

# HOUSE BILL 423

C8

71r1594

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By: **Delegate McIntosh**

Introduced and read first time: February 5, 2007

Assigned to: Environmental Matters

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## A BILL ENTITLED

1 AN ACT concerning

2 **Workforce Housing Grant Program – Fund Establishment – Administrative**  
3 **Clarifications**

4 FOR the purpose of creating the Workforce Housing Fund in the Department of  
5 Housing and Community Development to provide certain funds for the  
6 operation of the Workforce Housing Grant Program; altering the factors that  
7 the Department may consider in determining whether a local government has  
8 met a certain match requirement under the Program; clarifying that the  
9 Department may redistribute Program funds among qualifying local  
10 governments under certain circumstances; altering the maximum amount of  
11 funds that a local government may use to develop a workforce housing unit;  
12 altering the amount that an original buyer of a homeownership workforce  
13 housing unit is required to pay to the Department if the original buyer transfers  
14 title to the unit under certain circumstances; clarifying certain disclosure  
15 requirements in a contract of sale to an original buyer of a workforce housing  
16 unit; repealing a certain requirement that the deed to an initial buyer of a  
17 workforce housing unit include certain disclosures and create a certain lien  
18 under certain circumstances; requiring amounts owed to the Department when  
19 an original buyer transfers title to a homeownership workforce housing unit be  
20 secured by a certain recorded lien; defining a certain term; making stylistic  
21 changes; and generally relating to the Workforce Housing Grant Program.

22 BY adding to  
23 Article – Housing and Community Development  
24 Section 4–506

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Annotated Code of Maryland  
2 (2006 Volume)

3 BY repealing and reenacting, with amendments,  
4 Article – Housing and Community Development  
5 Section 4–1801, 4–1802, 4–1804, 4–1807, 4–1808, 4–1810, and 4–1811  
6 Annotated Code of Maryland  
7 (2006 Volume)

8 BY repealing and reenacting, without amendments,  
9 Article – Housing and Community Development  
10 Section 4–1803, 4–1805, 4–1806, 4–1809, 4–1812, and 4–1813  
11 Annotated Code of Maryland  
12 (2006 Volume)

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

15 **Article – Housing and Community Development**

16 **4–506.**

17 (A) IN THIS SECTION, “FUND” MEANS THE WORKFORCE HOUSING  
18 FUND.

19 (B) THERE IS A WORKFORCE HOUSING FUND.

20 (C) AS PROVIDED IN THE STATE BUDGET, THE DEPARTMENT SHALL  
21 USE THE FUND TO OPERATE AND PROVIDE FUNDS UNDER THE WORKFORCE  
22 HOUSING GRANT PROGRAM.

23 (D) THE FUND CONSISTS OF:

24 (1) MONEY APPROPRIATED BY THE STATE;

25 (2) REPAYMENTS OF PRINCIPAL AND PAYMENTS OF INTEREST ON  
26 LOANS MADE UNDER THE WORKFORCE HOUSING GRANT PROGRAM;

27 (3) AMOUNTS PAID IN CONNECTION WITH TRANSFERS OF  
28 HOMEOWNERSHIP WORKFORCE HOUSING UNITS;

1           **(4) MONEY TRANSFERRED TO THE FUND IN ACCORDANCE WITH**  
2 **THIS SUBTITLE; AND**

3           **(5) INVESTMENT EARNINGS OF THE FUND.**

4 4–1801.

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

6           (b) “Affordable” means that housing costs do not exceed 30% of a household’s  
7 income.

8           (c) “Area median income” means the median household income for the area  
9 adjusted for household size as published and annually updated by the United States  
10 Department of Housing and Urban Development.

11           (d) “Development costs” means costs related to acquisition, site clearance  
12 and preparation, relocation, construction, renovation, financing, refinancing,  
13 engineering, or architectural plans.

14           **(E) “FUND” MEANS THE WORKFORCE HOUSING FUND.**

15           [[e)] **(F)** “Household of low or moderate income” means a household that a  
16 qualifying local government determines cannot afford a sales price or rent sufficient to  
17 induce private enterprise in the area of the qualifying local government to develop  
18 enough adequate and safe housing without the assistance of a program.

