

## Chapter 229

(House Bill 453)

AN ACT concerning

### **Housing and Community Development – Multifamily Rental Housing Programs Efficiency Act**

FOR the purpose of repealing certain provisions of law governing the Elderly Rental Housing Program, the Nonprofit Rehabilitation Program, and the Rental Housing Production Program and establishing a new Rental Housing Program in the Department of Housing and Community Development; consolidating certain loan programs within the Department into a single program; providing for certain types of financing and repayment terms; establishing certain uses for loan proceeds; clarifying certain standards for multifamily loans; requiring the Department to provide notice of certain projects to certain local jurisdictions; altering certain standards for the Department's consultation with local jurisdictions on certain projects; requiring the Department to establish certain regulations; transferring authority over a certain fund from the Community Development Administration to the Department; repealing a certain finding relating to a proper public purpose for public money; authorizing the Department to make loans directly or through the Administration under certain circumstances; altering the circumstances under which the Department may approve the use of partnership rental housing funds under certain circumstances; authorizing funds provided under the Partnership Rental Housing Program to be made available as a deferred payment loan under certain circumstances; defining certain terms; making conforming and technical changes; and generally relating to the Rental Housing Program and the Partnership Rental Housing Program in the Department of Housing and Community Development.

BY repealing

Article – Housing and Community Development

Section 4-401 through 4-409 and the subtitle “Subtitle 4. Elderly Rental Housing Program”; 4-929; and 4-1501 through 4-1511 and the subtitle “Subtitle 15. Rental Housing Production Program”

Annotated Code of Maryland

(2006 Volume and 2013 Supplement)

BY repealing and reenacting, with amendments,

Article – Housing and Community Development

Section 2-102(a)(9), 4-101, 4-103, 4-213, 4-504, 4-901, 4-903, 4-905, 4-906, 4-907, 4-918, 4-921, 4-923, 4-1205, 4-1207, and 4-1208

Annotated Code of Maryland

(2006 Volume and 2013 Supplement)

BY adding to

Article – Housing and Community Development

Section 4–401 through 4–411 to be under the new subtitle “Subtitle 4. Rental Housing Program”

Annotated Code of Maryland

(2006 Volume and 2013 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That Section(s) 4–401 through 4–409 and the subtitle “Subtitle 4. Elderly Rental Housing Program”; 4–929; and 4–1501 through 4–1511 and the subtitle “Subtitle 15. Rental Housing Production Program” of Article – Housing and Community Development of the Annotated Code of Maryland be repealed.

SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

**Article – Housing and Community Development**

2–102.

(a) The Department shall:

(9) administer federal programs **RELATING** to community assistance;  
and

4–101.

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

(b) “Administration” means the Community Development Administration.

(c) “Division” means the Division of Development Finance.

(d) “Elderly household” means one or more individuals who occupy a residential dwelling unit, at least one of whom meets the age limit specified by the Secretary that:

(1) is greater than or equal to age 55; and

(2) may vary for different programs or types of projects.

[(e) “Elderly rental housing project” means a project that meets the qualifications in § 4–407 of this title.]

**[(f)] (E)** “Nonprofit sponsor” means a sponsor that is:

- (1) a nonprofit organization; or
- (2) a limited partnership, if:
  - (i)
    1. each general partner is a nonprofit organization; or
    2. each general partner is a wholly owned subsidiary of a nonprofit organization;
  - (ii) the limited partnership is formed to undertake a project that is eligible as a whole or in part for a federal program or incentive, including low-income housing tax credits; and
  - (iii) a nonprofit organization manages the project or will receive the net cash flow or residual sale proceeds on the sale of the project.

4–103.

The Division includes:

- (1) the Community Development Administration;
- (2) the Disaster Relief Housing Program;
- (3) the Down Payment and Settlement Expense Loan Program;
- [(4)]** the Elderly Rental Housing Program;
- [(5)] (4)** federal and State weatherization programs;
- [(6)] (5)** the Group Home Financing Program;
- [(7)] (6)** the Lead Hazard Reduction Grant Program;
- [(8)] (7)** the Lead Hazard Reduction Loan Program;
- [(9)] (8)** the local government infrastructure program;
- [(10)] (9)** the Maryland Home Financing Program;
- [(11)] (10)** the Maryland Housing Rehabilitation Program;
- [(12)] (11)** the Neighborhood Housing Services Fund;

[(13)] (12) the Operating Assistance Grants Demonstration Projects;  
 [(14)] (13) the Partnership Rental Housing Program;  
 [(15)] (14) the Radium [Pilot] Grant Program;  
 [(16)] (15) the Rental Allowance Program and other rental assistance programs;  
 [(17)] (16) the Rental Housing [Production] Program; and  
 [(18)] (17) the Self-Help Homeownership Technical Assistance Program.

4-213.

(a) In accordance with regulations that the Secretary adopts, an agreement that the Administration makes to carry out its functions and responsibilities under §§ 4-211, 4-214, and 4-225 through 4-235 of this subtitle shall be approved by:

- (1) the Secretary; and
- (2) the Board of Public Works, if its approval is required by law.

