

# HOUSE BILL 326

C8

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By: **Chair, Environment and Transportation Committee (By Request – Departmental – Housing and Community Development)**

Introduced and read first time: January 27, 2016

Assigned to: Environment and Transportation

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Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 17, 2016

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Housing and Community Development – Business Lending and Neighborhood  
3 Revitalization**

4 FOR the purpose of authorizing the Maryland Housing Fund in the Department of Housing  
5 and Community Development to provide certain insurance or credit enhancement on  
6 business projects under certain circumstances; altering certain findings related to  
7 the Maryland Housing Fund to include certain business projects; specifying certain  
8 criteria for a project to qualify as a business project; providing for certain types of  
9 financial assistance to business projects by the Community Development  
10 Administration under certain circumstances; authorizing the Administration to  
11 purchase or issue securities for certain business projects; altering certain definitions;  
12 defining certain terms; authorizing the Department to charge certain fees for certain  
13 financial assistance provided under the Division of Neighborhood Revitalization;  
14 requiring the Department to provide certain notice of certain projects under the  
15 Division to certain local jurisdictions; altering the circumstances in which the  
16 Department may approve certain projects; altering the standards for receipt of  
17 certain financial assistance to certain businesses under the Division; altering the  
18 type of financial assistance that the Department may provide through certain  
19 entities under certain circumstances; expanding the areas in which the  
20 Neighborhood Business Development Program is authorized to provide financial  
21 assistance; requiring the Department to reserve a certain amount of money to make  
22 financial assistance available to certain projects located in sustainable communities;  
23 repealing certain requirements for applicants for financial assistance for projects in  
24 certain areas; repealing a requirement for the Department to establish certain

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**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.



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minimum percentages for certain types of funding; altering certain limits on the amount of certain loans that the Department may sell; authorizing the Department to purchase certain financial assistance from certain entities for certain business purposes; authorizing the Department to pledge certain loans for certain purposes; altering where certain unencumbered funds in the Neighborhood Business Development Fund may be transferred for certain uses under certain circumstances; declaring the intent of the General Assembly; requiring the Department to report to certain committees of the General Assembly on or before a certain date; and generally relating to business lending and neighborhood revitalization in the Department of Housing and Community Development.

11 BY renumbering

12 Article – Housing and Community Development

13 Section 3–201(b) through (j), respectively, and 4–201(b) through (u), respectively  
14 to be Section 3–201(c) through (k), respectively, and 4–201(c) through (v),  
15 respectively

16 Annotated Code of Maryland

17 (2006 Volume and 2015 Supplement)

18 BY repealing and reenacting, without amendments,

19 Article – Housing and Community Development

20 Section 3–201(a) and 4–201(a)

21 Annotated Code of Maryland

22 (2006 Volume and 2015 Supplement)

23 BY adding to

24 Article – Housing and Community Development

25 Section 3–201(b), 4–201(b), and 4–223

26 Annotated Code of Maryland

27 (2006 Volume and 2015 Supplement)

28 BY repealing and reenacting, with amendments,

29 Article – Housing and Community Development

30 Section 3–202, 3–206(a), 4–201(e), 4–211(a)(12), 4–225(a), 4–234, 6–102, 6–206(b),  
31 6–301, 6–302, 6–303, 6–304(b), 6–305, 6–308, 6–308.1, 6–310, and 6–405(c)

32 Annotated Code of Maryland

33 (2006 Volume and 2015 Supplement)

34 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

35 That Section(s) 3–201(b) through (j), respectively, and 4–201(b) through (u), respectively,  
36 of Article – Housing and Community Development of the Annotated Code of Maryland be  
37 renumbered to be Section(s) 3–201(c) through (k), respectively, and 4–201(c) through (v),  
38 respectively.

39 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read

40 as follows:

**Article – Housing and Community Development**

2 3–201.

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

4           **(B) “BUSINESS PROJECT” HAS THE MEANING STATED IN § 4–201 OF THIS**  
5           **ARTICLE.**

6 3–202.

