Development Program shall be operated with  
 17 MONEYS AVAILABLE TO THE PROGRAM INCLUDING moneys in the Neighborhood  
 18 Business Development Fund, which Fund shall be a continuing, nonlapsing special  
 19 fund consisting of:

20                   (1)     Moneys appropriated by the State for the Neighborhood Business  
 21 Development Program;

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

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

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

29                   [(4)]   (5)     Any other moneys received [by]:

30                           (I)     BY the Neighborhood Business Development Program under  
 31 this subtitle; OR

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

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

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

4 (d) At any time following the first 8 months of any fiscal year, the Department  
5 may transfer, subject to approval of the Legislative Policy Committee and subject to  
6 the provisions of § 7-209 of the State Finance and Procurement Article,  
7 unencumbered moneys in the Neighborhood Business Development Fund to any other  
8 fund established under Title [2] 4 of this article.

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