(b) The Administration shall [get approval of the land use for a community development project by resolution of the appropriate governing body] **PROVIDE WRITTEN NOTICE AND A REASONABLE OPPORTUNITY TO COMMENT TO THE CHIEF EXECUTIVE OFFICER OR THE EQUIVALENT OFFICER AND THE HEAD OR PRESIDENT OF THE LEGISLATIVE BODY** of the [locality] **POLITICAL SUBDIVISION** in which [the] **A PROPOSED COMMUNITY development PROJECT OR A PUBLIC PURPOSE PROJECT** is located [before:

- (1) (i) acquiring, owning, or holding land that is not open, mainly open, or undeveloped, personal property, or mixed property;
- (ii) clearing, improving, constructing, or rehabilitating the property; or
- (iii) transferring, leasing, mortgaging, or otherwise disposing of the property; or
- (2) building housing on any land].

**(C) IF THE PROPOSED PROJECT IS LOCATED IN A MUNICIPAL CORPORATION, THE NOTICE REQUIRED UNDER SUBSECTION (B) OF THIS**

**SECTION SHALL BE SENT TO THE CHIEF EXECUTIVE OFFICER AND HEAD OR PRESIDENT OF THE LEGISLATIVE BODY OF THE MUNICIPAL CORPORATION AND NOT TO THE COUNTY.**

**[(c)] (D)** A project that the Administration finances is subject to applicable zoning and building codes.

**[(d)] (E)** (1) This subsection applies notwithstanding any other provision of this subtitle or other State law.

(2) In exercising its functions and responsibilities, the Administration may sell or lease for a term not exceeding 99 years all or part of the real, mixed, or personal property constituting a community development project.

(3) A sale or lease under this section may be made:

(i) without public bidding or public sale; and

(ii) on terms and conditions that make housing in that development economically feasible for families of limited income.

(4) A sale or lease under this section shall conform with a plan for community development that the Secretary approves at a public hearing held after notice is published in at least one newspaper of general circulation in the political subdivision in which the development is located.

(5) The plan for community development presented at the hearing shall be in accordance with regulations that the Secretary adopts, requiring:

(i) a description of the property;

(ii) a statement of the identity of the proposed purchaser or lessee and the proposed use or reuse of the property;

(iii) the price or rental to be paid by the purchaser or lessee; and

(iv) the conditions of the sale or lease that ensure that the community development purposes of this subtitle will be carried out.

**[(e)] (F)** In carrying out this subtitle, the Administration shall comply with local laws applicable to the community development project.

**[(f)] (G)** (1) In carrying out this subtitle, the Administration shall:

**[(i)]** work closely, consult, and cooperate with local elected officials;

- (ii) give primary consideration to local needs and desires;
- (iii) **(I)** foster local initiative and participation in community development activities; and
- [(iv)] (II)** consider local and regional goals and policies as expressed in urban renewal, community renewal, and local comprehensive land use plans and regional plans.

(2) Wherever possible, the Administration shall carry out community development projects together with and through the use of:

- (i) private enterprise;
- (ii) limited dividend corporations;
- (iii) local development agencies; and
- (iv) local development entities.

#### **SUBTITLE 4. RENTAL HOUSING PROGRAM.**

#### **4-401.**

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

**(B) “FUND” MEANS THE RENTAL HOUSING FUND ESTABLISHED UNDER § 4-504 OF THIS TITLE.**

**(C) “HOUSEHOLD OF LIMITED INCOME” MEANS ~~A FAMILY OR AN INDIVIDUAL WHOSE~~ ONE OR MORE INDIVIDUALS WHO OCCUPY THE SAME RESIDENTIAL DWELLING UNIT AND WHOSE TOTAL HOUSEHOLD INCOME DOES NOT EXCEED THE UPPER INCOME LIMITS ESTABLISHED BY THE SECRETARY FOR THE PROGRAM UNDER § 4-404 OF THIS SUBTITLE.**

**(D) “OFFICE OR OTHER COMMERCIAL SPACE CONVERSION” MEANS THE CONVERSION TO RENTAL HOUSING OF A BUILDING THAT:**

**(1) IS IN A SUSTAINABLE COMMUNITY AS DEFINED IN § 6-301 OF THIS ARTICLE;**

(2) WAS BUILT MORE THAN 30 YEARS BEFORE AN APPLICATION IS SUBMITTED TO THE DEPARTMENT TO FINANCE THE CONVERSION;

(3) CONSISTS OF AT LEAST TWO FLOORS AT OR ABOVE GROUND LEVEL; AND

(4) WAS LAST USED AS OFFICE OR OTHER COMMERCIAL SPACE.

(E) "PROGRAM" MEANS THE RENTAL HOUSING PROGRAM.

(F) "RENTAL HOUSING PROJECT" MEANS A PROJECT ELIGIBLE FOR FINANCIAL ASSISTANCE UNDER § 4-407 OF THIS SUBTITLE.

4-402.

THERE IS A RENTAL HOUSING PROGRAM.

4-403.