7 (a) (1) The General Assembly finds that:

8                   (i) the flow of private investment capital into **BUSINESSES AND**  
9 adequate housing can be stimulated by a system insuring qualified lending institutions  
10 against losses resulting from nonpayment of money owed under the terms of a note, bond,  
11 or other evidence of indebtedness; and

12                   (ii) the insurance can help State and local activity to finance  
13 **BUSINESSES**, housing, and rehabilitation.

14                   (2) The General Assembly also finds that adequate housing can and should  
15 be provided by private capital under our free enterprise system and in accordance with  
16 sound investment practices.

17                   (3) The General Assembly finds as a subject of concern that:

18                   (i) many residents of the State are living in substandard housing;  
19 and

20                   (ii) there is a shortage of housing at reasonable costs for various  
21 income levels.

22                   (b) The General Assembly finds that it is in the public interest to promote energy  
23 conservation projects and solar energy projects by providing insurance for:

24                   (1) loans made by qualified lending institutions; and

25                   (2) bonds or notes issued to finance the projects.

26                   (c) The General Assembly finds that the sale of pooled mortgages or securities  
27 backed by mortgages to private or public investors, including public and private pension  
28 funds, is in the public interest and could increase the investment capital available to make  
29 mortgage loans to:

30                   (1) acquire, construct, and rehabilitate housing; AND

1                   **(2) ACQUIRE, OPERATE, CONSTRUCT, AND REHABILITATE**  
2 **BUSINESSES.**

3                   (d) (1) In this subsection, “distressed area” has the meaning stated in § 4–201  
4 of this article.

5                   (2) The General Assembly finds that it is in the public interest to encourage  
6 the financing of, and otherwise to support, the planning, acquisition, development,  
7 construction, reconstruction, rehabilitation, repair, renovation, and other improvement of:

- 8                   (i) public purpose projects in distressed areas in the State; and  
9                   (ii) infrastructure projects.

10                  (e) The General Assembly finds that the flow of public and private capital to  
11 support the activities specified in this section will be encouraged and expanded by:

- 12                  (1) insuring:  
13                   (i) loans made by qualified lending institutions;  
14                   (ii) bonds or notes issued by qualified issuers; and  
15                   (iii) obligations backed by mortgages; and  
16                  (2) providing other credit enhancements.

17 3–206.

18                  (a) In offering insurance and other forms of credit enhancement, the Department  
19 shall adopt eligibility standards that are reasonable to aid in:

- 20                  (1) financing the purchase, construction, or rehabilitation of:  
21                   (i) housing projects;  
22                   (ii) special housing facility projects, consisting of the acquisition,  
23 rehabilitation, improvement, renovation, construction, financing, or refinancing of a  
24 building that:  
25                   1. provides common, shared, or independent living, dining,  
26 kitchen, sanitary, and sleeping facilities;  
27                   2. may include supportive services or supervisory live-in  
28 personnel for individuals with specialized housing needs; and

(iv) energy conservation projects;

(v) solar energy projects;

6 (vi) public purpose projects; [or]

7 (vii) infrastructure projects; [and] OR

### **(VIII) BUSINESS PROJECTS; AND**

(2) the sale or other transfer of an obligation that is:

(i) denoted as a bond, note, collateralized obligation, grantor trust, conduit, or other form of security or obligation; and

12 (ii) backed directly or indirectly by a mortgage or a payment derived  
13 from a mortgage.

14 4-201.

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

(B) "BUSINESS PROJECT" MEANS A PROJECT THAT QUALIFIES UNDER § 4-223 OF THIS SUBTITLE.

18               (e)     (1)     “Development costs” means the costs that the Department considers  
19 reasonable and necessary to carry out:

20 (i) a community development project;

(ii) an energy conservation project;

22 (iii) a home improvement project;

(iv) an infrastructure project;

(v) a public purpose project;

25 (vi) a solar energy project; [or]

(vii) a special housing facility; OR

1                   **(VIII) A BUSINESS PROJECT.**

2                   (2) "Development costs" includes:

3                   (i) the costs of:

4                   1. studies, surveys, plans and specifications, and  
5 architectural, engineering, or other special services;

6                   2. acquisition of land and any buildings on the land;

7                   3. site preparation and development, construction,  
8 reconstruction, rehabilitation, and improvement; and

