

## MEMORANDUM

TO: MAYOR AND CITY COUNCIL

FROM: PAUL D. WILBER

RE: GRANT PROGRAM FOR CONVERSION OF HOMES FROM RENTAL USE TO OWNER-OCCUPIED FAMILY USE

DATE: December 17, 2004

---

The Mayor and Council have reviewed the increasing number of rental residences versus owner-occupied residences in the City, and have determined that an incentive program would spur converting rental residences into owner-occupied residences. One incentive is a grant program for conversion of homes from rental use to owner-occupied family use.

The grant program resolution includes these features:

1. A definition section which defines a residence as owner-occupied, occupied by the owner for at least six (6) months of a twelve-month period, or the lot on which the house is erected.
2. Salisbury Neighborhood Housing Service will administer the program in coordination with the Department of Finance.
3. To be qualified for the program, a property must have been used as a rental property for at least three (3) prior years and is being purchased to be converted into an owner-occupied family residence, which will be occupied within one (1) year of purchase
4. The applicant continues in the grant program for five (5) years, or sells the property to a person who will use the property as an owner-occupied family residence for the remainder of the five (5) year period, or the owner will repay the City a percentage of the grant money.

5. The grant shall be in an amount up to \$3,000.00 payable on the date of closing, and is forgiven at the rate of twenty percent (20%) per year for the next five (5) years.

6. If the owner's residence participation in the program is terminated because the property is no longer an owner-occupied residence, then the balance of any funds not forgiven will become immediately due and payable.

PDW/mam

**RESOLUTION NO. 1177**

A RESOLUTION of the City Council of the City of Salisbury, Maryland, adopting a grant program for conversion of homes from rental uses to owner-occupied family uses.

WHEREAS, the City of Salisbury has experienced a reduction in the use of real property as owner-occupied residences each year for at least the past ten years; and

WHEREAS, a disproportionate share of all single-family residential structures located within the City of Salisbury are currently being occupied as rental property; and

WHEREAS, the Mayor and City Council have determined that the over abundance of rental property within the City limits causes problems with noise and parking in the City's neighborhoods; and

WHEREAS, the Mayor and City Council have determined that rental properties create an extra burden on City services such as trash collection, police and fire response and water and sewer services; and

WHEREAS, the Mayor and City Council of the City of Salisbury have determined that the conditions of some rental properties within the limits of the City of Salisbury have deteriorated and are in need of improvement; and

WHEREAS, the Mayor and City Council desire to encourage the conversion of rental properties to owner-occupied residential use.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SALISBURY, MARYLAND, in regular session on the \_\_\_ day of \_\_\_\_\_, 2004:

## HOMEOWNER CONVERSION GRANT PROGRAM

### A. Definitions.

As used in this Resolution, the following terms shall have the meanings indicated:

- 1) "Applicant" means a prospective owner of qualified residence who enters a contract of sale for a qualified property and applies for the grant funds described herein.
- 2) "Family" retains the meaning it is given under Title 17 of the Municipal Code of the City of Salisbury.
- 3) "Owner" means an individual who has a legal interest in a residence.
- 4) "Program" means the Homeowner Conversion Grant Program.
- 5) "Qualified Residence" means any residence meeting the criteria established in Section 3.20.020 of the Municipal Code and located within the corporate limits of the City of Salisbury.
- 6) "Residence" means:
  - a. A house that is:
    1. Occupied as the principal residence of the homeowner; and
    2. Actually occupied or expected to be actually occupied by the owner for more than 6 months of a 12-month period beginning with the later of the date of closing or the occupancy, unless the homeowner does not actually reside in a dwelling for the required time period because of illness or need of special care; and
  - b. The lot on which the house is erected.

### B. Implementation of Grant Program.

1. The Salisbury Neighborhood Housing Service shall distribute and receive all

forms required for application to the Program and shall coordinate with the closing agent to prepare all documents, including an Agreement and Covenant, and to disburse funds to the closing agent.

2. To further administer the Program, the Department of Finance of the City of Salisbury shall distribute and receive any forms that are required to continue to participate in the Program including annual certification of qualification for the Program.

C. Property Subject to Program.

Residential real property that is converted from use as a rental property to use as an owner-occupied family residence shall be eligible for a grant as described herein, if the applicant provides sufficient proof of the following:

1. The property has been used as a rental property for at least three (3) years immediately prior to the date of closing by the applicant;
2. The applicant is purchasing the property with the intent of converting the property to use as an owner-occupied family residence;
3. The applicant occupies the home within one year of the date of closing as an owner-occupied family residence; and
4. The applicant covenants and agrees to continue to use the property as an owner-occupied family residence for five years from the later of date of closing or the date of occupancy and sell it only to a person who will use it as an owner-occupied family residence until the expiration of five years from the later of the date of closing or the date of occupancy.

D. Grant Funds.

A qualified property that is used as an owner-occupied family residence shall be eligible for the following grants funds:

1. The Owner of a Qualified Residence shall receive from the City through Salisbury Neighborhood Housing Service a grant in an amount up to three thousand dollars (\$3,000.00) on the date of closing.
2. After the first year of participation in the Program, twenty percent (20%) of the grant shall be forgiven.
3. After the second year of participation in the Program, forty percent (40%) of the grant shall be forgiven.
4. After the third year of participation in the Program, sixty percent (60%) of the grant shall be forgiven.
5. After the fourth year of participation in the Program, eighty percent (80%) of the grant shall be forgiven.
6. After the fifth year of participation in the Program, the grant will be forgiven.

E. Termination of Participation in Program.

1. An Owners residence's participation in the Program is terminated when, before the end of an agreement made under subsection C(4) of this Section, the residence subject to the agreement:
  - a. Ceases to be used as an owner-occupied family residence;
  - b. Is conveyed to a new owner, unless the new owner of a qualified

residence accepts the obligations of an agreement made under this Resolution; or

c. Otherwise fails to meet the criteria for a qualified residence under this Resolution.

2. When a qualified residence's participation in the Program is terminated, the balance of the grant not forgiven is immediately due and payable.

The above resolution was introduced and read and passed at the regular meeting of the Council of the City of Salisbury, held on this \_\_\_ day of \_\_\_\_\_, 2004, and shall take effect upon its signing.

\_\_\_\_\_  
Brenda J. Colegrove,  
City Clerk

\_\_\_\_\_  
Michael P. Dunn,  
Council President

APPROVED BY ME this \_\_\_\_\_ day of  
\_\_\_\_\_ 2004.

\_\_\_\_\_  
Barrie P. Tilghman,  
Mayor of the City of Salisbury