19           [[f)] **(G)** “Housing costs” means:

20           (1) rent for a rental housing unit; or

21           (2) mortgage principal and interest, real property taxes, and insurance  
22 for a housing unit that is for sale.

23           [[g)] **(H)** “Net proceeds of transfer” means all amounts paid to the original  
24 buyer or obligations of the original buyer assumed by a purchaser of a workforce  
25 housing unit minus:

26           (1) reasonable [transaction] costs **PAID BY THE ORIGINAL BUYER;**

27           (2) [the sales price paid by the original buyer;

1                   (3) costs incurred by the original buyer for capital improvements to  
2 the workforce housing unit; and

3                   (4)] the combined amount of Program funds and qualifying local  
4 government matching funds used to develop the workforce housing unit; **AND**

5                   **(3) OTHER LIENS AS PERMITTED BY REGULATION BY THE**  
6 **DEPARTMENT.**

7           [(h)] **(I)** “Priority funding area” has the meaning stated in § 5–7B–02 of the  
8 State Finance and Procurement Article.

9           [(i)] **(J)** “Program” means the Workforce Housing Grant Program.

10           [(j)] **(K)** “Qualifying local government” means a county or municipal  
11 corporation that qualifies for participation in the Program under § 4–1803 of this  
12 subtitle.

13           [(k)] **(L)** “Workforce housing” means:

14                   (1) rental housing that is affordable for a household with an aggregate  
15 annual income between 50% and 100% of the area median income; or

16                   (2) homeownership housing that:

17                           (i) except as provided in item (ii) of this item, is affordable to a  
18 household with an aggregate annual income between 60% and 120% of the area  
19 median income; or

20                           (ii) in target areas that are recognized by the Secretary for  
21 purposes of administering the Maryland Mortgage Program, is affordable to a  
22 household with an aggregate annual income between 60% and 150% of the area  
23 median income.

24 4–1802.

25           (a) There is a Workforce Housing Grant Program.

26           (b) The Program provides flexible [capital] funds to qualifying local  
27 governments for [development costs of] workforce housing **PROGRAMS, INCLUDING**  
28 **PROGRAMS THAT FINANCE DEVELOPMENT COSTS.**

1 (c) [Funding for the] **THE** Program shall be [as provided in the State  
2 budget] **OPERATED WITH MONEY IN THE FUND.**

3 4–1803.

4 (a) A local government qualifies for participation in the Program if:

5 (1) the local government has:

6 (i) a 5–year consolidated plan approved by the United States  
7 Department of Housing and Urban Development; or

8 (ii) a comprehensive plan;

9 (2) the plans listed in item (1) of this subsection:

10 (i) have a workforce housing element;

11 (ii) assess workforce housing needs; and

12 (iii) contain goals, objectives, and policies to preserve or develop  
13 workforce housing; and

14 (3) the local government provides a statement to the Department  
15 indicating:

16 (i) a desire to participate in the Program; and

17 (ii) a reasonable expectation of the local government’s ability to  
18 provide the matching funds required under § 4–1804 of this subtitle.

19 (b) The workforce housing element in the 5–year consolidated plan or the  
20 comprehensive plan of a qualifying local government may include:

21 (1) preservation and renovation of existing housing stock;

22 (2) redevelopment of existing residential areas;

23 (3) streamlined regulatory processes and reduced regulatory fees for  
24 construction or renovation;

1 (4) financial incentives for construction and renovation including local  
2 property tax credits;

3 (5) special zoning regulations for construction and renovation  
4 including inclusionary zoning;

5 (6) efforts to preserve workforce housing stock for subsequent  
6 first-time homebuyers and renters;

7 (7) coordination with neighboring jurisdictions;

8 (8) coordination with private sector employers; and

9 (9) leveraging of federal financial assistance.

10 4-1804.

11 (A) A qualifying local government shall provide a dollar-for-dollar match for  
12 Program funds used to develop workforce housing units under this subtitle.