9                   4. acquisition of machinery, equipment, and furnishings;

10                  (ii) expenses incurred in connection with initial occupancy or  
11 operation of the project;12                  (iii) an allocable portion of the administrative and operating  
13 expenses of the Department;14                  (iv) the cost of financing the project, including interest on bonds and  
15 notes issued to finance the project from the date issued to the date the Department  
16 determines that the project is substantially occupied or substantially in operation; [and]17                  (v) the cost of other items, including indemnity and surety bonds,  
18 premiums on insurance, fees, relocation costs, and charges and expenses of trustees,  
19 depositories, and paying agents for bonds and notes issued; AND20                   **(VI) OPERATING AND EXPANSION COSTS FOR BUSINESS**21                   **PROJECTS.**

22                  4-211.

23                  (a) The Administration shall:

24                  (12) provide money to programs eligible to receive funding from the  
25 Neighborhood Business Development Fund under § [6-309] **6-310** of this article.

26                  4-223.

27                  **(A) A PROJECT QUALIFIES AS A BUSINESS PROJECT IF THE PROJECT IS:**

1                   **(1) LOCATED IN AN AREA DESIGNATED AS A PRIORITY FUNDING AREA**  
2   **UNDER § 5–7B–02 OF THE STATE FINANCE AND PROCUREMENT ARTICLE; AND**

3                   **(2) (I) ACQUIRED, OWNED, DEVELOPED, CONSTRUCTED,**  
4   **RECONSTRUCTED, REHABILITATED, OR IMPROVED BY A PERSON OR AN ENTITY FOR**  
5   **THE PURPOSES OF CARRYING ON A BUSINESS WHETHER OR NOT FOR PROFIT; OR**

6                   **(II) ELIGIBLE FOR FUNDING FROM THE NEIGHBORHOOD**  
7   **BUSINESS DEVELOPMENT FUND UNDER § 6–310 OF THIS ARTICLE.**

8                   **(B) REPAYMENT OF PRINCIPAL AND INTEREST FOR A BUSINESS PROJECT**  
9   **MAY BE SECURED BY:**

10                  **(1) REAL PROPERTY;**

11                  **(2) PERSONAL PROPERTY;**

12                  **(3) BANK ACCOUNTS;**

13                  **(4) CERTIFICATES OF DEPOSIT, STOCKS, AND BONDS;**

14                  **(5) CREDIT ENHANCEMENT, ASSURANCE, OR GUARANTY; OR**

15                  **(6) ANY OTHER COLLATERAL ACCEPTABLE TO THE ADMINISTRATION.**

16   4–225.

17                  (a) The Administration shall administer a program of financial assistance for:

18                  (1) community development projects;

19                  (2) energy conservation projects;

20                  (3) home improvement projects;

21                  (4) public purpose projects;

22                  (5) solar energy projects; [and]

23                  (6) special housing facilities; AND

24                  **(7) BUSINESS PROJECTS.**

25   4–234.

(a) In this section, "government-sponsored enterprise" means the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, or other agency or instrumentality of or chartered by the federal government that has similar powers.

5           (b)    (1) To finance community development projects, public purpose projects, or  
6 residential mortgage loans, the Administration may purchase or issue securities that are  
7 backed by mortgage loans and guaranteed by the Government National Mortgage  
8 Association or a government–sponsored enterprise.

12       (c)   (1) Notwithstanding inconsistent provisions of this subtitle relating to  
13 bonds or notes that the Administration purchases or issues, the issuance, terms, and  
14 conditions of a security that the Administration issues under this section may be as the  
15 Administration finds necessary or desirable for guaranty by:

(I) the Government National Mortgage Association or a government-sponsored enterprise, FOR PROJECTS OR LOANS DESCRIBED UNDER SUBSECTION (B)(1) OF THIS SECTION; OR

(2) Except as provided by paragraph (1) of this subsection, the provisions of this subtitle that relate to bonds or notes issued by the Administration apply to securities purchased or issued under this section.

25 6-102.

26           (a) The Division of Neighborhood Revitalization shall administer commercial and  
27 mixed-use revitalization programs to encourage physical and organizational improvements  
28 to business areas.

