



Senate Bill 397 (as introduced 6-15-23)
Sponsor: Senator Mary Cavanagh
Committee: Housing and Human Services

(Senate-passed version)

Date Completed: 6-27-23

CONTENT

The bill would amend the State Housing Development Authority Act to increase, from \$5.0 billion to \$7.0 billion, the limit on all outstanding bonds and notes that the Michigan State Housing Development Authority (MSHDA) may have.

Generally, the Act authorizes MSHDA to issue notes and bonds for housing and community economic development purposes in the State, subject to certain limitations. The Authority cannot have outstanding, at any time, bonds and notes of its corporate purposes in an aggregate principal amount exceeding \$5.0 billion, excluding the following:

- The principal amount of bonds and notes issued to refund outstanding bonds and notes.
- The principal amount of bonds and notes that appreciate in principal amount, except to the extent of the principal amount of these bonds and notes payable at such time.
- The principal amount of notes and bonds representing original issue discount, if any.

The bill would increase this maximum amount on outstanding bonds and notes to \$7.0 billion.

(Additionally, the bill would delete a provision that required MSHDA to conduct an annual review of all loans and financial instruments that require repayment of lines of credit with the Michigan Broadband Development Authority Act. The Authority absorbed the Michigan Broadband Development Authority (MBDA) and then the MBDA was dissolved by Executive Reorganization Order No. 2008-4.)

MCL 125.1432

Legislative Analyst: Eleni Lionas

FISCAL IMPACT

The bill would increase the cap on outstanding bonds and notes from \$5.0 billion to \$7.0 billion. The new debt issue is related to single-family housing programs. Without the additional bonding authority, programs would have to be reduced.

The Authority's bonds are not considered general obligations of the State and are secured by revenue received from various loan programs operated by MSHDA. Debt is issued for the purchase of single-family mortgages, multifamily developments, the funding of home improvement loans, and for the cost of issuing the bonds. The assets purchased by the debt are used as the security, while the mortgages on the assets are used to repay the bonds. The revenue from these programs supports the financing of the debt and MSHDA's operations. Currently, MSHDA does not require any State dollars to support its operations.

The cap on outstanding debts was increased from \$3.0 billion to \$4.2 billion in 2008 because of increased demand during the recession. In 2011, the cap was continued until November 1, 2014, when the cap was reduced to \$3.4 billion. Since 2014, rising property costs throughout

the State have contributed to increased costs to purchase assets and to finance MSHDA's various programs. The cap was increased from \$3.4 billion to \$5.0 billion in 2020 because the Authority had hit the limit.

Fiscal Analyst: Cory Savino, PhD

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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.