THE PURPOSES OF THE PROGRAM ARE TO:

(1) STIMULATE THE PRODUCTION AND PRESERVATION OF RENTAL HOUSING;

(2) INCREASE AND IMPROVE THE SUPPLY OF DECENT, SAFE, AND SANITARY RENTAL HOUSING AT COSTS THAT ARE AFFORDABLE TO HOUSEHOLDS OF LIMITED INCOME;

(3) USE AVAILABLE RESOURCES EFFICIENTLY TO SERVE THE HOUSEHOLDS THAT ARE IN NEED OF QUALITY AFFORDABLE HOUSING OPPORTUNITIES, INCLUDING FAMILIES, THE ELDERLY, AND PERSONS WITH DISABILITIES OR SPECIAL NEEDS;

(4) SUPPORT ECONOMIC GROWTH AND ACTIVITY BY FINANCING, IN WHOLE OR IN PART, THE CONSTRUCTION OR SUBSTANTIAL REHABILITATION OF RENTAL HOUSING PROJECTS; AND

(5) REVITALIZE SUSTAINABLE COMMUNITIES, AS DEFINED IN § 6-301 OF THIS ARTICLE, THROUGH OFFICE OR OTHER COMMERCIAL SPACE CONVERSION.

4-404.

(A) THE DEPARTMENT SHALL:

- (1) ADMINISTER THE PROGRAM;**
  - (2) ADOPT POLICIES TO ENSURE THAT RENTAL HOUSING IS MADE AVAILABLE TO HOUSEHOLDS OF LIMITED INCOME;**
  - (3) DEVELOP PROCEDURES TO ENSURE THAT THE PROJECTS RECEIVING FINANCIAL ASSISTANCE FROM THE PROGRAM ARE IN COMPLIANCE WITH APPLICABLE OCCUPANCY RESTRICTIONS;**
  - (4) USE FEDERAL AND STATE PROGRAMS TO HELP CARRY OUT THE PROGRAM; AND**
  - (5) ENCOURAGE THE ASSISTANCE OR PARTICIPATION OF LOCAL POLITICAL SUBDIVISIONS.**
- (B) THE SECRETARY SHALL SET INCOME GUIDELINES BY CONSIDERING:**
- (1) THE MEDIAN INCOME FOR THE AREA;**
  - (2) THE MINIMUM INCOME NEEDED TO AFFORD AVAILABLE STANDARD RENTAL UNITS IN THE AREA;**
  - (3) FEDERAL INCOME GUIDELINES, INCLUDING THE REQUIREMENTS OF THE FEDERAL LOW-INCOME HOUSING TAX CREDIT PROGRAM; AND**
  - (4) ANY OTHER RELEVANT FACTOR.**
- (C) IN ADMINISTERING THE PROGRAM UNDER THIS SUBTITLE, THE DEPARTMENT MAY ACT EITHER DIRECTLY OR THROUGH THE ADMINISTRATION.**
- (D) THE DEPARTMENT SHALL PROVIDE WRITTEN NOTICE AND A REASONABLE OPPORTUNITY TO COMMENT TO THE CHIEF EXECUTIVE OFFICER OR THE EQUIVALENT OFFICER AND THE HEAD OR PRESIDENT OF THE LEGISLATIVE BODY OF THE POLITICAL SUBDIVISION IN WHICH A PROPOSED PROJECT IS LOCATED.**
- (E) IF THE PROPOSED PROJECT IS LOCATED IN A MUNICIPAL CORPORATION, THE NOTICE REQUIRED UNDER SUBSECTION (D) OF THIS SECTION SHALL BE SENT TO THE CHIEF EXECUTIVE OFFICER AND HEAD OR PRESIDENT OF THE MUNICIPAL CORPORATION AND NOT TO THE COUNTY.**

**TO ACHIEVE THE PURPOSES OF THE PROGRAM, THE DEPARTMENT SHALL, FROM TIME TO TIME, ASK THE STATE TO INCREASE OR REPLACE AMOUNTS DEPOSITED WITH THE STATE TREASURER IN THE FUND.**

**4-406.**

**(A) THE DEPARTMENT SHALL ADOPT REGULATIONS TO CARRY OUT THE PROGRAM.**

**(B) THE REGULATIONS SHALL PROVIDE FOR:**

- (1) APPLICATIONS FOR MONEY FROM THE FUND;**
- (2) STANDARDS OF ELIGIBILITY, TERMS, AND FEES;**
- (3) CHARGES THAT SHALL BE IMPOSED ON PROGRAM LOANS; AND**
- (4) THE RECAPTURE OF MONEY OF THE FUND FROM A BORROWER THAT DOES NOT USE THE MONEY IN A TIMELY MANNER.**

**4-407.**

**(A) A PROJECT QUALIFIES AS A RENTAL HOUSING PROJECT UNDER THIS SUBTITLE IF:**

**(1) ITS PURPOSE IS TO ACQUIRE, CONSTRUCT, OR REHABILITATE REAL PROPERTY OR ALL OR PART OF A BUILDING OR IMPROVEMENTS THAT WILL BE OCCUPIED BY HOUSEHOLDS OF LIMITED INCOME AS PROVIDED IN THIS SUBSECTION; AND**