29           (b) To carry out commercial and mixed-use revitalization programs, the Division  
30 of Neighborhood Revitalization shall administer State and federal grants and loans and  
31 other financial assistance to:

(2) corporations or foundations whose net earnings are invested to foster, encourage, help, or carry out community assistance activities, projects, or programs.

## 1       (c) THE DEPARTMENT MAY:

2                   (1) CHARGE AND COLLECT FROM A PROJECT APPLICANT OR

3   RECIPIENT OF FINANCIAL ASSISTANCE UNDER THIS TITLE:

4                   (I) ORIGINATION, APPLICATION, AND PROCESSING FEES; AND

5                   (II) ANY OTHER CHARGES, FEES, OR REIMBURSEMENTS

6   INCIDENTAL TO A PROJECT APPLICATION OR PROVIDING FINANCIAL ASSISTANCE;

7   AND

8                   (2) INCLUDE THE FEES AND CHARGES LISTED IN THIS SECTION IN THE

9   AMOUNT OF FINANCIAL ASSISTANCE.

10   6-206.11                  (b) (1) ~~The Department may not approve an application [unless] UNTIL THE~~  
12 ~~DEPARTMENT HAS PROVIDED WRITTEN NOTICE AND A REASONABLE OPPORTUNITY~~  
13 ~~TO COMMENT TO~~ the political subdivision in which the proposed project is located  
14 ~~[approves the application by]~~15                  (i) ~~resolution; or~~16                  (ii) ~~letter, delivered to the Department by the political subdivision's~~  
17 ~~authorized designee, expressing support for the plan or project].~~18                  (2) ~~If an application affects a sustainable community entirely within a~~  
19 ~~municipal corporation, the [approval must come from] DEPARTMENT MUST PROVIDE~~  
20 ~~NOTICE AND A REASONABLE OPPORTUNITY TO COMMENT TO~~ the municipal  
21 ~~corporation rather than the surrounding county.~~22                  (3) ~~If an application affects a sustainable community within more than one~~  
23 ~~political subdivision, THE DEPARTMENT MUST PROVIDE NOTICE AND A REASONABLE~~  
24 ~~OPPORTUNITY TO COMMENT TO~~ each political subdivision ~~[must approve it by]~~25                  (i) ~~resolution; or~~26                  (ii) ~~letter, delivered to the Department by the political subdivision's~~  
27 ~~authorized designee, expressing support for the plan or project].~~28   6-206.29                  (b) (1) The Department SHALL PROVIDE WRITTEN NOTICE TO THE  
30 POLITICAL SUBDIVISION IN WHICH THE PROPOSED PROJECT IS LOCATED.

1                   **(2) EXCEPT AS PROVIDED IN PARAGRAPH (5) OF THIS SUBSECTION,**

2       THE DEPARTMENT may not approve an application unless the political subdivision in  
3       which the proposed project is located approves the application by:

4                   (i)     resolution; or

5                   (ii)    letter, delivered to the Department by the political subdivision's  
6       authorized designee, expressing support for the plan or project.

7                   **[(2)] (3) If an application affects a sustainable community entirely within**  
8       a municipal corporation, the approval must come from the municipal corporation rather  
9       than the surrounding county.

10                  **[(3)] (4) If an application affects a sustainable community within more**  
11       than one political subdivision, each political subdivision must approve it by:

12                  (i)     resolution; or

13                  (ii)    letter, delivered to the Department by the political subdivision's  
14       authorized designee, expressing support for the plan or project.

15                  **(5) IF THE DEPARTMENT DOES NOT RECEIVE NOTICE OF APPROVAL**  
16       **OR DENIAL OF AN APPLICATION FROM THE AFFECTED JURISDICTIONS WITHIN 45**  
17       **DAYS AFTER NOTICE OF THE PROPOSED PROJECT IS GIVEN IN ACCORDANCE WITH**  
18       **PARAGRAPH (1) OF THIS SUBSECTION, THE DEPARTMENT MAY APPROVE THE**  
19       **APPLICATION.**

20       6–301.

