

CHAPTER 603

(House Bill 423)

AN ACT concerning

Workforce Housing Grant Program – Fund Establishment – Administrative Clarifications

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

BY adding to

Article – Housing and Community Development
Section 4–506
Annotated Code of Maryland
(2006 Volume)

BY repealing and reenacting, with amendments,

Article – Housing and Community Development
Section 4–1801, 4–1802, 4–1804, 4–1807, 4–1808, 4–1810, and 4–1811
Annotated Code of Maryland
(2006 Volume)

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

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

Article – Housing and Community Development

4–506.

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

(B) THERE IS A WORKFORCE HOUSING FUND.

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

(D) THE FUND CONSISTS OF:

(1) MONEY APPROPRIATED BY THE STATE;

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

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

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

(5) INVESTMENT EARNINGS OF THE FUND.

4–1801.

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

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

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

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

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

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

[(f)] **(G)** “Housing costs” means:

- (1) rent for a rental housing unit; or
- (2) mortgage principal and interest, real property taxes, and insurance for a housing unit that is for sale.

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

- (1) reasonable [transaction] costs **PAID BY THE ORIGINAL BUYER;**
- (2) [the sales price paid by the original buyer;
- (3) costs incurred by the original buyer for capital improvements to the workforce housing unit; and
- (4)] the combined amount of Program funds and qualifying local government matching funds used to develop the workforce housing unit; **AND**

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

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

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

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

[(k)] (L) “Workforce housing” means:

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

(2) homeownership housing that:

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

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

4–1802.

(a) There is a Workforce Housing Grant Program.

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

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

4–1803.

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

- (1) the local government has:
 - (i) a 5-year consolidated plan approved by the United States Department of Housing and Urban Development; or
 - (ii) a comprehensive plan;
 - (2) the plans listed in item (1) of this subsection:
 - (i) have a workforce housing element;
 - (ii) assess workforce housing needs; and
 - (iii) contain goals, objectives, and policies to preserve or develop workforce housing; and
 - (3) the local government provides a statement to the Department indicating:
 - (i) a desire to participate in the Program; and
 - (ii) a reasonable expectation of the local government's ability to provide the matching funds required under § 4-1804 of this subtitle.
- (b) The workforce housing element in the 5-year consolidated plan or the comprehensive plan of a qualifying local government may include:
- (1) preservation and renovation of existing housing stock;
 - (2) redevelopment of existing residential areas;
 - (3) streamlined regulatory processes and reduced regulatory fees for construction or renovation;
 - (4) financial incentives for construction and renovation including local property tax credits;
 - (5) special zoning regulations for construction and renovation including inclusionary zoning;
 - (6) efforts to preserve workforce housing stock for subsequent first-time homebuyers and renters;

- (7) coordination with neighboring jurisdictions;
- (8) coordination with private sector employers; and
- (9) leveraging of federal financial assistance.

4-1804.

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

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

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

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

4-1805.

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

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

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

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

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

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

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

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

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

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

4-1806.

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

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

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

4-1807.

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

4-1808.

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

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

4-1809.

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

4-1810.

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

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

4-1811.

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

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

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

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

(2) during the period that is more than 5 years but less than 15 years from the date of purchase, the [initial] **ORIGINAL** buyer shall [assign] **PAY** to the Department **THE LESSER OF** a percentage of the net proceeds of transfer that begins

at 20% and declines by 2% for each subsequent year of ownership **OR A 5% ANNUAL RETURN ON THE PROGRAM FUNDS PROVIDED FOR THE UNIT**; and

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

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

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

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

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

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

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

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

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

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

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

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

4-1812.

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

4-1813.

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

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

Approved by the Governor, May 17, 2007.