

HOUSE BILL 1451

C9

(2lr3181)

ENROLLED BILL

— Appropriations/Education, Health, and Environmental Affairs —

Introduced by **Delegate McIntosh**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this

_____ day of _____ at _____ o'clock, _____ M.

Speaker.

CHAPTER _____

1 AN ACT concerning

2 **Housing and Community Development – Business Projects and the Business**
3 **Development Program – Financial Assistance**

4 FOR the purpose of authorizing the Community Development Administration to provide
5 certain forms of financial assistance for business projects; *altering the requirements*
6 *for a project to qualify as a certain business project*; authorizing the Department of
7 Housing and Community Development to provide certain forms of financial
8 assistance under the Business Development Program; authorizing the Department
9 to sell or assign a certain equity interest without approval or execution by the Board
10 of Public Works; and generally relating to financial assistance provided by the
11 Community Development Administration and the Department of Housing and
12 Community Development.

13 BY repealing and reenacting, with amendments,
14 Article – Housing and Community Development

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.

Italics indicate opposite chamber/conference committee amendments.



1 Section 4–223, 6–305, 6–308, and 6–310
2 Annotated Code of Maryland
3 (2019 Replacement Volume and 2021 Supplement)

4 BY repealing and reenacting, with amendments,
5 Article – Housing and Community Development
6 Section 4–223
7 Annotated Code of Maryland
8 (2019 Replacement Volume and 2021 Supplement)
9 (As enacted by Section 1 of this Act)

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

12 **Article – Housing and Community Development**

13 4–223.

14 (a) A project qualifies as a business project if the project is:

15 (1) located in:

16 (i) an area designated as a priority funding area under § 5–7B–02
17 of the State Finance and Procurement Article; or

18 (ii) a qualified opportunity zone designated under § 1400Z–1 of the
19 Internal Revenue Code in Allegany County, ***BALTIMORE CITY, BALTIMORE COUNTY,***
20 ***CHARLES COUNTY,*** Garrett County, ***HOWARD COUNTY, MONTGOMERY COUNTY,***
21 ***PRINCE GEORGE’S COUNTY,*** Somerset County, or Wicomico County; and

22 (2) (i) acquired, owned, developed, constructed, reconstructed,
23 rehabilitated, or improved by a person or an entity for the purposes of carrying on a
24 business whether or not for profit; or

25 (ii) eligible for funding from the Neighborhood Business
26 Development Fund under § 6–310 of this article.

27 (b) Repayment of principal and interest for a business project may be secured by:

28 (1) real property;

29 (2) personal property;

30 (3) bank accounts;

31 (4) certificates of deposit, stocks, and bonds;

1 (5) credit enhancement, assurance, or guaranty; or

2 (6) any other collateral acceptable to the Administration.

3 **(C) FINANCIAL ASSISTANCE FOR A BUSINESS PROJECT MAY BE PROVIDED**
4 **AS:**

5 **(1) A LOAN;**

6 **(2) A REDUCTION IN THE PRINCIPAL OBLIGATION OF OR INTEREST**
7 **RATE ON A LOAN OR PORTION OF A LOAN;**

8 **(3) A PREPAYMENT OF INTEREST ON A SUBORDINATE OR SUPERIOR**
9 **LOAN OR PORTION OF A LOAN;**

10 **(4) AN ASSURANCE;**

11 **(5) A GUARANTEE OR OTHER FORM OF CREDIT ENHANCEMENT; OR**

12 **(6) A PROMISSORY NOTE THAT MAY BE CONVERTED TO AN EQUITY**
13 **OWNERSHIP INTEREST AND LIQUIDATED AT THE EARLIEST OPPORTUNITY TO**
14 **REALIZE THE HIGHEST MARKET VALUE FOR THE ADMINISTRATION.**

15 6–305.

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

18 (2) The Department shall review each application.

19 (b) An applicant may qualify for financial assistance for a project in a priority
20 funding area or an eligible opportunity zone if the application demonstrates that:

21 (1) the financial assistance from the Fund is the minimum amount
22 necessary to make the project financially feasible;

23 (2) the project is ready to proceed when it receives financial assistance from
24 the Business Development Program; and

25 (3) any food desert project includes a plan to seek out sources of
26 Maryland–grown produce and Maryland produced foods.

27 (c) (1) The Department shall provide written notice to the political subdivision
28 in which the proposed project is located.

1 (2) Except as provided in paragraph (3) of this subsection, the Department
2 may not approve an application unless the political subdivision in which the proposed
3 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 of the plan or project.

7 (3) If the Department does not receive notice of approval or denial of an
8 application from the affected jurisdictions within 45 days after notice of the proposed
9 project is given in accordance with paragraph (1) of this subsection, the Department may
10 approve the application.