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

22                  (b)    (1)   “Development costs” means the costs incurred to [construct or  
23       rehabilitate] **DEVELOP, REDEVELOP, OR EXPAND** a neighborhood business development  
24       project.

25                  (2)    “Development costs” includes the costs of:

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

27                      (ii)   architectural, engineering, or other special services, including  
28       flood plain studies, environmental audits, and critical area or wetland assessments;

29                      (iii)   land and improvements;

30                      (iv)   site preparation;

- (v) construction, reconstruction, and rehabilitation;
  - (vi) machinery, equipment, and furnishings;
  - (vii) essential [start-up] operating costs, including working capitalancy expenses;
  - (viii) indemnity and surety bonds and premiums on insurance;
  - (ix) temporary relocation expenses; and
  - (x) other [necessary fees] COSTS DETERMINED TO BE THE DEPARTMENT.

(c) "Food desert" means the part of a priority funding area designated by the Secretary under § 6–308(c) of this subtitle.

11           (d)    “Fund” means the Neighborhood Business Development Fund.

12 (e) "Microenterprise" means a business [with not more than five employees that:

17           (F) "PRIORITY FUNDING AREA" MEANS AN AREA DESIGNATED AS A  
18 PRIORITY FUNDING AREA UNDER § 5-7B-02 OF THE STATE FINANCE AND  
19 PROCUREMENT ARTICLE.

20 [f] (G) "Program" means the Neighborhood Business Development Program.

[g] (h) (1) "Project" means a neighborhood business development project that receives financial assistance from the Fund.

(2) "Project" includes a microenterprise project that receives financial assistance from the Fund.

25 [h] (I) "Small business" means a business that qualifies as a small business  
26 under § 6–302 of this subtitle.

27 [i] (J) "Sustainable community" means the part of a priority funding area  
28 that:

(1) as determined by the Smart Growth Subcabinet, satisfies the requirements of § 6–205 of this title;

(2) has been designated as a BRAC Revitalization and Incentive Zone under Title 5, Subtitle 13 of the Economic Development Article; or

(3) has been designated a transit-oriented development under § 7-101 of the Transportation Article.

7 6-302.

8       **[(a)]** A business qualifies as a small business **OR A MICROENTERPRISE** if the  
9 number of its employees and the amount of its annual receipts do not exceed limits that the  
10 Department sets by regulation **FOR A SMALL BUSINESS OR A MICROENTERPRISE**.

11        [b] The limits that the Department sets may not be less restrictive than those  
12 that the federal Small Business Administration sets.]

13 6-303.

14 (a) There is a Neighborhood Business Development Program.

15 (b) The purposes of the Program are:

16 (1) in [sustainable communities] PRIORITY FUNDING AREAS, to:

19 (ii) stimulate investment by the private sector;

(iv) stimulate political subdivisions to participate in developing and expanding small businesses and microenterprises; and

(2) in food deserts **OR PARTS OF PRIORITY FUNDING AREAS THAT SERVE FOOD DESERTS**, to help create small businesses and other food-related enterprises that provide fresh fruits, vegetables, and other healthy foods to residents in the food desert.

27 (c) The Program includes:

28 (1) the Business Development Program; and

29 (2) the Capital Access Program.

1 6–304.

2 (b) The Business Development Program shall provide financial assistance to  
3 projects in [sustainable communities and food deserts] **PRIORITY FUNDING AREAS**.

4 6–305.

5 (a) (1) A small business, nonprofit organization, or microenterprise may apply  
6 for financial assistance under the Business Development Program.

7 (2) The Department shall review each application.

8 (b) An applicant may qualify for financial assistance for a project in a [sustainable  
9 community or food desert] **PRIORITY FUNDING AREA** if the application demonstrates that:

10 (1) [except for a microenterprise project, the project has significant  
11 commitments for financing from other private and nonstate public sources that are  
12 sufficient to complete the project with the money from the Fund;

13 (2)] the financial assistance from the Fund is the minimum amount  
14 necessary to make the project financially feasible;

15 [(3)] (2) the project is ready to proceed when it receives financial  
16 assistance from the Business Development Program; **AND**

17 [(4)] (3) ~~the political subdivision has adopted a resolution, or its  
18 authorized designee has delivered a letter to the Business Development Program, that  
19 expresses support for the project]~~ **BEEN PROVIDED WITH WRITTEN NOTICE AND A  
20 REASONABLE OPPORTUNITY TO COMMENT**; and

21 [(5)] (4) (3) any food desert project includes a plan to seek out sources  
22 of Maryland–grown produce and Maryland produced foods.