**(2) A PORTION OF THE RENTAL UNITS IN THE PROJECT ARE SET ASIDE FOR HOUSEHOLDS OF LOWER INCOME FOR THE GREATER OF:**

**(i) 15 YEARS; OR**

**(ii) THE NUMBER OF YEARS REQUIRED BY FEDERAL LAW.**

**(B) THE MINIMUM NUMBER OF RENTAL UNITS SET ASIDE UNDER SUBSECTION (A)(2) OF THIS SECTION SHALL BE THE GREATER OF:**

**(1) THE NUMBER THAT BEARS THE SAME RATIO TO THE WHOLE NUMBER OF RENTAL UNITS IN THE PROJECT AS THE AMOUNT OF THE PROGRAM LOAN BEARS TO THE WHOLE FINANCING OF THE UNDERTAKING; OR**

**(2) THE NUMBER OF RENTAL UNITS CHOSEN BY THE SPONSOR TO SATISFY FEDERAL OCCUPANCY REQUIREMENTS, IF THE PROJECT RECEIVES FEDERAL LOW-INCOME HOUSING TAX CREDITS OR IS FINANCED IN PART WITH GOVERNMENT-ISSUED, FEDERALLY TAX-EXEMPT REVENUE BONDS.**

**(C) RENTAL UNITS RESTRICTED FOR OCCUPANCY TO MEET OTHER FEDERAL, STATE, OR LOCAL OCCUPANCY REQUIREMENTS MAY BE COUNTED TOWARD THE MINIMUM NUMBER REQUIRED UNDER THIS SECTION.**

**(D) A RENTAL UNIT THAT CONTINUES TO MEET APPLICABLE FEDERAL OCCUPANCY RESTRICTIONS UNDER SUBSECTION ~~(A)(2)(H)~~ (B)(2) OF THIS SECTION SHALL BE DEEMED TO CONTINUE TO MEET THE APPLICABLE RESTRICTIONS FOR PURPOSES OF THIS SUBTITLE.**

**(E) A PROJECT QUALIFIES AS A RENTAL HOUSING PROJECT UNDER THIS SUBTITLE AND IS NOT SUBJECT TO THE INCOME RESTRICTIONS SPECIFIED IN THIS SECTION IF IT WILL:**

**(1) EFFECT AN OFFICE OR OTHER COMMERCIAL SPACE CONVERSION INTO MARKET RATE RENTAL HOUSING; AND**

**(2) PROVIDE SUBSTANTIAL ECONOMIC DEVELOPMENT TO A SUSTAINABLE COMMUNITY AS DEFINED IN § 6-301 OF THIS ARTICLE.**

**4-408.**

**(A) THE DEPARTMENT SHALL REVIEW APPLICATIONS FOR LOANS SUBMITTED BY PRIVATE OR NONPROFIT SPONSORS, POLITICAL SUBDIVISIONS, OR LOCAL HOUSING AUTHORITIES ESTABLISHED UNDER DIVISION II OF THIS ARTICLE ON BEHALF OF SPONSORS OF PROPOSED RENTAL HOUSING PROJECTS.**

**(B) IN REVIEWING AN APPLICATION FOR A PROGRAM LOAN UNDER THIS SUBTITLE, THE DEPARTMENT SHALL CONSIDER:**

**(1) THE EXTENT TO WHICH HOUSEHOLDS OF LIMITED INCOME WILL BE ASSISTED BY THE PROPOSED PROJECT;**

**(2) THE NUMBER AND PERCENTAGE OF HOUSEHOLDS OF LIMITED INCOME CURRENTLY LIVING IN THE COMMUNITY WHERE THE PROJECT IS PROPOSED;**

**(3) THE QUANTITY, CONDITION, AND AFFORDABILITY OF RESIDENTIAL PROPERTY IN THE COMMUNITY WHERE THE PROJECT IS PROPOSED;**

**(4) THE ECONOMIC FEASIBILITY OF THE PROPOSED PROJECT;**

**(5) THE DEGREE OF LOCAL GOVERNMENT INCENTIVE AND SUPPORT PROVIDED TO THE PROPOSED PROJECT, INCLUDING CONTRIBUTION OF LAND, ABATEMENT OF TAXES OR FEES, DIRECT OR INDIRECT RENTAL SUBSIDIES, AND GRANTS; AND**

**(6) ANY OTHER RELEVANT FACTORS.**

**4-409.**

**(A) MONEY IN THE FUND MAY BE USED TO MAKE LOANS TO AN APPROVED APPLICANT TO:**

**(1) ACQUIRE, CONSTRUCT, OR REHABILITATE A RENTAL HOUSING PROJECT;**

**(2) CONVERT AN EXISTING BUILDING OR BUILDINGS TO A RENTAL HOUSING PROJECT; OR**

**(3) PROVIDE OPERATING ASSISTANCE TO REDUCE THE OPERATING COSTS OF A PROJECT BY DEPOSITING THE PROCEEDS OF THE PROGRAM LOAN IN AN INTEREST BEARING ACCOUNT THAT IS UNDER THE CONTROL OF THE DEPARTMENT AND IS USED TO PAY THE OPERATING COSTS, INCLUDING THE PRINCIPAL AND INTEREST WHEN DUE, ON ANY PRIOR MORTGAGE LOAN SECURING THE PROJECT.**

