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BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

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Senate Bills 951 and 952

Sponsor: Senator Frederick P. Dillingham

Committee: Human Resources and Senior Citizens

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SUMMARY OF SENATE BILLS 951 and 952 as introduced 5-31-90:

Senate Bills 951 and 952 would create the "Office of Housing Act" and the "Housing Policy Commission Act", respectively, to establish an Office of Housing within the Department of Commerce, and a Housing Policy Commission and the Michigan Housing Coordinating Council within the Office. The Office of Housing would have the primary responsibility for developing, administering and coordinating housing programs and policies in the State and specifically would be charged with the preparation of a statewide assessment of housing needs and, with the help of the Commission, a comprehensive State housing plan.

The 13-member Commission would be responsible for reviewing and approving the Office's statewide assessment of housing needs and State housing plan, advocating legislation and policies, and providing a public forum on housing issues. The 12-member Council would help the Office coordinate various other State and local housing and housing-related programs such as home repair, weatherization and conservation programs, regulation of real estate brokers, and income assistance programs.

The bills are tie-barred to each other and to House Bills 5735 and 5736, which as introduced are identical to the Senate bills.

A more detailed summary of Senate Bills 951 and 952 follows.

Senate Bill 951**Duties of the Office**

The Office would be responsible for providing an information clearinghouse for public and private agencies and organizations on the availability of residential housing and the resources available to persons of low, very low, and moderate income and persons in special populations. "Very low income" would mean yearly gross income that is less than 100% of the poverty standard as determined by the Office of Housing. "Low income" would mean a yearly gross income less than 150% of the poverty standard, and "moderate income" would be a yearly gross income less than 250% of the poverty standard. "Special populations" would mean categories of persons designated by the Commission as having special housing needs. Special populations could include, but would not be limited to, handicappers, persons who are mentally ill or have developmental disabilities, the elderly, and homeless persons.

In addition, the Office would be responsible for:

- Assisting local governments and private entities involved with residential housing in determining and analyzing the needs for residential housing in their areas.
- Providing planning and technical assistance to shelter providers. "Shelter provider" would mean any entity that, at a minimum, furnished, without charge, daytime or overnight lodging on a temporary basis for homeless persons.
- Increasing public awareness of the existence of homeless persons by coordinating the exchange and

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dissemination of information regarding the existence of shelter providers and programs of a preventive nature.

- Coordinating and monitoring the services of shelter providers in the State and providing information to the Commission regarding these functions.
- Administering all Federal or State funds appropriated by the Legislature to the Office.
- Preparing plans, proposals, and applications required to obtain Federal funding for housing programs.
- To the extent that funds were available, making grants to local public and private nonprofit entities providing housing services. Grants would have to be made in accordance with criteria and an approval process developed by the Commission.
- Making recommendations regarding financing to the Michigan State Housing Development Authority (MSHDA) and coordinating funding programs with it.
- Developing and submitting to the Legislature and the Governor a comprehensive report detailing housing programs in all State departments.
- In cooperation with other State departments, determining residential properties that had reverted to State ownership or receivership.
- Providing planning and technical assistance to shelter providers for the development, implementation and administration of services designed to prevent the increase in the number of homeless persons and to provide shelter and services to homeless persons.
- Establishing a poverty standard to be used in determining categories of income level. The Office could consider the poverty line established by the Federal Director of the Office of Management and Budget and issued by the U.S. Secretary of Health and Human Services pursuant to the Federal Omnibus Budget Reconciliation Act of 1981.
- Annually reporting to the Legislature and the Governor its findings, conclusions, and recommendations based on an annual update of the statewide assessment of housing needs, its accomplishments during the year, and its goals for the coming year. The report

would have to be reviewed and approved by the Commission.

The Office would be required to develop and administer housing programs consistent with the bill and the State housing plan. The Office could contract with local public and private nonprofit agencies for the administration of housing programs and the delivery of housing services.