13 (B) **IN DETERMINING WHETHER A LOCAL GOVERNMENT HAS MET THE**  
14 **MATCH REQUIREMENT UNDER SUBSECTION (A) OF THIS SECTION, THE**  
15 **DEPARTMENT MAY CONSIDER THE LOCAL GOVERNMENT'S:**

16 (1) **COSTS TO ADMINISTER A PROGRAM UNDER THIS SUBTITLE;**  
17 **AND**

18 (2) **FINANCIAL COMMITMENTS TO OTHER AFFORDABLE OR**  
19 **WORKFORCE HOUSING INITIATIVES.**

20 4-1805.

21 The Department shall proportionately distribute the annual appropriation of  
22 Program funds as follows:

23 (1) if a county is a qualifying local government, and no municipal  
24 corporation in the county is a qualifying local government, the Department shall  
25 distribute Program funds to the county based on the county's share of the State  
26 population;

27 (2) if a county is a qualifying local government, and a municipal  
28 corporation in the county is also a qualifying local government, the Department shall:

1 (i) determine the county's proportionate share of Program  
2 funds based on the county's share of the State population; and

3 (ii) from the amount of Program funds determined under item  
4 (i) of this item, distribute:

5 1. to each qualifying local government in the county that  
6 is a municipal corporation, an amount of Program funds based on the municipal  
7 corporation's share of the county population; and

8 2. to the county, the balance of the county's share of  
9 Program funds; or

10 (3) if a county is not a qualifying local government, but a municipal  
11 corporation in the county is a qualifying local government, the Department shall:

12 (i) determine the county's proportionate share of Program  
13 funds based on the county's share of the State population; and

14 (ii) distribute to each qualifying local government in the county  
15 that is a municipal corporation, a proportionate share of the amount of Program funds  
16 determined under item (i) of this item based on the municipal corporation's share of  
17 the county's population.

18 4-1806.

19 Before drawing down any Program funds, a qualifying local government shall:

20 (1) provide evidence satisfactory to the Department that the Program  
21 funds will be matched by the qualifying local government on a dollar-for-dollar basis;  
22 and

23 (2) meet other Program criteria adopted by the Secretary.

24 4-1807.

25 The Department shall redistribute among qualifying local governments the  
26 Program funds that have not been drawn down by [a qualifying] **OTHER** local  
27 [government] **GOVERNMENTS** within a 2-year period.

1 4-1808.

2 (A) A qualifying local government shall use Program funds for development  
3 costs associated with a workforce housing development located in a priority funding  
4 area in accordance with the 5-year consolidated plan or comprehensive plan of the  
5 qualifying local government.

6 (B) **A QUALIFYING LOCAL GOVERNMENT MAY REQUEST THAT ITS  
7 PROGRAM FUNDS OR MATCH BE EXPENDED BY THE DEPARTMENT THROUGH  
8 THE DEPARTMENT'S EXISTING HOUSING PROGRAMS.**

9 4-1809.

10 With the consent of the Department, in appropriate circumstances, a qualifying  
11 local government may extend the income eligibility limits for a workforce housing unit  
12 developed with Program funds to include a household of low or moderate income.

13 4-1810.

14 (a) The Secretary shall establish annually the maximum amount of Program  
15 funds that a qualifying local government may use to develop a workforce housing unit.

16 (b) The per unit maximum established by the Secretary shall [be equal to  
17 approximately 10% of] **TAKE INTO ACCOUNT** the regional average construction costs  
18 applicable to the qualifying local government for a comparable workforce housing unit.

19 4-1811.

20 (a) Rental units developed under this subtitle shall remain affordable as  
21 workforce housing for a period of at least 25 years.

22 (b) If an [initial] **ORIGINAL** buyer of a homeownership workforce housing  
23 unit developed through the Program transfers title to the unit at any time, the  
24 [initial] **ORIGINAL** buyer shall [assign] **PAY** to the Department 100% of the combined  
25 amount of Program funds and qualifying local government matching funds used to  
26 develop the unit.