**(B) A PROGRAM LOAN MAY:**

**(1) BE SECURED BY A MORTGAGE LIEN;**

**(2) BE SUBORDINATE TO OTHER FINANCING;**

**(3) HAVE AN INTEREST RATE AS LOW AS ZERO PERCENT;**

**(4) BE PAYABLE OUT OF SURPLUS CASH;**

**(5) BE A DEFERRED PAYMENT LOAN;**

**(6) PROVIDE FOR AN EQUITY PARTICIPATION BY THE DEPARTMENT OR CONTINGENT INTEREST PAYABLE OUT OF SURPLUS CASH OR NET EQUITY; OR**

**(7) HAVE ANY OTHER TERMS THE DEPARTMENT MAY REQUIRE.**

**(C) TO FACILITATE REPAYMENT OF THE PROGRAM LOAN AND ACHIEVE THE PURPOSES OF THE PROGRAM, THE DEPARTMENT MAY MODIFY:**

**(1) THE INTEREST RATE;**

**(2) THE TIME OR AMOUNT OF PAYMENT; OR**

**(3) ANY OTHER TERM OF THE PROGRAM LOAN.**

**4-410.**

**(A) IF A PROGRAM LOAN IS SECURED BY A MORTGAGE, THE DEPARTMENT MAY:**

**(1) ENFORCE THE MORTGAGE;**

**(2) FORECLOSE ON THE MORTGAGE AND TAKE TITLE TO THE MORTGAGED PROPERTY OR TAKE DEED IN LIEU OF FORECLOSURE;**

**(3) CONVEY TITLE TO A PURCHASER;**

**(4) OBTAIN AND ENFORCE A DEFICIENCY JUDGMENT;**

**(5) ALLOW ASSUMPTION OF THE MORTGAGE; AND**

**(6) CONTRACT WITH A PRIVATE MORTGAGE SERVICER TO PERFORM ON BEHALF OF THE DEPARTMENT ANY FUNCTIONS A SERVICER ORDINARILY PERFORMS.**

**(B) WITHOUT APPROVAL OR EXECUTION BY THE BOARD OF PUBLIC WORKS, THE DEPARTMENT MAY:**

**(1) ASSIGN A MORTGAGE FOR VALUE; OR**

**(2) CONVEY PROPERTY AFTER ACQUISITION.**

**4-411.**

(A) (1) A PERSON MAY NOT KNOWINGLY MAKE OR CAUSE TO BE MADE A FALSE STATEMENT OR REPORT IN A DOCUMENT REQUIRED TO BE SUBMITTED TO THE DEPARTMENT UNDER AN AGREEMENT RELATING TO A PROGRAM LOAN.

(2) A LOAN APPLICANT MAY NOT KNOWINGLY MAKE OR CAUSE A FALSE STATEMENT OR REPORT TO BE MADE TO INFLUENCE THE ACTION OF THE DEPARTMENT ON A PROGRAM LOAN APPLICATION OR TO INFLUENCE ACTION OF THE DEPARTMENT AFFECTING A PROGRAM LOAN ALREADY MADE.

(B) A PERSON WHO VIOLATES THIS SECTION IS GUILTY OF A MISDEMEANOR AND ON CONVICTION IS SUBJECT TO IMPRISONMENT NOT EXCEEDING 5 YEARS OR A FINE NOT EXCEEDING \$50,000 OR BOTH.

4-504.

(a) In this section, "Fund" means the Rental Housing [Programs] Fund.

(b) There is a Rental Housing [Programs] Fund.

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

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

(ii) operate, make loans, and pay expenses of the Rental Housing Production Program].

~~(2) The [Administration] DEPARTMENT shall use the Fund to operate, make loans, and pay expenses of the [Elderly] Rental Housing Program.~~

~~(3) (i) The [Administration] DEPARTMENT may use the Fund to make deferred payment loans to approved applicants to enable the applicants to acquire, construct, or rehabilitate elderly rental housing projects or to convert existing rental housing to elderly rental housing projects.~~

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

(d) The [Administration] DEPARTMENT shall administer the Fund EITHER DIRECTLY OR THROUGH THE ADMINISTRATION.

(e) [(1)] The Fund consists of:

[(i)] (1) money appropriated by the State for [rental housing programs, including the Elderly Rental Housing Program] **THE RENTAL HOUSING PROGRAM** under § 4-402 of this title[, the Multifamily Rehabilitation Program under § 4-906(b) of this title, the Nonprofit Rehabilitation Program under § 4-929 of this title, and the Rental Housing Production Program under § 4-1502 of this title];

[(ii)] (2) repayments and prepayments of loans made under the [programs set forth in item (i) of this paragraph] **RENTAL HOUSING PROGRAM AND FROM LOAN PROGRAMS UNDER THIS TITLE THAT HAVE BEEN REPEALED**;

[(iii)] (3) money appropriated under § 4-501(c) of this subtitle;

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

**(5) FUNDS RECEIVED BY THE DEPARTMENT OR THE ADMINISTRATION FROM THE FEDERAL GOVERNMENT OR OTHER PUBLIC OR PRIVATE SOURCES; and**

[(v)] (6) investment earnings of the Fund.

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

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

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

4-901.

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

(b) “Cooperative housing corporation” has the meaning stated in § 5-6B-01 of the Corporations and Associations Article.