23 (c) **(1) THE DEPARTMENT SHALL PROVIDE WRITTEN NOTICE TO THE  
24 POLITICAL SUBDIVISION IN WHICH THE PROPOSED PROJECT IS LOCATED.**

25 (2) **EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION,  
26 THE DEPARTMENT MAY NOT APPROVE AN APPLICATION UNLESS THE POLITICAL  
27 SUBDIVISION IN WHICH THE PROPOSED PROJECT IS LOCATED APPROVES THE  
28 APPLICATION BY:**

29 (I) **RESOLUTION; OR**

1                           **(II) LETTER, DELIVERED TO THE DEPARTMENT BY THE**  
2 **POLITICAL SUBDIVISION'S AUTHORIZED DESIGNEE, EXPRESSING SUPPORT OF THE**  
3 **PLAN OR PROJECT.**

4                           **(3) IF THE DEPARTMENT DOES NOT RECEIVE NOTICE OF APPROVAL**  
5 **OR DENIAL OF AN APPLICATION FROM THE AFFECTED JURISDICTIONS WITHIN 45**  
6 **DAYS AFTER NOTICE OF THE PROPOSED PROJECT IS GIVEN IN ACCORDANCE WITH**  
7 **PARAGRAPH (1) OF THIS SUBSECTION, THE DEPARTMENT MAY APPROVE THE**  
8 **APPLICATION.**

9                           **(D)** Financial assistance under the Business Development Program may be  
10 provided to a small business, nonprofit organization, or microenterprise as:

- 11                           (1) a grant;
- 12                           (2) a loan;
- 13                           (3) a reduction in the principal obligation of or interest rate on a loan or  
14 portion of a loan;
- 15                           (4) a prepayment of interest on a subordinate or superior loan or portion of  
16 a loan;
- 17                           (5) an assurance;
- 18                           (6) a guarantee; or
- 19                           (7) any other form of credit enhancement.

20                           **(E) THE DEPARTMENT SHALL RESERVE AT LEAST THE LESSER OF**  
21 **\$5,000,000 OR THE ANNUAL CAPITAL APPROPRIATION FOR THE FUND TO MAKE**  
22 **FINANCIAL ASSISTANCE AVAILABLE TO PROJECTS LOCATED IN SUSTAINABLE**  
23 **COMMUNITIES.**

24 6–308.

- 25                           (a) The Department shall:
  - 26                           (1) administer the Business Development Program;
  - 27                           (2) adopt regulations to carry out the Business Development Program,  
28 including a process to designate an area as a food desert under subsection (c) of this section;  
29 AND

(3) [establish, for each category of financing described in § 6–306(c) of this subtitle, minimum percentages or amounts of private and nonstate public financing that an applicant for the Business Development Program must secure; and

(4)] make a reasonable, good faith effort to make 25% of the Business Development Program loans and grants to microenterprises.

6 (b) The Department may:

(1) sell, assign, or otherwise dispose of a Program loan or revenue from a loan on terms and conditions acceptable to the Department, including selling loans at a discount, if the maximum sale proceeds in any fiscal year do not exceed [\$4,000,000]

## 10 LIMITS THAT THE DEPARTMENT SETS BY REGULATION; [and]

**(3) PLEDGE A PROGRAM LOAN AS SECURITY FOR ANY:**

19           (c) The Secretary, on the recommendation of the Interagency Food Desert  
20 Advisory Committee established under § 6–308.2 of this subtitle, may designate an area as  
21 a food desert after considering the following factors:

(1) availability of fresh fruit, vegetables, and other healthy foods in the area;

24 (2) income levels of local residents;

25 (3) transportation needs of local residents and the availability of public  
26 transportation;

27 (4) comments from local governments; and

28 (5) any other factors that the Department considers relevant.