The Office would be an autonomous agency and would exercise its powers and functions, including budgeting, procurement, rule promulgation, and related management functions, independent of the Director of the Department of Commerce. The director of the Office would be appointed by the Governor with the advice and consent of the Senate.

Statewide Assessment of Housing Needs

The Office would be required to compile a statewide assessment of housing needs and report to the Legislature and the Governor by October 1, 1991. In making the assessment and report, the Office would be required to do all of the following:

- Compile information regarding needs for residential housing grouped by income levels and special populations, and by the type of residential housing according to classifications determined by the Commission.
- Make an inventory and analysis of the projected reduction of existing subsidized and public housing.
- Make projections of the private residential housing market's ability to meet the needs for housing for special populations, different income levels, and persons needing subsidized and public housing, and the extent to which the private market would not meet those needs.
- Evaluate the rental rates, vacancy rates, and building costs of residential housing for persons of low, very low, and moderate income and persons in specialized populations.
- Determine the amount of residential housing for persons of low, very low, and moderate income and persons in specialized populations that was in

violation of local housing codes, and the nature of the violations.

- Determine the financial barriers to the purchase of residential housing that confront persons of low, very low, and moderate income, including but not limited to, the availability of mortgage loans, home improvement loans, and property insurance.
- Determine the needs for residential housing for persons of low, very low, and moderate income and persons in specialized populations who wished or required shared housing, transitional housing, or single room occupancy residential housing.
- Determine the availability of services related to residential housing including but not limited to, landlord and tenant mediation, mortgage and debt counseling, and residential housing information and referral.
- Determine the housing needs of homeless persons, including housing needs of subgroups of homeless persons such as families, minors, the elderly, runaways, and persons suffering from mental illness or substance abuse.

The Office would be required to assist local communities in assessing their housing needs and incorporate such assessments in its report. The Commission would be required to review and approve the report and the Office would have to update the report annually.

State Housing Plan

The Office would be required to develop a State housing plan with the advice and assistance of the Commission and based on the statewide assessment of housing needs. The plan would have to contain a statement of short-term goals for the next two-year period, including all those issues that needed immediate attention, and a five-year long-term plan.

The plan would have to be designed to meet all of the following goals:

- Increase the supply and quality of housing for persons of low, very low, and moderate income and persons in specialized populations.

- Stabilize neighborhoods and rehabilitate existing housing, including both rental and owner-occupied housing.
- Prevent displacement of lower income households if possible, and if such displacement were unavoidable, establish effective relocation services.
- Increase the ability of persons of low, very low, and moderate income to afford housing.
- Increase the availability of consumer choices and options in the housing market.
- Identify and encourage alternative forms of home ownership.
- Ensure that services were available on a statewide basis to meet the needs of homeless persons.
- Strengthen and build the capacity of local public and private entities to deliver housing resources.
- Improve accountability of landlords and encourage responsible stewardship of residential rental properties.
- Eliminate barriers to home ownership.
- Ensure equal access to housing.
- Attain other goals recommended by the Commission.

The plan would have to contain specific measurable objectives that would allow progress to be monitored and would have to be updated annually by the Office.

Coordination of Programs

With the assistance of the Council, the Office would be required to coordinate with other State departments and local governments all of the following programs:

- Home repair, weatherization, and energy conservation programs, including home repair and home-sharing programs for the elderly.
- Home improvement loan programs.
- Standards for ensuring handicapper accessibility.
- Regulation of real estate brokers.
- Programs related to housing discrimination.
- Programs for homeless persons.
- Mediation of disputes between landlords and tenants.
- Income assistance programs providing

shelter for persons with low income or very low income.

- Subsidized housing programs.

Senate Bill 952

The bill would create the Housing Policy Commission and Michigan Housing Coordinating Council within the proposed Office of Housing.