(c) “Cooperative interest” has the meaning stated in § 5-6B-01 of the Corporations and Associations Article.

(d) (1) “Family of limited income” means a family or individual whose income does not exceed the limits that the Secretary establishes under § 4–915 of this subtitle.

(2) “Family of limited income” includes a trust described in 42 U.S.C. § 1396p(d)(4), or a trust established for the benefit of an individual with a disability by an individual other than the beneficiary and that is funded with assets that were never owned or controlled by the beneficiary, if:

(i) the income of the trust does not exceed the upper income limits established by the Secretary under § 4–915 of this subtitle; and

(ii) the beneficiary of the trust is an individual who resides in the residential building owned by the trust.

(e) “Local rehabilitation program” means a rehabilitation program that uses Program loans and is administered by a political subdivision.

(f) “Member” has the meaning stated in § 5–6B–01 of the Corporations and Associations Article.

(g) “Minimum livability code” means a regulation, statute, or ordinance that establishes minimum property maintenance standards that the State or a political subdivision adopts under § 12–203 of the Public Safety Article.

(h) “Nonprofit sponsor” means:

(1) a nonprofit organization;

(2) a political subdivision; or

(3) a limited partnership formed to undertake a rehabilitation project that is eligible wholly or partly for federal programs or incentives[, including low-income housing tax credits], if:

(i) each general partner is a nonprofit organization or a political subdivision; or

(ii) 1. each general partner is a wholly owned subsidiary of a nonprofit organization or political subdivision; and

2. a nonprofit organization or political subdivision manages the rehabilitation project or will receive net cash flow or the residual sale proceeds on the sale of the rehabilitation project.

(i) “Program” means the Maryland Housing Rehabilitation Program.

(j) “Program loan” means a loan or grant under the Maryland Housing Rehabilitation Program or a special loan program.

**(K) “REGULAR REHABILITATION PROGRAM” MEANS THE PROGRAM WHEN USED TO FUND A LOAN ~~FROM~~ FOR A SINGLE FAMILY PROJECT.**

**[(k)] (L)** (1) “Rehabilitation project” means a project to repair, reconstruct, renovate, redevelop, improve, modify, or add to a building for a purpose listed in § 4–923 of this subtitle.

(2) “Rehabilitation project” includes providing utility submetering for dwellings in a residential rental building.

**[(l)] (M)** “Special loan program” means:

- (1) the Accessory, Shared, and Sheltered Housing Program;
- (2) the Indoor Plumbing Program;
- (3) the Lead Paint Abatement Program;
- (4) the Migratory Worker Housing Program;
- (5) the Radon and Asbestos Abatement Pilot Program; and
- (6) the Accessible Homes for Senior Homeowners Grant Program.

**(N) “SPECIAL REHABILITATION PROGRAM” MEANS THE PROGRAM WHEN USED TO FUND A LOAN UNDER A SPECIAL LOAN PROGRAM.**

**[(m)] (O)** “Sponsor” means an owner who receives a loan to rehabilitate a building for residential rental purposes or nonresidential purposes.

4–903.

The General Assembly finds that:

(1) (i) many residents of the State live in dwellings that do not conform to building, health, safety, fire, occupancy, or other codes and standards applicable to housing;

(ii) many communities or political subdivisions in the State do not have a minimum livability code; and

(iii) these conditions impede the development and maintenance of healthy, safe, and viable communities;

(2) private sector financing is often unavailable for rehabilitation because:

(i) owner-occupants of housing in need of rehabilitation often have low incomes; and

(ii) nonoccupant owners often incur high risks in owning and managing the housing;

(3) rehabilitating suitable housing:

(i) increases the economic life of the housing;

(ii) is often more economical and less disruptive than replacing the housing and relocating its occupants;

(iii) can better promote community development when it is done through organized housing rehabilitation programs;

(iv) is essential for sound community development; and

(v) can be helped by rehabilitating commercial buildings serving communities where housing rehabilitation is desirable;

(4) it is a proper public purpose for which public money may be spent and property acquired to:

(i) rehabilitate housing;

(ii) develop healthful, safe, and viable communities;

(iii) rehabilitate commercial buildings to help rehabilitate and develop housing; and

(iv) provide healthful and safe housing for migratory workers to maintain and expand the agricultural activities that are dependent on the labor of these workers; and

(5) it is a proper public purpose for which public money may be spent to:

(i) improve, modify, and add to housing to increase the supply of special housing for special populations, such as elderly households, individuals with disabilities, and other disadvantaged residents of the State;

(ii) prevent lead poisoning by modifying older housing to provide a lead-safe environment, as lead paint in older housing is a major source of lead poisoning in children;

(iii) provide adequate indoor plumbing, water supply, and sewage disposal systems for dwellings; **AND**

**[(iv) rehabilitate or acquire and rehabilitate large rental housing facilities for low- and moderate-income individuals and keep those facilities in a decent, safe, and sanitary condition; and]**

**[(v) (IV) reduce or eliminate radon and asbestos, which are major detriments to the health and safety of residents, on a pilot program basis.**

4-905.