11 (d) Financial assistance under the Business Development Program may be
12 provided to a small business, nonprofit organization, or microenterprise as:

13 (1) a grant;

14 (2) a loan;

15 (3) a reduction in the principal obligation of or interest rate on a loan or
16 portion of a loan;

17 (4) a prepayment of interest on a subordinate or superior loan or portion of
18 a loan;

19 (5) an assurance;

20 (6) a guarantee; [or]

21 (7) any other form of credit enhancement; **OR**

22 **(8) A PROMISSORY NOTE THAT MAY BE CONVERTED TO AN EQUITY**
23 **OWNERSHIP INTEREST AND LIQUIDATED AT THE EARLIEST OPPORTUNITY TO**
24 **REALIZE THE HIGHEST MARKET VALUE FOR THE DEPARTMENT.**

25 (e) (1) The Department shall reserve at least the lesser of \$5,000,000 or the
26 annual capital appropriation for the Fund to make financial assistance available to projects
27 located in sustainable communities.

28 (2) The Department may meet the funding obligations for sustainable
29 communities and food deserts by using any financial assistance available to the
30 Department that is authorized to be used for these projects.

1 (a) The Department shall:

2 (1) administer the Business Development Program;

3 (2) adopt regulations to carry out the Business Development Program,
4 including a process to designate an area as a food desert under subsection (c) of this section;
5 and

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

8 (b) The Department may:

9 (1) sell, assign, or otherwise dispose of a Program loan or revenue from a
10 loan on terms and conditions acceptable to the Department, including selling loans at a
11 discount, if the maximum sale proceeds in any fiscal year do not exceed limits that the
12 Department sets by regulation;

13 (2) apply the proceeds received from a sale, assignment, or other
14 disposition under item (1) of this subsection to the Fund; [and]

15 (3) pledge a Program loan as security for any:

16 (i) business project loan, bond, or security that is issued, made, or
17 purchased by the Community Development Administration under Title 4 of this article; or

18 (ii) insurance, guaranty, or credit enhancement on a Program loan
19 or business project under § 4-223 of this article; AND

20 **(4) WITHOUT APPROVAL OR EXECUTION BY THE BOARD OF PUBLIC**
21 **WORKS, SELL OR ASSIGN ANY EQUITY INTEREST ACQUIRED UNDER § 6-305(D) OF**
22 **THIS SUBTITLE.**

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

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

28 (2) income levels of local residents;

29 (3) transportation needs of local residents and the availability of public
30 transportation;

1 (4) comments from local governments; and

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

3 6–310.

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

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

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

7 (2) provide financial assistance to small businesses, nonprofit
8 organizations, and microenterprises.

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

10 (2) The State Treasurer shall hold and the Comptroller shall account for
11 the Fund.

12 (d) The Fund is a continuing, nonlapsing special fund that is not subject to §
13 7–302 of the State Finance and Procurement Article.

14 (e) The Fund consists of:

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

16 (2) any repayment or prepayment of financial assistance under this
17 subtitle or under the State Action Loans for Targeted Areas Program under former Article
18 83B, Title 4, Subtitle 6, of the Code;

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

21 (4) money received from the sale, assignment, or other disposition of
22 Program loans **AND EQUITY INTERESTS**;

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

25 (6) investment earnings of the Fund.

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

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

1 (1) any other fund established under this title;

2 (2) the Community Development Administration to provide financial
3 assistance to business projects; and

4 (3) the Maryland Housing Fund under Title 3 of this article to provide
5 insurance, credit enhancement, or a guaranty on:

6 (i) a Program loan; or

7 (ii) a business project loan, bond, or security that is issued, made, or
8 purchased by the Community Development Administration under Title 4 of this article.

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

11 **Article – Housing and Community Development**

12 4–223.

13 (a) A project qualifies as a business project if the project is:

14 (1) located in:

15 (i) an area designated as a priority funding area under § 5–7B–02
16 of the State Finance and Procurement Article; or

17 (ii) a qualified opportunity zone designated under § 1400Z–1 of the
18 Internal Revenue Code in Allegany County, *Baltimore City*, *Baltimore County*, *Charles*
19 *County*, Garrett County, *Howard County*, *Montgomery County*, *Prince George’s County*,
20 Somerset County, or Wicomico County; and

21 (2) (i) acquired, owned, developed, constructed, reconstructed,
22 rehabilitated, or improved by a person or an entity for the purposes of carrying on a
23 business whether or not for profit; or

24 (ii) eligible for funding from the Neighborhood Business
25 Development Fund under § 6–310 of this article.

26 (b) Repayment of principal and interest for a business project may be secured by:

27 (1) real property;

28 (2) personal property;

29 (3) bank accounts;

1 (4) certificates of deposit, stocks, and bonds;

2 (5) credit enhancement, assurance, or guaranty; or

3 (6) any other collateral acceptable to the Administration.

4 (c) Financial assistance for a business project may be provided as:

5 (1) a loan;

6 (2) a reduction in the principal obligation of or interest rate on a loan or
7 portion of a loan;

8 (3) a prepayment of interest on a subordinate or superior loan or portion of
9 a loan;

10 (4) an assurance; **OR**

11 (5) a guarantee or other form of credit enhancement[; or

12 (6) a promissory note that may be converted to an equity ownership
13 interest and liquidated at the earliest opportunity to realize the highest market value for
14 the administration].

15 SECTION 3. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall take
16 effect July 1, 2026.

17 SECTION 4. AND BE IT FURTHER ENACTED, That, except as provided in Section
18 3 of this Act, this Act shall take effect July 1, 2022.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.