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HOUSING AUTHORITY ACT: GENERAL AMENDMENTS

Senate Bill 377 (Substitute H-2)
First Analysis (12-12-89)

Sponsor: Sen. Norman D. Shinkle
Senate Committee: Finance
House Committee: Urban Affairs

THE APPARENT PROBLEM:

The Michigan State Housing Development Authority (MSHDA) was created by the legislature in 1966 to improve housing opportunities for people with low and moderate incomes. MSHDA recently requested amendments to its authorizing legislation (contained in House Bill 4874) to raise certain gross income and purchase price limits to qualify for MSHDA loans, raise the authority's debt capacity from $3 billion to $3.2 billion, extend the housing loan program (for single-family homes) until November 1, 1990, and various other amendments. However, due to very recent federal changes made to the Low Income Housing Tax Credit Program (where developers of certain qualifying low-income multi-family housing receive tax credits pursuant to Internal Revenue Code guidelines), MSHDA feels additional amendments are needed under which a person can qualify for the credit. Currently, the credit is available for all low-income housing projects on a "first-come, first-served" basis; MSHDA would like to develop an allocation plan where highest priority for credits would be given only to those projects serving the lowest income tenants. Also, federal changes require that an allocation plan developed by the state housing authority be approved by the governor.

THE CONTENT OF THE BILL:

The bill would amend the State Housing Development Authority Act to revise criteria for qualifying for the state's low income housing tax credit. Currently, the credit is available for all low-income housing projects on a "first-come, first-served" basis. The bill would delete this (and various other language relative to procedures for applying for the credit) and specifies instead that, before November 1, 1991, the credit would be allocated according to a qualified allocation plan (prepared by MSHDA, submitted to the legislature, and approved by the governor after the public's notification) which would have to give the highest priority to those projects in which the highest percentage of the housing credit dollar amount was to be used for project costs other than the cost of intermediaries. This would not apply if granting such priority would impede the development of projects in "hard-to-develop" areas. In allocating tax credit money among selected projects, MSHDA's plan would have to give preference to projects serving the lowest income tenants and to those obligated to serve qualified tenants for the longest periods. Also, the plan would provide a procedure that MSHDA would follow in notifying the Internal Revenue Service of noncompliance with certain provisions within the Internal Revenue Code (IRC) of which MSHDA became aware. The plan would set forth the process for selecting eligible projects and could be amended occasionally pursuant to its terms and the IRC's requirements. Projects counted in one category would not count in another towards meeting the minimum set-aside requirements.

Currently, the housing credit ceiling applicable for a calendar year is $1.25 multiplied by the state's population. The bill specifies instead that this ceiling would be the sum of this amount and 1) the state's unused credit ceiling, if any, for the preceding calendar year (for years after 1989), 2) the amount of the credit ceiling returned in the calendar year (after 1989), and 3) the amount, if any, allocated to the state under the IRC.

The act allows MSHDA to create and establish one or more special capital reserve funds to secure the authority's notes and bonds. The bill specifies that in addition to, or in lieu of, depositing money in a capital reserve fund, MSHDA could obtain and pledge letters of credit that could be drawn upon for capital reserve fund purposes. The amount available to be drawn under letters of credit pledged to a capital reserve fund would have to be credited toward the satisfaction of a fund requirement.

Finally, the bill would extend MSHDA's authority to finance multi-family housing projects under the act until November 1, 1991. (This authority sunsetted on November 1 of this year.)

Other amendments (relative to purchase price and income limits) would make the bill conform to language contained in House Bill 4874, which has been enrolled and is currently awaiting gubernatorial approval. (For more information on House Bill 4874, see the House Legislative Analysis Section analysis dated 11-6-89.)

MCL 125.1411 et al.

FISCAL IMPLICATIONS:

According to MSHDA, the bill would have no state budgetary implications. (12-11-89)

ARGUMENTS:

For:

The bill would revise criteria used by MSHDA for allocating certain tax credit money that is now available to all low-income housing project developers (of multi-family housing projects) on a first-come, first-served basis. Under the bill, MSHDA would develop an alternative allocation plan (which would have to be submitted to the legislature and approved by the governor) where projects serving the lowest-income tenants would receive greatest priority for the federal credits. Apparently, recent changes in the federal tax credit program for low-income housing reduced the amount of credit money available to states by 25 percent, and required gubernatorial approval of an allocation plan. Under a proposed allocation plan, MSHDA would have to ensure that credits are granted only to the most qualified projects. The bill would also extend MSHDA's lending authority under the multi-family housing program to November 1, 1991, and would authorize MSHDA to obtain and pledge letters of credit for certain lending purposes from capital reserve funds.

OVER

POSITIONS:

The Michigan State Housing Development Authority supports the bill. (12-7-89)

The Michigan Association of Home Builders supports the bill. (12-7-89)

The Michigan Housing Council supports the bill. (12-7-89)