HOUSE BILL 1330

By: Delegate Stewart
Introduced and read first time: February 11, 2022
Assigned to: Environment and Transportation

A BILL ENTITLED

1 AN ACT concerning

2 Partnership Rental Housing Program – Mixed–Income Housing Developments
   (More Homes for Marylanders Act)

3 FOR the purpose of establishing that the Partnership Rental Housing Program operated
   by the Department of Housing and Community Development include goals with
   regard to, and conditions that apply to, households of middle income; establishing
   certain requirements for and prohibitions on the Department relating to funding and
   the issuance of bonds; establishing qualifications for initial occupancy for households
   of lower and middle income under the Program that use area median income as a
   determinant; and generally relating to the Partnership Rental Housing Program.

11 BY repealing and reenacting, with amendments,
12 Article – Housing and Community Development
13 Section 4–1201, 4–1202, and 4–1204 through 4–1208
14 Annotated Code of Maryland
15 (2019 Replacement Volume and 2021 Supplement)

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

18 Article – Housing and Community Development

19 4–1201.

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

21 (b) “Fund” means the Partnership Rental Housing Fund.

22 (c) “Household of lower income” means a household that qualifies under [§
23 4–1206] § 4–1206(A) of this subtitle.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.
(D) **“Household of middle income”** means a household that qualifies under § 4–1206(b) of this subtitle.

[(d)] (E) “Housing authority” means a housing authority authorized under Division II of this article.

(F) **“Mixed–income housing development”** means mixed–income rental housing where at least 70% of the units are reserved for households with a gross annual income that does not exceed 75% of the area median income for a household of like size.

[(e)] (G) “Partnership project” means an undertaking that the Program finances to acquire, construct, reconstruct, renovate, or rehabilitate a building or improvement, or a part of a building or improvement.

[(f)] (H) (1) “Partnership rental housing” means rental housing financed under this subtitle, including a mixed–income housing development.

(2) “Partnership rental housing” includes apartments, condominium units, cooperatives, town houses, town homes, single room occupancy and shared living unit facilities, and single–family homes.

[(g)] (I) “Program” means the Partnership Rental Housing Program.

4–1202.

The General Assembly finds that:

(1) there is a shortage of decent, safe, and sanitary rental housing for households of lower income **AND HOUSEHOLDS OF MIDDLE INCOME**;

(2) the private sector often cannot develop, improve, operate, and maintain housing for households of lower income **AND HOUSEHOLDS OF MIDDLE INCOME**; and

(3) to address this shortage, a partnership is needed among the State, political subdivisions, housing authorities, the private sector, and households of lower income **AND HOUSEHOLDS OF MIDDLE INCOME** to develop, operate, and maintain housing for households of lower income **AND HOUSEHOLDS OF MIDDLE INCOME**.

4–1204.

The purposes of the Program are to:

(1) provide decent, safe, and sanitary rental housing for households of lower income **AND HOUSEHOLDS OF MIDDLE INCOME**;
(2) provide financial assistance to political subdivisions or housing authorities to acquire, construct, reconstruct, renovate, or rehabilitate rental housing affordable to households of lower income AND HOUSEHOLDS OF MIDDLE INCOME;

(3) stimulate the development and ownership of rental housing for households of lower income AND HOUSEHOLDS OF MIDDLE INCOME by political subdivisions, housing authorities, or partnerships that include political subdivisions or housing authorities;

(4) provide financial assistance to private sector entities to acquire, construct, reconstruct, renovate, or rehabilitate housing units:

   (i) for sale to political subdivisions, housing authorities, or partnerships that include political subdivisions or housing authorities, as affordable rental housing for households of lower income AND HOUSEHOLDS OF MIDDLE INCOME; or

   (ii) for occupancy by households of lower income AND HOUSEHOLDS OF MIDDLE INCOME that include one or more individuals with disabilities or special needs;

(5) promote affordable housing programs and increased contributions to the production of affordable rental housing by political subdivisions, housing authorities, and the private sector, including for profit and nonprofit entities;

