

SENATE BILL 877

C8

9lr2136
CF 9lr2073

By: **Senator Harrington**

Introduced and read first time: February 6, 2009

Assigned to: Education, Health, and Environmental Affairs

A BILL ENTITLED

1 AN ACT concerning

2 **Department of Housing and Community Development – Affordable Housing –**
3 **Financing Ownership Interests**

4 FOR the purpose of authorizing the Department of Housing and Community
5 Development to provide financing to acquire ownership interests in entities that
6 own real property that can be used for affordable rental housing; authorizing
7 the Department to make certain loans, establish certain terms for certain loans,
8 impose certain fees, impose certain equity limitations, and establish certain
9 income limits; requiring the Department to adopt certain policies and to
10 administer certain loans and attach certain terms and conditions to the loans;
11 authorizing the Department to adopt certain regulations; expanding the
12 authorized uses of and the sources of funds in the Rental Housing Programs
13 Fund; defining certain terms; and generally relating to providing financing for
14 ownership interests for affordable housing.

15 BY repealing and reenacting, with amendments,
16 Article – Housing and Community Development
17 Section 4–504
18 Annotated Code of Maryland
19 (2006 Volume and 2008 Supplement)

20 BY adding to
21 Article – Housing and Community Development
22 Section 4–2001 through 4–2005 to be under the new subtitle “Subtitle 20.
23 Financing Ownership Interests for Affordable Housing”
24 Annotated Code of Maryland
25 (2006 Volume and 2008 Supplement)

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 **Article – Housing and Community Development**

2 4–504.

3 (a) In this section, “Fund” means the Rental Housing Programs Fund.

4 (b) There is a Rental Housing Programs Fund.

5 (c) (1) The Department shall use the Fund to:

6 (i) operate, make loans, and pay expenses of the Maryland
7 Housing Rehabilitation Program, including reserves for anticipated future losses
8 directly related to the Maryland Housing Rehabilitation Program, as provided in the
9 State budget; [and]

10 (ii) operate, make loans, and pay expenses of the Rental
11 Housing Production Program; **AND**

12 **(III) MAKE LOANS TO ACQUIRE OWNERSHIP INTERESTS**
13 **UNDER SUBTITLE 20 OF THIS TITLE AND TO PAY EXPENSES OF THE**
14 **DEPARTMENT IN CONNECTION WITH THE LOANS MADE UNDER THAT SUBTITLE.**

15 (2) The Administration shall use the Fund to operate, make loans, and
16 pay expenses of the Elderly Rental Housing Program.

17 (3) (i) The Administration may use the Fund to make deferred
18 payment loans to approved applicants to enable the applicants to acquire, construct, or
19 rehabilitate elderly rental housing projects or to convert existing rental housing to
20 elderly rental housing projects.

21 (ii) Deferred payment loans may be subordinate to other
22 financing.

23 (d) The Administration shall administer the Fund.

24 (e) (1) The Fund consists of:

25 (i) money appropriated by the State for rental housing
26 programs, including the Elderly Rental Housing Program under § 4–402 of this title,
27 the Multifamily Rehabilitation Program under § 4–906(b) of this title, the Nonprofit
28 Rehabilitation Program under § 4–929 of this title, and the Rental Housing Production
29 Program under § 4–1502 of this title;

30 (ii) repayments and prepayments of loans made under the
31 programs set forth in item (i) of this paragraph;

32 (iii) money appropriated under § 4–501(c) of this subtitle;

1 (iv) money transferred to the Fund in accordance with §§
2 4-502(e), 4-503(d), and 4-505(h) of this subtitle and §§ 3-203(i) and 6-310(g) of this
3 article; [and]

4 (v) investment earnings of the Fund; AND

5 (VI) MONEY APPROPRIATED BY THE STATE FOR LOANS TO
6 BE MADE UNDER SUBTITLE 20 OF THIS TITLE.

7 (2) The State, under § 4-501(c) of this subtitle, may appropriate to the
8 Fund money received as repayment of principal or payment of interest on a loan made
9 by the Maryland Housing Rehabilitation Program.

10 (f) (1) When the Department issues a binding commitment to make a
11 loan, the Department shall withdraw from the Fund an amount equal to the
12 commitment.

13 (2) Subject to § 7-209 of the State Finance and Procurement Article
14 and except as otherwise provided in the State budget, after the first 8 months of a
15 fiscal year the Department may transfer unencumbered money in the Fund to any
16 other fund established under this title.

17 **SUBTITLE 20. FINANCING OWNERSHIP INTERESTS FOR AFFORDABLE**
18 **HOUSING.**

19 **4-2001.**

20 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS
21 INDICATED.

