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BILL ANALYSIS

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House Bills 4787 and 4788 (as passed by the House)

Sponsor: Representative Jerry O. Kooiman (H.B. 4787)

Representative Triette Reeves

House Committee: Local Government and Urban Policy

Senate Committee: Natural Resources and Environmental Affairs

Date Completed: 12-7-04

## **CONTENT**

**House Bill 4787 would amend the State Housing Development Authority Act, and House Bill 4788 would create the "Michigan Housing and Community Development Fund Act", to do the following:**

- **Require the Michigan State Housing Development Authority (MSHDA) to create and implement the "Michigan Housing and Community Development Program".**
- **Create the "Michigan Housing and Community Development Fund".**
- **Require MSHDA to spend money in the Fund for grants and loans to corporations and partnerships organized for the purpose of developing and supporting affordable housing for low income, very low income, or extremely low income households.**
- **Require MSHDA to develop a plan for allocating Fund money, according to criteria specified in both bills.**
- **Require MSHDA to hold public hearings on the allocation of Fund money.**
- **Establish preferences for special needs populations and geographic targeting.**
- **Allow MSHDA to provide assistance for housing units with very low or extremely low income households.**
- **Prohibit MSHDA from providing assistance for housing unless it were sold or rented with a provision for the recapture of assistance.**

## **House Bill 4787**

### Housing & Community Dev't Program

The bill would require MSHDA to create and implement this program for the purpose of developing and coordinating public and private resources to meet the affordable housing needs of low income, very low income, and extremely low income households in Michigan. The Authority would have to identify, select, and make financing available to eligible applicants from money in the proposed Fund or from money secured by the Fund for this housing.

The bill would define "affordable housing" as "residential housing that is occupied by low income, very low income, or extremely low income households, and results in monthly housing costs equal to no more than approximately 1/3 of the adjusted household income of the occupying household".

"Low income household", "very low income household", and "extremely low income household" would mean a person, a family, or unrelated people living together whose adjusted household income was the following percentage of the median income, as determined by MSHDA:

Household	More Than	Not More Than
Low income	50%	60%
Very low income	25%	50%
Extremely low income		25%

The bills are tie-barred to each other.

## Annual Allocation Plan

The bill would require MSHDA to develop an annual plan for the allocation of money from the proposed Fund. The plan would have to contain a formula for distributing money throughout Michigan based on the number of people experiencing poverty and housing distress in various regions of the State. The plan also would have to identify eligible applicants, preferences for special population groups (described below), and preferences for geographic targeting in designated revitalization areas, including neighborhood preservation areas, State renaissance zones, core communities, and Federally designated enterprise community or homeownership zones.

("Eligible applicant" would mean a not-for-profit corporation, a for-profit corporation, or a partnership approved by MSHDA and organized for the purpose of developing and supporting affordable housing for low income, very low income, or extremely low income households.)

At least 25% of the Fund would have to be earmarked for rental housing projects that did not qualify under preferences for special housing groups, geographic preferences, or other preferences contained in the allocation plan.

At least 30% of the Fund would have to be earmarked for projects that targeted extremely low income households, including at least both of the following activities:

- Developing housing for the homeless, transitional housing, and permanent housing.
- Providing security deposits, supportive services, and technical assistance to eligible applicants.

Both a rental housing project and a home ownership project assisted by the Fund would have to provide affordable housing for households earning not more than 60% of the median income.

Money that had not been committed at the end of a fiscal year could not be carried over in the category to which it had been allocated during that fiscal year, but would have to be reallocated for the next fiscal year according to that year's allocation plan.

Each year, MSHDA would have to hold public hearings in at least three separate locations in the State on the priorities and draft allocation plan for the upcoming year. The Authority then could make minor modifications to the plan necessary to facilitate the administration of the Housing and Community Development Program or to address unforeseen circumstances.

## Fund Expenditures

The bill would require MSHDA to spend money from the Fund to make grants, mortgage loans, or other loans to eligible applicants in order to enable them to finance any of the following with respect to housing or home ownership for low income, very low income, and extremely low income households:

- Acquisition of land and buildings.
- Rehabilitation.
- New construction.
- Development and predevelopment costs.
- Preservation of existing housing.
- Infrastructure improvements, economic development projects, or community facilities that supported housing development.
- Insurance.
- Operating and replacement reserves.
- Down payment assistance.
- Security deposit assistance.
- Supportive services.

The Authority would have to spend a portion of the Fund for housing for special needs populations, including the homeless, individuals with physical or mental handicaps, and people living in rural or distressed areas.

The bill would permit MSHDA to make a loan from the Fund to an eligible applicant at no interest or at below-market interest rates, with or without security, and to make a loan for predevelopment financing. The Authority also could provide assistance for housing units for very low income or extremely low income households within multifamily housing that was occupied partly by such households and partly by other households, subject to rules promulgated by MSHDA. ("Multifamily housing" would mean a building or buildings providing housing to two or more households, none of which was owner occupied.)

In addition, MSHDA could provide funding for projects with 50 or fewer units and provide incentives to encourage project feasibility and mixed income housing projects that responded to community priorities.