29 6-308.1.

30           (a) If the Department determines that an entity is capable of administering [a  
31 microenterprise loan program] **FINANCIAL ASSISTANCE UNDER THE PROGRAM**, the

1 entity may originate and administer [loans to microenterprises] **FINANCIAL ASSISTANCE**  
2 in accordance with standards the Department adopts by regulation.

3                 (b)     (1)   The Department shall adopt regulations to establish standards for  
4 determining the eligibility of an entity to administer [a microenterprise loan program]  
5 **FINANCIAL ASSISTANCE UNDER THE PROGRAM.**

6                 (2)   The standards shall include provisions on:

7                         (i)   the size, training, and experience of the professional staff that  
8 would administer the [program] **FINANCIAL ASSISTANCE**; and

9                         (ii)   the capability of the professional staff to:

10                             1.   determine financial capacity of a borrower;

11                             2.   originate [a loan] **FINANCIAL ASSISTANCE**; and

12                             3.   evaluate applications for [program loans] **FINANCIAL**  
13 **ASSISTANCE.**

14                 (c)   The Department may:

15                         (1)   help train employees of an approved entity to administer [a  
16 microenterprise loan program] **FINANCIAL ASSISTANCE** in accordance with standards  
17 that the Department adopts;

18                         (2)   charge and collect from a borrower:

19                             (i)   reasonable origination, application, and processing fees; and

20                             (ii)   other charges, fees, or reimbursements incidental to  
21 [microenterprise loans] **THE FINANCIAL ASSISTANCE**;

22                         (3)   include the fees and charges listed in item (2) of this subsection in the  
23 [loan] **amount OF FINANCIAL ASSISTANCE**;

24                         (4)   pay an approved entity a reasonable origination, application, and  
25 processing fee for [each loan to a microenterprise] **THE FINANCIAL ASSISTANCE** that is  
26 originated by the approved entity;

27                         (5)   directly fund [a loan to a microenterprise] **THE FINANCIAL**  
28 **ASSISTANCE** that is originated by an approved entity; [and]

1                             (6) provide financial assistance to an approved entity for the purpose of the  
2 approved entity making [a loan to a microenterprise] THE FINANCIAL ASSISTANCE in  
3 accordance with this subtitle;

4                             **(7) PURCHASE OR COMMIT TO PURCHASE FROM APPROVED ENTITIES**  
5 **ANY FORM OF FINANCIAL ASSISTANCE THAT MEETS THE REQUIREMENTS OF THIS**  
6 **SUBTITLE AND ANY REGULATIONS ADOPTED UNDER THIS SUBTITLE; AND**

7                             **(8) ENTER INTO AGREEMENTS WITH APPROVED ENTITIES TO**  
8 **COLLECTIVELY LEND MONEY ON A PROJECT THAT MEETS THE REQUIREMENTS OF**  
9 **THIS SUBTITLE AND ANY REGULATIONS ADOPTED UNDER THIS SUBTITLE.**

10 6–310.

11                             (a) There is a Neighborhood Business Development Fund.

12                             (b) The Department shall use the Fund to:

13                                 (1) operate and pay expenses of the Program; and

14                                 (2) provide financial assistance to small businesses, nonprofit  
15 organizations, and microenterprises.

16                             (c) (1) The Department shall administer the Fund.

17                             (2) The State Treasurer shall hold and the Comptroller shall account for  
18 the Fund.

19                             (d) The Fund is a continuing, nonlapsing special fund that is not subject to §  
20 7–302 of the State Finance and Procurement Article.

21                             (e) The Fund consists of:

22                                 (1) money appropriated in the State budget for the Program;

23                                 (2) any repayment or prepayment of financial assistance under this  
24 subtitle or under the State Action Loans for Targeted Areas Program under former Article  
25 83B, Title 4, Subtitle 6, of the Code;

26                                 (3) money transferred to the Fund from any other fund as provided in this  
27 article;

28                                 (4) money received from the sale, assignment, or other disposition of  
29 Program loans;

(5) other money received by the Program under this subtitle or from the  
Community Development Administration under Subtitle 2 of this title; and

3 (6) investment earnings of the Fund.

