

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2019

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HOUSE BILL 1078

Short Title: Funding Assistance for Small-Scale Landlords. (Public)

Sponsors: Representatives Alston, Morey, and Hawkins (Primary Sponsors).

For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Commerce, if favorable, Judiciary, if favorable, Appropriations, if favorable, Rules, Calendar, and Operations of the House

May 14, 2020

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH A LOAN PROGRAM WITH THE NORTH CAROLINA HOUSING FINANCE AGENCY TO ASSIST CERTAIN SMALL-SCALE LANDLORDS DUE TO THE COVID-19 EMERGENCY.

The General Assembly of North Carolina enacts:

SECTION 1. The following definitions apply to this act:

- (1) Agency. – The North Carolina Housing Finance Agency.
- (2) Eligible landlord. – A landlord of residential property that meets the following criteria:
 - a. The landlord has no more than 25 existing tenants residing in property situated in this State.
 - b. The landlord relies on rents received from rental properties as the landlord's primary source of income.
- (3) State of Emergency. – The period of time commencing with the issuance of Governor Cooper's Executive Order No. 121, Stay at Home Order and Strategic Directions for North Carolina in Response to Increasing COVID-19 Cases, and ending with its expiration or rescission.
- (4) Triggering event. – The occurrence of any of the following:
 - a. The expiration of the State of Emergency period.
 - b. The breach of any of the terms or provisions of a loan agreement entered into pursuant to this act.
 - c. The receipt of any notice from any agency of the State or a local government of a violation of a housing code or ordinance pertaining to a rental property owned by the landlord.
 - d. The failure of a landlord to put and keep the premises of any rental unit in a fit and habitable condition, as provided in G.S. 42-42.

SECTION 2. The North Carolina Housing Finance Agency shall provide assistance in the form of zero-interest loans made to eligible landlords experiencing economic hardship caused by the COVID-19 pandemic. The following shall apply to all loans made by the Agency pursuant to this act:

- (1) The loan shall have an interest rate of zero percent (0%).
- (2) The term of the loan shall not exceed 66 months.



- 1 (3) An eligible landlord shall certify in writing that the landlord will use a loan
2 provided under the program for employee compensation, mortgage, rent,
3 utilities, and other operating costs and expenses incurred in this State.
- 4 (4) An eligible landlord may only apply for one loan under this program.
- 5 (5) Only one individual per household may apply for a loan under this program.
6 A spouse of a landlord may be listed on the same application as the landlord,
7 but may not submit a separate application.
- 8 (6) A loan provided by the Agency is limited to no more than five thousand dollars
9 (\$5,000) per eligible landlord.
- 10 (7) Upon the occurrence of a triggering event, repayment of the loan shall
11 commence.
- 12 (8) The Agency shall prioritize lending to eligible landlords that can document
13 that current tenants are (i) student tenants currently enrolled in an accredited
14 academic program who are displaced or (ii) individuals unable to pay rent as
15 a result of the COVID-19 pandemic.
- 16 (9) Loans are made pursuant to an agreement with an eligible landlord that
17 includes at least all of the following:
- 18 a. A provision requiring an eligible landlord to certify in writing that the
19 landlord will use a loan provided under the program for employee
20 compensation, mortgage, rent, utilities, and other operating costs and
21 expenses incurred in this State.
- 22 b. A provision establishing the method for determining compliance with
23 the program.
- 24 c. A provision requiring the eligible landlord to first repay the loan
25 amount with any federal or State assistance received by the landlord
26 that represents a duplication of benefits; provided that, the repayment
27 does not disqualify or impair the federal or State assistance available
28 to the landlord.
- 29 d. A provision requiring the loan to be secured through a security
30 instrument.
- 31 e. A provision requiring the eligible landlord to comply with the
32 following:
- 33 1. Unless good cause exists to terminate under the terms of the
34 lease agreement, a current lease agreement entered into by the
35 landlord with a tenant shall renew on at least a month-to-month
36 basis, subject to the consent of the listed tenants, if the terms
37 of that lease agreement would cause it to expire during any
38 portion of the State of Emergency.
- 39 2. The landlord may not increase the rent charged to any tenant
40 during any portion of the State of Emergency.
- 41 3. The landlord must waive any late fees or other charges to a
42 tenant that the landlord may be entitled to under a lease
43 agreement with that tenant for or during any portion of the
44 State of Emergency.
- 45 4. The landlord must forgive or defer rents due and payable by all
46 tenants that are unable to pay during any portion of the State of
47 Emergency. A deferral of rents by the landlord must be
48 established using a reasonable, long-term payment plan with a
49 tenant.
- 50 f. A provision requiring recapture of loan funds if the eligible landlord
51 fails to comply with the requirements of the program. The Agency

1 shall recapture loan funds only if the Agency determines there is a
2 reasonable expectation that the recovery of funds will exceed the cost
3 of recovery.

4 (10) The awarding of new loans using State funds appropriated in this act shall
5 cease upon the date the State of Emergency ends.

6 **SECTION 3.(a)** There is appropriated from the General Fund to the North Carolina
7 Housing Finance Agency the sum of three million dollars (\$3,000,000) in nonrecurring funds for
8 the 2019-2020 fiscal year to be used for the loan program outlined in this act.

9 **SECTION 3.(b)** In the event that federal dollars are received by the Housing Finance
10 Agency that may be used for the purposes set forth in this act, the Agency shall exhaust the
11 federal funds before using any State funds.

12 **SECTION 4.** The North Carolina Housing Finance Agency shall submit a quarterly
13 report to the Joint Legislative Oversight Committee on General Government and the Fiscal
14 Research Division that details at least all of the following:

15 (1) The number of loan applications received, the number of loans issued, and the
16 amounts of each loan.

17 (2) The geographic portions of the State where loans have been issued.

18 (3) Loan repayment amounts received.

19 (4) The number of defaulted loans, loans with triggering events, and loans where
20 funds have been recaptured.

21 **SECTION 5.** This act is effective when it becomes law.