22 (B) "FAMILY OF LIMITED INCOME" MEANS A FAMILY OR INDIVIDUAL
23 WHOSE INCOME DOES NOT EXCEED:

24 (1) THE UPPER INCOME LIMITS ESTABLISHED BY THE
25 SECRETARY UNDER § 4-212 OF THIS TITLE; OR

26 (2) THE UPPER INCOME LIMITS ESTABLISHED UNDER ANY
27 FEDERAL HOUSING PROGRAM.

28 (C) "OWNERSHIP INTEREST" MEANS THE INTEREST OF A GENERAL
29 PARTNER, LIMITED PARTNER, MANAGING MEMBER, NONMANAGING MEMBER,
30 OR OTHER SIMILAR OWNERSHIP INTEREST IN AN ENTITY.

1 (D) **“PROJECT” MEANS BUILDINGS AND IMPROVEMENTS WHICH**
2 **PROVIDE, OR WILL PROVIDE, IN WHOLE OR IN PART, HOUSING FOR FAMILIES OF**
3 **LIMITED INCOME.**

4 (E) **“SPONSOR” MEANS A PERSON THAT RECEIVES A LOAN UNDER THIS**
5 **SUBTITLE.**

6 **4-2002.**

7 **THE PURPOSE OF THIS SUBTITLE IS TO PROMOTE AND PRESERVE**
8 **AFFORDABLE RENTAL HOUSING BY AUTHORIZING THE DEPARTMENT TO**
9 **PROVIDE FINANCING TO ACQUIRE OWNERSHIP INTERESTS IN ENTITIES THAT**
10 **OWN REAL PROPERTY THAT CAN BE USED FOR AFFORDABLE RENTAL HOUSING.**

11 **4-2003.**

12 (A) **THE DEPARTMENT MAY:**

13 (1) **MAKE LOANS, INCLUDING DEFERRED PAYMENT LOANS, TO**
14 **SPONSORS FOR THE ACQUISITION OF OWNERSHIP INTERESTS IN ELIGIBLE**
15 **PROJECTS;**

16 (2) **ESTABLISH TERMS FOR LOANS MADE UNDER THIS SUBTITLE,**
17 **INCLUDING REPAYMENT SCHEDULES, MATURITY DATES, AND INTEREST RATES,**
18 **WHICH MAY BE AS LOW AS 0%;**

19 (3) **IMPOSE FEES AND CHARGES IN CONNECTION WITH LOANS**
20 **MADE UNDER THIS SUBTITLE;**

21 (4) **LIMIT THE RETURN ON EQUITY ALLOWED TO SPONSORS OR**
22 **ENTER INTO EQUITY PARTICIPATION AGREEMENTS WITH SPONSORS; AND**

23 (5) **ESTABLISH INCOME LIMITS TO BE SERVED BY A PROJECT AND**
24 **A MINIMUM NUMBER OF UNITS TO BE RESTRICTED FOR FAMILIES OF LIMITED**
25 **INCOME IN A PROJECT, WHICH MAY VARY FOR DIFFERENT TYPES OF HOUSING,**
26 **DIFFERENT TYPES OF LOANS, AND DIFFERENT GEOGRAPHIC REGIONS.**

27 (B) **THE DEPARTMENT SHALL:**

28 (1) **ADMINISTER LOANS MADE UNDER THIS SUBTITLE;**

29 (2) **ADOPT POLICES TO ENSURE LOANS MADE UNDER THIS**
30 **SUBTITLE PROVIDE RENTAL HOUSING FOR FAMILIES OF LIMITED INCOME; AND**

1 **(3) ATTACH TERMS AND CONDITIONS TO LOANS MADE UNDER**
2 **THIS SUBTITLE AS NECESSARY TO PROVIDE RENTAL HOUSING FOR FAMILIES OF**
3 **LIMITED INCOME.**

4 **4-2004.**

5 **THE DEPARTMENT MAY ADOPT REGULATIONS TO CARRY OUT THE**
6 **PURPOSES OF THIS SUBTITLE.**

7 **4-2005.**

8 **THE DEPARTMENT MAY MAKE LOANS UNDER THIS SUBTITLE FROM THE**
9 **RENTAL HOUSING PROGRAMS FUND ESTABLISHED UNDER § 4-504 OF THIS**
10 **TITLE OR FROM ANY OTHER MONEY MADE AVAILABLE TO THE DEPARTMENT**
11 **FROM ANY OTHER SOURCE, INCLUDING FEDERAL OR PRIVATE FUNDS.**

12 **SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect**
13 **October 1, 2009.**