4 (f) The Fund shall be invested in the same way as other State money.

(g) With the approval of the Legislative Policy Committee and, subject to § 7-209 of the State Finance and Procurement Article, after the first 8 months of a fiscal year, the Department may transfer unencumbered money in the Fund to:

(1) any other fund established under this title;

**(I) A PROGRAM LOAN; OR**

17 6-405.

18       (e)   (1)   The Department may not approve a proposal submitted under this  
19 section [unless the proposal is approved by] UNTIL AFTER IT HAS PROVIDED WRITTEN  
20 NOTICE AND A REASONABLE OPPORTUNITY TO COMMENT TO the governing body [or  
21 authorized designee] of:

(ii) each county that includes any of the priority funding area that benefits from the project, if the project is not in a municipal corporation;

(iii) each political subdivision that includes any of the priority funding area that benefits from the project, if the priority funding area is partly within and partly outside of any municipal corporation.

30 (i) be in writing; and

(ii) state the maximum amount of contributions to the approved project that are eligible for a tax credit under § 6-404 of this subtitle.

(3) The sum of contributions eligible for a tax credit under § 6-404 of this subtitle for all approved projects for a fiscal year may not exceed \$3,500,000.

5           (c)   (1)   The DEPARTMENT SHALL PROVIDE WRITTEN NOTICE TO THE  
6 POLITICAL SUBDIVISION IN WHICH THE PROPOSED PROJECT IS LOCATED.

**(2) EXCEPT AS PROVIDED IN PARAGRAPH (4) OF THIS SUBSECTION,**  
THE Department may not approve a proposal submitted under this section unless the proposal is approved by the governing body or authorized designee of:

(i) each county that includes any of the priority funding area that  
benefits from the project, if the project is not in a municipal corporation;

(ii) each municipal corporation that includes any of the priority funding area that benefits from the project; or

17                  [(2)] (3)        An approval shall:

(ii) state the maximum amount of contributions to the approved project that are eligible for a tax credit under § 6-404 of this subtitle.

21                   **(4) IF THE DEPARTMENT DOES NOT RECEIVE NOTICE OF APPROVAL**  
22 **OR DENIAL OF AN APPLICATION FROM THE AFFECTED JURISDICTIONS WITHIN 45**  
23 **DAYS AFTER NOTICE OF THE PROPOSED PROJECT IS GIVEN IN ACCORDANCE WITH**  
24 **PARAGRAPH (1) OF THIS SUBSECTION, THE DEPARTMENT MAY APPROVE THE**  
25 **APPLICATION.**

[(3)] (5) The sum of contributions eligible for a tax credit under § 6-404 of this subtitle for all approved projects for a fiscal year may not exceed \$3,500,000.

28        SECTION 3. AND BE IT FURTHER ENACTED, That it is the intent of the General  
29        Assembly that in implementing this Act the Department of Housing and Community  
30        Development fund, to the greatest extent possible, a number of business projects located in  
31        sustainable communities that is comparable to the number of business projects located in  
32        priority funding areas outside sustainable communities.

**HOUSE BILL 326**

1        SECTION 4. AND BE IT FURTHER ENACTED, That, on or before December 31,  
2        2018, the Department of Housing and Community Development shall report to the Senate  
3        Education, Health, and Environmental Affairs Committee and the House Environment and  
4        Transportation Committee, in accordance with § 2-1246 of the State Government Article,  
5        on the financial assistance provided to business projects after the effective date of this Act,  
6        including:

7              (1)    the total number of projects assisted and applications received;

8              (2)    the amount and type of financial assistance provided by the  
9        Department including the Maryland Housing Fund and the Community Development  
10      Administration;

11             (3)    the amount of financial assistance provided in sustainable communities  
12      and priority funding areas; and

13             (4)    information on each project, including location, recipient's name, and  
14      the amount of financial assistance received from each program.

15        SECTION ~~2~~ 5. AND BE IT FURTHER ENACTED, That this Act shall take effect  
16      July 1, 2016.

Approved:

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Governor.

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Speaker of the House of Delegates.

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President of the Senate.