(6) encourage households of lower income AND HOUSEHOLDS OF MIDDLE INCOME that live in partnership rental housing to contribute actively to the operation or maintenance of the housing or the community;

(7) finance rental housing that is:

   (i) to be occupied by households of lower income AND HOUSEHOLDS OF MIDDLE INCOME;

   (ii) to be owned by political subdivisions or housing authorities or partnerships that include political subdivisions or housing authorities; and

   (iii) expected to be financially self-sufficient, without further governmental financing for maintenance, renovation, or operating subsidies; and

(8) encourage the private sector to provide rental housing for households of lower income AND HOUSEHOLDS OF MIDDLE INCOME that include one or more individuals with disabilities or special needs.

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 SHALL PRIORITIZE FUNDING FOR ANY PROPOSED PARTNERSHIP PROJECT THAT A POLITICAL SUBDIVISION OR HOUSING AUTHORITY AGREES TO MAINTAIN AS A MIXED–INCOME HOUSING DEVELOPMENT FOR AT LEAST 75 YEARS.

[(c) (D)] (1) In administering the Program, the Department may make loans either directly or through the Administration.

(2) THE DEPARTMENT AND THE ADMINISTRATION MAY NOT CONDITION THE AWARD OF A LOAN FROM THE FUND ON ISSUANCE OF BONDS BY THE DEPARTMENT OR THE ADMINISTRATION.

4–1206.

(A) A household qualifies as a household of lower income:

(1) for initial occupancy, if the gross annual income of the household does not exceed:
(i) 50% of the [statewide] AREA median income for a household of like size; or

(ii) a lower income level that the Secretary establishes for a particular partnership project or for a unit of partnership rental housing to be occupied by one or more individuals with disabilities or special needs; and

(2) for continuing occupancy, if the gross annual income for the household does not exceed the greater of:

(i) an income level that the Secretary establishes; and

(ii) an applicable federal requirement.

(B) A HOUSEHOLD QUALIFIES AS A HOUSEHOLD OF MIDDLE INCOME:

(1) FOR INITIAL OCCUPANCY, IF THE GROSS ANNUAL INCOME OF THE HOUSEHOLD:

(I) IS GREATER THAN 50% BUT NOT MORE THAN 75% OF THE AREA MEDIAN INCOME FOR A HOUSEHOLD OF LIKE SIZE; OR

(II) DOES NOT EXCEED A LOWER INCOME LEVEL THAT THE SECRETARY ESTABLISHES FOR A PARTICULAR PARTNERSHIP PROJECT OR FOR A UNIT OF PARTNERSHIP RENTAL HOUSING TO BE OCCUPIED BY ONE OR MORE INDIVIDUALS WITH DISABILITIES OR SPECIAL NEEDS; AND

(2) FOR CONTINUING OCCUPANCY, IF THE GROSS ANNUAL INCOME FOR THE HOUSEHOLD DOES NOT EXCEED THE GREATER OF:

(I) AN INCOME LEVEL THAT THE SECRETARY ESTABLISHES; AND

(II) AN APPLICABLE FEDERAL REQUIREMENT.

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 non–State 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 OR HOUSEHOLDS OF MIDDLE INCOME;

(6) unless prohibited by any applicable federal requirement, the households of lower income OR HOUSEHOLDS OF MIDDLE 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 OR HOUSEHOLDS OF MIDDLE 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 OR HOUSEHOLDS OF MIDDLE 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 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 OR A
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HOUSEHOLD OF MIDDLE 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.

4–1208.

(a) A political subdivision, 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) Except as provided in subsection (g) of this section, the Department may not require a borrower to repay money made available under the Program, unless the borrower:

(1) sells the partnership project; or

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

(c) The Department shall secure the obligations of the 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 2. AND BE IT FURTHER ENACTED, That in fiscal year 2024, the Governor shall appropriate $50,000,000 to the Partnership Rental Housing Fund.

SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2022.