#### Conditions for Assistance

The Authority could not provide assistance for housing under the bill unless both of the following circumstances existed:

- In the case of multifamily housing, the owner or manager agreed in writing not to evict a tenant without just cause, as defined in the statute that governs public housing facilities.
- The housing was sold or rented with a deed restriction, agreement, or other legal document providing for the recapture of some or all of the assistance provided under the bill upon terms and conditions specified in rules of the Authority.

#### Fund; Annual Report

The bill would create the Michigan Housing and Community Development Fund in the Department of Treasury. The Authority would have to administer the Fund, and it could be spent only as provided in the bill. The State Treasurer would have to credit all of the following to the Fund:

- All receipts, including dividends and interest on the investment of Fund money and principal and interest payments from loans or agreements made from the Fund.
- All proceeds of assets received by MSHDA as a result of the default of loans or agreements made under the bill.
- All appropriations, grants, or gifts of money or property made to the Fund.
- All fees or charges collected by MSHDA pursuant to activities authorized under the bill.
- Other revenue as provided by law.

All balances in the Fund at the end of a fiscal year would have to be carried over as part of the Fund.

The Authority would have to issue to the Governor and the Legislature an annual report summarizing the expenditures of the Fund for the prior fiscal year, including at

least a description of the eligible applicants that received funding, the number of housing units that were produced, and the income levels of the households that were served.

#### Rules

The bill would require MSHDA to promulgate rules providing for the terms and conditions under which assistance made under the bill would have to be recaptured. The Authority also would have to promulgate rules to implement the bill.

### **House Bill 4788**

#### Fund

The bill contains the same provisions as in House Bill 4787 regarding the creation of the Housing and Community Development Fund and its administration by MSHDA. Under House Bill 4788, the Fund could be spent only as provided in the proposed Act.

The bill would require the Department of Treasury to credit to the Fund all amounts appropriated for the purposes under the Act and any money received as contributions for those purposes. The State Treasurer would have to invest the Fund's money, and credit the earnings to the Fund. Money appropriated or contributed to the Fund would be available for disbursement upon appropriation.

The bill specifies that, notwithstanding another allocation or disbursement, an amount equal to the cumulative contribution made to the Fund, less an amount appropriated to the Department for implementing the proposed Act, would have to be deposited in the Fund and annually appropriated solely for its purpose.

#### Use of Fund Money

Money in the Fund would have to be used to provide grants, mortgage loans, and other loans, including construction loans, bridge loans, and predevelopment loans to provide housing for low income, very low income, and extremely low income households.

A portion of the allocation each year, as determined by MSHDA, would have to be used to provide housing for homeless individuals, people with physical and mental

disabilities, and people living in distressed or rural areas.

Money in the Fund could be used according to Section 58c(1) of the State Housing Development Authority Act. (As proposed by House Bill 4787, that section would require MSHDA to spend Fund money to make grants, mortgage loans, or other loans to eligible applicants to enable them to finance certain activities with respect to housing or home ownership for low income, very low income, and extremely low income households.)

Housing developed with Fund money would have to be consistent in nature with housing already provided in the area to be developed.

#### Annual Priorities; Allocation Plan

The bill would require MSHDA to develop annual priorities based on the allowable purposes for the Fund (described above), and to allocate the money in the Fund based on those priorities. Each year, MSHDA would have to hold public hearing in at least three separate locations in the State on the priorities and draft allocation plan for the upcoming year.

The Authority would have to develop an allocation plan each year based on the annual priorities. The plan would have to include how MSHDA would identify, select, and make financing available to applicants to develop fundable projects, and how MSHDA would allocate money to provide technical assistance to eligible applicants.

The allocation plan also would have to include all of the following:

- A list of organizations and types of organizations eligible to receive Fund money.
- Any preference for identified special population groups.
- The allocation funding formula.

In addition, the plan would have to include any geographic targeting in designated revitalization areas, including MSHDA's neighborhood preservation program areas, renaissance zones, Federally designated empowerment and enterprise zones, and community or homeownership zones.

The Authority would have to develop a formula for allocating money throughout the State using all of the following factors:

- The number of people in poverty in a geographic area.
- The level of housing distress in a geographic area.
- Any other factor that supported the need for affordable housing as determined by MSHDA and included in the allocation plan.

#### Housing Projects

Money in the Fund would have to be allocated to an eligible applicant (as defined in House Bill 4787) for a housing project if the applicant had conducted a market study to ensure that there was a demand and need for the proposed housing project.

The Authority would have to encourage housing projects that were part of a planned community revitalization strategy.

MCL 125.1458-125.1458d (H.B. 4787)

Legislative Analyst: Suzanne Lowe

#### **FISCAL IMPACT**

Funding for the proposed program has been provided in the FY 2004-05 budget for the Family Independence Agency, Public Act 344 of 2004. The \$2 million of Federal Temporary Assistance for Needy Families (TANF) funding would be used as the initial seed funding for this program. Future costs of the program would depend upon future appropriation levels and the number and type of projects funded; therefore, the fiscal impact is indeterminate.

Fiscal Analyst: Maria Tyszkiewicz

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.