The Maryland Housing Rehabilitation Program includes:

(1) the Accessory, Shared, and Sheltered Housing Program;

(2) the Indoor Plumbing Program;

(3) the Migratory Worker Housing Program;

**[(4) the Nonprofit Rehabilitation Program;]**

**[(5) (4) the Radon and Asbestos Abatement Pilot Program; and**

**[(6) (5) the Accessible Homes for Senior Homeowners Grant Program.**

4-906.

(a) (1) The Department shall operate the Program and make Program loans.

(2) As much as possible, the Program shall be administered:

(i) in conjunction with federal programs assisting rehabilitation of housing, to ensure maximum use of available federal money; and

(ii) consistently with locally approved plans or programs of concentrated neighborhood revitalization.

(b) [(1) The Multifamily Rehabilitation Program consists of:

(i) Program loans made to rehabilitate or acquire and rehabilitate buildings providing more than four dwellings or serving nonresidential needs; and

(ii) Program loans to nonprofit sponsors under § 4-929 of this subtitle.]

[(2) (1) Except for Program loans made under a special loan program, the Regular Rehabilitation Program consists of Program loans to rehabilitate residential buildings providing four or fewer dwellings.

[(3) (2) The Special Rehabilitation Program consists of Program loans made under a special loan program.

4-907.

(a) The Regular Rehabilitation Program and the Special Rehabilitation Program shall operate with money in the Special Loan Programs Fund and other money available to the Department for these programs.

(b) [(1) If the applications that qualify for a Program loan under the Regular Rehabilitation Program or a special loan program do not commit all money appropriated to that loan program within 6 months after the appropriation, the Department may reallocate the remaining appropriated money to any other program financed by the Special Loan Programs Fund.

[(2) In like circumstances, the Department may reallocate money appropriated to the Nonprofit Rehabilitation Program or the Multifamily Rehabilitation Program to any other program financed by the Rental Housing Programs Fund.]

4-918.

(a) (1) When the Department makes a Program loan to finance a residential rehabilitation project, the sponsor or nonprofit sponsor shall restrict some dwellings for occupancy by families of limited income for at least the greater of 15 years and the number of years required by federal law.

(2) The number of dwellings restricted under paragraph (1) of this subsection shall be at least the greater of:

(i) the number that bears the same ratio to the total number of dwellings in the project as the amount the Program loan bears to the total financing of the undertaking; **AND**

[(ii) the number of dwellings chosen by the sponsor to satisfy federal occupancy requirements if the residential rehabilitation project receives an allocation of federal low-income housing tax credits; and]

[(iii) **(II)** the number of dwellings required for a community development project under § 4-217(b)(1)(ii) of this title or the number of dwellings that the issuer of the bonds chooses, whichever is greater, if a portion of the costs of the residential rehabilitation project is financed by government-issued, federally tax-exempt revenue bonds.

(b) Dwellings restricted for occupancy to meet other federal or State occupancy requirements may be counted toward the number required under subsection (a) of this section.

[(c) As a condition to certain types of Program loans, the Department may require the political subdivision where a rehabilitation project is located to make a contribution to the project.]

4-921.

[(a) Rehabilitation loans under the Multifamily Rehabilitation Program and nonprofit rehabilitation loans shall be financed by the Rental Housing Programs Fund.

(b)] Rehabilitation loans under the Regular Rehabilitation Program and special loan programs shall be financed by the Special Loan Programs Fund.

4-923.

(a) The purpose of a rehabilitation project is:

(1) to bring a building to a decent, safe, and sanitary condition in accordance with applicable codes and standards, including those for construction, health, safety, fire, and occupancy;

(2) to maintain the building in that condition;

(3) to make the building more useful and attractive;

(4) to conform the building to the appropriate minimum livability code;

~~[(5)]~~ to acquire a building containing more than four dwelling units for the purposes set forth in items (1) through (4) of this subsection;]

~~[(6)]~~ **(5)** to provide, under applicable special loan programs:

- (i) lead paint abatement;
- (ii) indoor plumbing; or
- (iii) shared, accessory, or sheltered housing;

~~[(7)]~~ **(6)** in the case of a loan or grant to an elderly household or a disabled homeowner, to modify or improve a dwelling to make it more accessible or functional for the occupants, if the building is, or after improvements will be, structurally sound and free of health and safety hazards; or

~~[(8)]~~ **(7)** to provide, under applicable special loan pilot programs, radon abatement or asbestos abatement.

(b) (1) The applicable codes and standards under subsection (a)(1) of this section are:

(i) those in force in the political subdivision where the building is located; or

(ii) those that the Department sets by regulation for that political subdivision solely for purposes of this subtitle, if the political subdivision lacks codes and standards that the Secretary considers sufficient to promote the objectives of this subtitle.

(2) With the approval of the local enforcement authority, the Secretary may allow exceptions to a code or standard to preserve the historic or architectural value of a building undergoing rehabilitation under this subtitle.

4-1205.

(a) The Department shall:

(1) administer the Program;

(2) adopt policies and procedures that encourage partnership rental housing throughout the State; and

(3) adopt regulations to carry out the Program, including regulations that specify criteria for local contributions to the cost of partnership projects undertaken by a political subdivision or housing authority.