27 (c) If an [initial] **ORIGINAL** buyer of a homeownership workforce housing  
28 unit developed through the Program transfers title to the unit:

29 (1) within 5 years of the date of purchase, the [initial] **ORIGINAL**  
30 buyer shall [assign] **PAY THE LESSER OF 20%** of the net proceeds of transfer to the



1 Department **OR A 5% ANNUAL RETURN ON THE PROGRAM FUNDS PROVIDED FOR**  
2 **THE UNIT;**

3 (2) during the period that is more than 5 years but less than 15 years  
4 from the date of purchase, the [initial] **ORIGINAL** buyer shall [assign] **PAY** to the  
5 Department **THE LESSER OF** a percentage of the net proceeds of transfer that begins  
6 at 20% and declines by 2% for each subsequent year of ownership **OR A 5% ANNUAL**  
7 **RETURN ON THE PROGRAM FUNDS PROVIDED FOR THE UNIT;** and

8 (3) during the period that is 15 years or more from the date of  
9 purchase, the [initial] **ORIGINAL** buyer is not required to [assign] **PAY** any portion of  
10 the net proceeds of transfer to the Department.

11 (d) [Of the funds assigned to the Department under subsections (b) and (c) of  
12 this section, the] **THE** Department shall distribute to the qualifying local government:

13 (1) **OF THE FUNDS PAID BY THE ORIGINAL BUYER TO THE**  
14 **DEPARTMENT UNDER SUBSECTION (B) OF THIS SECTION, AN AMOUNT EQUAL TO**  
15 the matching funds provided by the qualifying local government for the  
16 homeownership workforce housing unit [that generated the net proceeds of transfer];  
17 and

18 (2) **OF THE FUNDS PAID BY THE ORIGINAL BUYER TO THE**  
19 **DEPARTMENT UNDER SUBSECTION (C) OF THIS SECTION,** a proportionate share  
20 [of the net proceeds of transfer] based on the amount of matching funds provided by  
21 the qualifying local government for the homeownership workforce housing unit [that  
22 generated the net proceeds of transfer].

23 (e) The Department and the qualifying local governments shall use the funds  
24 received under this section to develop workforce housing under the Program.

25 (f) The contract of sale to the [initial] **ORIGINAL** buyer shall disclose **ALL**  
26 **THE REQUIREMENTS FOR REPAYMENT TO THE DEPARTMENT UNDER THIS**  
27 **SECTION IN THE EVENT OF A TRANSFER OF TITLE, INCLUDING** the combined  
28 amount of Program funds and qualifying local government matching funds [that must  
29 be assigned to the Department in the event of a transfer of title].

30 (g) [The deed to the initial buyer of a homeownership workforce housing unit  
31 and a deed to a transferee for no consideration of a homeownership workforce housing  
32 unit shall include:

1 (1) the requirements for repayment set forth in this section; and

2 (2) a provision creating a lien in favor of the Department against the  
3 homeownership workforce housing unit for the amounts due upon sale as set forth in  
4 this section.]

5 (1) **THE AMOUNTS OWED TO THE DEPARTMENT IN THE EVENT OF**  
6 **A TRANSFER OF TITLE OF A HOMEOWNERSHIP WORKFORCE HOUSING UNIT**  
7 **UNDER THIS SECTION SHALL BE SECURED BY A RECORDED LIEN ON THE**  
8 **HOMEOWNERSHIP WORKFORCE HOUSING UNIT.**

9 (2) **THE LIEN CREATED UNDER THIS SUBSECTION MAY BE A**  
10 **SUBORDINATE LIEN.**

11 (3) **THE DEPARTMENT MAY CHARGE A FEE FOR SERVICING A**  
12 **LIEN CREATED UNDER THIS SUBSECTION.**

13 4-1812.

14 A qualifying local government shall report annually to the Department on or  
15 before January 1 of each year on the use of Program funds.

16 4-1813.

17 The Secretary shall adopt regulations to carry out the purposes of the Program.

18 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
19 October 1, 2007.