



**House
Legislative
Analysis
Section**

Manufacturer's Bank Building, 12th Floor
Lansing, Michigan 48909
Phone: 517/373-6466

MICHIGAN AFFORDABLE HOUSING PROGRAM

House Bill 5379

Sponsor: Rep. H. Lynn Jondahl
Committee: Urban Affairs

Complete to 10-2-90

A SUMMARY OF HOUSE BILL 5379 AS INTRODUCED 12-13-89

The State Housing Development Authority Act created a special state agency (with the same name, known as MSHDA) whose purpose is to oversee and provide for the improvement of housing opportunities for people with low and moderate incomes. The bill would amend the act to create the Michigan Affordable Housing Program whose purpose would be to develop and coordinate public and private resources to help meet the affordable housing needs of low income households in the state. The bill would create a special commission both to advise MSHDA in implementing the housing program and to monitor and evaluate the use of money from a fund that would be created specifically to pay for the program. Under the bill, MSHDA could issue "limited obligation" notes and bonds that would not be guaranteed by the state nor would be subject to MSHDA's current limit of \$3.2 billion on outstanding debt.

Affordable Housing Fund. The Michigan Affordable Housing Fund would be created in the Department of Treasury and would be administered by MSHDA along with the advisory commission. Subject to available funds, MSHDA would have to make grants and loans from the fund to eligible applicants to encourage investment in affordable housing for low income households and to reduce the costs of developing such housing. Fund balances at the end of a fiscal year would carry over into the fund for the next year and could not revert to the general fund. The state treasurer would have to credit to the fund all of the following:

- receipts, including various dividends and interest on money invested in the fund, and principal and interest payments from loans or agreements made from the fund;
- proceeds of assets received by MSHDA from loan defaults or other agreements;
- appropriations, grants or gifts of money or property made to the fund;
- fees or charges collected by MSHDA pursuant to the bill;
- proceeds of notes and bonds sold as provided for in the bill; and
- other revenue allowed by law.

Advisory Commission. The Affordable Housing Fund Advisory Commission would consist of the Senate Majority Leader, or his or her designee, and the Speaker of the House of Representatives (or a designee), who would be ex officio, nonvoting members. The governor also would have to appoint 12 voting members of which four would be appointed for one-year terms, four for two-year terms, and four for three-year terms, and whose successors would be appointed for three-year terms. The commission would advise MSHDA in implementing the housing program and would monitor and evaluate the use of money from the fund.

Of the 12 gubernatorial appointees, each one would have to meet a specific criterion: One member would have to be

actively involved in local government, housing, and community development activities; one would have to work in public housing administration; one would have to work in the residential building industry; one would have to work in the mortgage or banking industry; one would have to be a resident of government-assisted housing; one would have to be actively involved in a neighborhood association or civic group that promoted residential housing for the poor; one would have to represent a statewide organization that studied issues and offered solutions to problems concerning the poor; one would have to work with an organization that promoted housing for the poor; and one would have to work with an organization that promoted handicapper rights. Three members would have to be chosen from the general public.

A vacancy in the commission would be filled in the same manner as an original appointment. Each appointed member would be entitled to actual and necessary travel expenses incurred in doing commission work. The commission would be subject to the Open Meetings Act and the Freedom of Information Act. Further, the commission would have to be given access to MSHDA's records of the program.

Creation of Affordable Housing Program. With advice from the commission MSHDA would have to create and implement the Michigan Affordable Housing Program and would have to identify, select, and make financing available to eligible applicants from money in the fund or from money secured by the fund for affordable housing for "very low income" and "extremely low income" households. (Very low income" households would be defined as persons living together whose adjusted household income was more than 25 percent but not more than 50 percent of the median income — as determined by MSHDA — of a similarly sized household within the nonmetropolitan county or the metropolitan statistical area in which the household was located. "Extremely low income" households would mean persons living together whose adjusted household income was 25 percent or less of a similarly sized household in its specific area.) MSHDA would have to promulgate rules pursuant to the Administrative Procedures Act to provide for the terms and conditions in which assistance made under the bill would be recaptured, and to implement the bill's provisions.

Limited Obligation Bonds. MSHDA could issue notes and bonds for the bill's purposes, including for building reserves and paying interest, for costs of issuance, and for its reasonable fees and expenses. The issuance of notes and bonds under the bill would not be subject to the \$3.2 billion debt ceiling established for MSHDA by Public Act 220 of 1989. These notes and bonds would be "special, limited obligations" of MSHDA, would not be general obligations of the state, and could not be secured by a pledge of the state's full faith and credit. Each bond would have to

H.B. 5379 (10-2-90)

indicate on its face the state's limited obligation, and MSHDA could use all or a portion of amounts on deposit or to be deposited into the fund for securing the repayment of debentures.

MSHDA could use money available in the fund to make grants, mortgages, or other loans to eligible applicants who wished to acquire, build, rehabilitate, develop, operate, insure, or retain affordable single family and multifamily housing for qualified low income households. A "portion" of fund monies would have to be spent on housing for "special needs" groups such as the homeless, single parent families, the elderly, or the physically or mentally handicapped. Grants from the fund could be for rental assistance, security deposit assistance, and mortgage foreclosure assistance, and MSHDA could make loans at no interest or at below market rates, with or without security. Loans could also be made for predevelopment financing. MSHDA also could offer assistance for housing units for "very low" or "extremely low" income households in multifamily housing that was occupied partially by nonqualifying households, subject to MSHDA's promulgated rules.

Program Limitations. MSHDA could not use the fund to replace existing resources, nor could it provide assistance unless housing met the following conditions:

- The owner or manager of multifamily housing agreed in writing not to refuse to accept tenants for occupancy solely because the tenant received public rental assistance.
- A multifamily housing manager or owner agreed in writing not to evict tenants "without just cause," as this is defined in Public Act 18 of the Extra Session of 1933.
- The housing was sold or rented with a deed restriction, agreement, or other legal document that provided for the recapture of assistance upon terms and conditions specified under MSHDA's promulgated rules.
- Not less than 50 percent of those living in multifamily housing that was built or rehabilitated with help from the fund were of very low and extremely low income households, and not less than 25 percent were of extremely low income households.

MCL 125.1401 to 125.1498f