(b) The Department may establish:

(1) maximum limits for financing that it will provide to:

(i) individual partnership rental housing units;

(ii) any one partnership project; or

(iii) any political subdivision or housing authority;

(2) a process for approving financing for partnership projects that encourages a broad geographic distribution of money; and

(3) the time that a household may occupy the partnership rental housing after the annual income of the household exceeds the continuing occupancy income limits for households of lower income.

**(C) IN ADMINISTERING THE PROGRAM, THE DEPARTMENT MAY MAKE LOANS EITHER DIRECTLY OR THROUGH THE ADMINISTRATION.**

4-1207.

(a) Except as provided in subsection (c) of this section, the Department may approve an application for a proposed partnership project only if:

(1) the application is authorized by the chief elected official of the political subdivision or, if there is no chief elected official, by the governing body of the political subdivision in which the project is located;

(2) the political subdivision or housing authority:

(i) contributes from nonstate sources the land for the partnership rental housing;

(ii) funds the part of the acquisition cost of the property that is attributable to the value of the land; or

(iii) makes a contribution under § 4-1208(d)(2) of this subtitle that equals or exceeds the value of the land;

(3) the political subdivision or housing authority is to have an ownership interest in the partnership project or in the rental units financed by the

Program and sold to the political subdivision or housing authority or to a partnership that includes the political subdivision or housing authority;

(4) the political subdivision or housing authority directly or indirectly manages the partnership project;

(5) the rental units financed by the Program are to be occupied on completion of the acquisition, construction, reconstruction, renovation, or rehabilitation by households of lower income;

(6) **UNLESS PROHIBITED BY ANY APPLICABLE FEDERAL REQUIREMENT**, the households of lower income occupying the partnership project or the part financed by the Program are required to contribute services to enhance or maintain the partnership project or the community in a way that the political subdivision or housing authority accepts; and

(7) it is reasonable to anticipate that:

(i) more State subsidies will not be needed for long-term occupancy by households of lower income; and

(ii) rental income, including any contribution to allow for more affordable rents under § 4-1208(d) of this subtitle, will be enough to pay the operating costs of the partnership project and to build an adequate reserve for the long-term maintenance and renovation of the partnership project.

(b) The rental units financed by the Program may include, as among those that must be occupied by households of lower income, rental units restricted for occupancy to meet other federal or State occupancy requirements.

(c) The Department may approve the use of partnership rental housing funds for a unit of partnership rental housing that [is not owned in whole or in part by a political subdivision or housing authority] **DOES NOT COMPLY WITH EACH REQUIREMENT SET FORTH IN SUBSECTION (A) OF THIS SECTION** if:

(1) the unit will be occupied by a household of lower income that includes one or more individuals with disabilities or special needs; and

(2) the project in which the unit is located complies with the requirements of the other State housing programs financing the project~~], if any,~~ [including requirements for local support or local contribution].

4-1208.

(a) A political subdivision [or], housing authority, **OR OTHER ELIGIBLE BORROWER** may participate in the Program and do all things necessary or convenient to its participation, including:

(1) developing, acquiring, improving, owning, operating, and managing rental housing;

(2) borrowing money; and

(3) mortgaging, pledging, and granting a security interest in real or personal property related to a particular partnership project.

(b) [The] **EXCEPT AS PROVIDED IN SUBSECTION (G) OF THIS SECTION, THE** Department may not require a [political subdivision or housing authority] **BORROWER** to repay money made available under the Program, unless the [political subdivision or housing authority] **BORROWER**:

(1) sells the partnership project; or

(2) fails to operate the partnership project for the benefit of households of lower income in accordance with agreements between the Department and the political subdivision or housing authority.

(c) The Department shall secure the obligations of the [political subdivision, housing authority, or private sector entity] **BORROWER** by using a mortgage, deed of trust, or other security device that the Department accepts on the property or on revenues derived from the property.

(d) (1) To allow for more affordable rents, a political subdivision or housing authority may contribute local money, including locally administered federal money or federal rental assistance.

(2) The contributions of political subdivisions or housing authorities under § 4-1207(a)(2)(iii) of this subtitle may include the costs of:

(i) necessary studies, surveys, tests, plans, and specifications;

(ii) architectural, design, engineering, and other special services;

(iii) site preparation;

(iv) indemnity and surety bonds and premiums on title and hazard insurance; and

(v) other costs of development.

(e) To participate in the Program and to receive loans, a political subdivision or housing authority may not be required to pledge its full faith and credit.

(f) For rental housing financed from the Fund and owned or managed by a housing authority, this subtitle supersedes:

(1) §§ 12-401, 12-402, and 12-405 of this article; and

(2) all other restrictions on tenant income under Division II of this article.

**(G) IF NECESSARY TO COMPLY WITH, OR RECEIVE THE BENEFIT OF, FEDERAL OR OTHER FINANCIAL ASSISTANCE, FUNDS PROVIDED UNDER THE PROGRAM MAY BE MADE AVAILABLE AS A DEFERRED PAYMENT LOAN REPAYABLE ON THE LATER OF:**

**(1) THE OCCURRENCE OF ONE OF THE EVENTS SET FORTH IN SUBSECTION (B) OF THIS SECTION; OR**

**(2) A MATURITY DATE SET BY THE DEPARTMENT.**

SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2014.

**Approved by the Governor, April 14, 2014.**