

HOUSE BILL 423

C8

71r1594

By: **Delegate McIntosh**

Introduced and read first time: February 5, 2007

Assigned to: Environmental Matters

Committee Report: Favorable

House action: Adopted

Read second time: March 13, 2007

CHAPTER _____

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.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 BY adding to
2 Article – Housing and Community Development
3 Section 4–506
4 Annotated Code of Maryland
5 (2006 Volume)

6 BY repealing and reenacting, with amendments,
7 Article – Housing and Community Development
8 Section 4–1801, 4–1802, 4–1804, 4–1807, 4–1808, 4–1810, and 4–1811
9 Annotated Code of Maryland
10 (2006 Volume)

11 BY repealing and reenacting, without amendments,
12 Article – Housing and Community Development
13 Section 4–1803, 4–1805, 4–1806, 4–1809, 4–1812, and 4–1813
14 Annotated Code of Maryland
15 (2006 Volume)

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

18 **Article – Housing and Community Development**

19 **4–506.**

20 (A) IN THIS SECTION, “FUND” MEANS THE WORKFORCE HOUSING
21 FUND.

22 (B) THERE IS A WORKFORCE HOUSING FUND.

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

26 (D) THE FUND CONSISTS OF:

27 (1) MONEY APPROPRIATED BY THE STATE;

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

3 **(3) AMOUNTS PAID IN CONNECTION WITH TRANSFERS OF**
4 **HOMEOWNERSHIP WORKFORCE HOUSING UNITS;**

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

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

8 4–1801.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 (3) **OTHER LIENS AS PERMITTED BY REGULATION BY THE**
11 **DEPARTMENT.**

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

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

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

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

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

21 (2) homeownership housing that:

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

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

1 4–1802.

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

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

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

8 4–1803.

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

10 (1) the local government has:

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

13 (ii) a comprehensive plan;

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

15 (i) have a workforce housing element;

16 (ii) assess workforce housing needs; and

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

19 (3) the local government provides a statement to the Department
20 indicating:

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

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

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

- 1 (1) preservation and renovation of existing housing stock;
- 2 (2) redevelopment of existing residential areas;
- 3 (3) streamlined regulatory processes and reduced regulatory fees for
4 construction or renovation;
- 5 (4) financial incentives for construction and renovation including local
6 property tax credits;
- 7 (5) special zoning regulations for construction and renovation
8 including inclusionary zoning;
- 9 (6) efforts to preserve workforce housing stock for subsequent
10 first-time homebuyers and renters;
- 11 (7) coordination with neighboring jurisdictions;
- 12 (8) coordination with private sector employers; and
- 13 (9) leveraging of federal financial assistance.

14 4-1804.

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

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

20 (1) **COSTS TO ADMINISTER A PROGRAM UNDER THIS SUBTITLE;**
21 **AND**

22 (2) **FINANCIAL COMMITMENTS TO OTHER AFFORDABLE OR**
23 **WORKFORCE HOUSING INITIATIVES.**

24 4-1805.

25 The Department shall proportionately distribute the annual appropriation of
26 Program funds as follows:

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

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

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

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

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

14 2. to the county, the balance of the county's share of
15 Program funds; or

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

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

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

24 4-1806.

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

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

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

30 4-1807.

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

4 4-1808.

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

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

12 4-1809.

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

16 4-1810.

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

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

22 4-1811.

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

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

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

3 (1) within 5 years of the date of purchase, the [initial] ORIGINAL
4 buyer shall [assign] PAY THE LESSER OF 20% of the net proceeds of transfer to the
5 Department OR A 5% ANNUAL RETURN ON THE PROGRAM FUNDS PROVIDED FOR
6 THE UNIT;

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

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

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

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

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

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

29 (f) The contract of sale to the [initial] ORIGINAL buyer shall disclose ALL
30 THE REQUIREMENTS FOR REPAYMENT TO THE DEPARTMENT UNDER THIS
31 SECTION IN THE EVENT OF A TRANSFER OF TITLE, INCLUDING the combined

1 amount of Program funds and qualifying local government matching funds [that must
2 be assigned to the Department in the event of a transfer of title].

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

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

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

10 (1) **THE AMOUNTS OWED TO THE DEPARTMENT IN THE EVENT OF**
11 **A TRANSFER OF TITLE OF A HOMEOWNERSHIP WORKFORCE HOUSING UNIT**
12 **UNDER THIS SECTION SHALL BE SECURED BY A RECORDED LIEN ON THE**
13 **HOMEOWNERSHIP WORKFORCE HOUSING UNIT.**

14 (2) **THE LIEN CREATED UNDER THIS SUBSECTION MAY BE A**
15 **SUBORDINATE LIEN.**

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

18 4-1812.

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

21 4-1813.

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

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