Duties of the Commission

The Commission would be required to:

- Review and approve the statewide assessment of housing needs.
- Review and approve the Office's annual report to MSHDA, the Legislature, and the Governor.
- Assist the Office in developing, and give final approval of, the State housing plan.
- Advocate the need for legislation and policies consistent with the purposes of the bill and the Office of Housing Act.
- Provide a forum for the public to express its concerns related to housing in the State.
- Establish criteria and an approval process for the Office to follow in making grants to public and private nonprofit entities providing housing services. The criteria would have to include a requirement that a local government have a local housing plan in order to qualify for a grant.
- Review and make recommendations regarding the coordination and monitoring of shelter providers.

Composition of Commission

The Commission would consist of the Director of the Office of Housing, who would chair the Commission, and 12 members appointed by the Governor with the advice and consent of the Senate, including:

- A representative of local government, and a representative of the building inspection industry.
- A realtor, and a resident of rental housing.
- One person actively engaged in the administration of public housing, one in

the residential building industry, one in the mortgage or banking industry, and one in a neighborhood association or civic group promoting residential housing for persons of low or very low income.

- A representative of a statewide organization actively involved in research and policy development concerning persons with low or very low income.
- Three members at large, appointed from both urban and rural populations, to represent the general public.

The original members of the Commission would serve staggered terms while their successors would serve three-year terms. Any vacancy on the Commission would be filled in the same manner as the original appointment.

The Commissioners would be entitled to per diem compensation as established annually by the Legislature and to actual and necessary traveling and other expenses incurred in the performance of official duties in accordance with standard travel regulations of the Department of Management and Budget.

The Commission could create subcommittees as needed to exercise its powers and perform its duties and the Office would be required to assign sufficient staff to the Commission to enable it to carry out its functions.

The Commission would be subject to the Open Meetings Act and the Freedom of Information Act.

Michigan Housing Coordinating Council

The Council would consist of the Director of the Office of Housing or his or her designated representative, who would chair the Council, the Executive Director of MSHDA or his or her designee and the directors, or their designees, of the departments of Civil Rights, Commerce, Labor, Licensing and Regulation, Management and Budget, Mental Health, Natural Resources, Public Health, Social Services, and Treasury.

Legislative Analyst: L. Burghardt

FISCAL IMPACT

Senate Bill 951

Assuming that 10 to 30 new FTEs would be hired by the State, the bill would have an annual fiscal cost to the State of \$780,400 to \$2,171,200 and one-time start-up costs of \$140,000 to \$417,000 and an indeterminate fiscal impact on local government.

The salary and benefits costs to the State of 10 to 30 FTEs would be as follows:

<u>Employee Title</u>	<u>Annual Salary And Benefits</u>
General Clerk IV	\$ 34,300
2 x Secretary V	73,400
2 x Departmental Technician V	139,600
3 x Property Specialist VI	81,300
2 x Departmental Administrator X	<u>135,000</u>
TOTAL Salary and Benefits Costs for 10 FTEs	\$463,600
	<u> x3</u>
TOTAL Salary and Benefits Costs for 30 FTEs	\$1,390,800

If supplies, travel, printing, mailing, data processing, accounting, rent, and other miscellaneous costs are estimated at 50% of the salaries and benefits costs of the Office staff, the total annual cost of these office functions would be \$231,800 to \$695,400. One-time start-up costs to the State, estimated at 20% of the Office's annual costs, would be an additional \$140,000 to \$417,000.

In addition, the Office of Housing would have a Director. Assuming the Director was paid the same annual salary as the Director of the Michigan State Housing Development Authority, the annual cost to the State would be \$65,000 salary plus \$20,000 benefits.

Whether the Office of Housing would have an effect on local property values cannot be determined.

Senate Bill 952

The bill would have an annual fiscal cost to the State of \$21,600.

The Housing Policy Commission would have 12 members appointed by the Governor. Assuming that the Commission met once per month, that each member received \$50 per day for each Commission meeting, and that the members incurred an average of \$100 per day for travel expenses, the annual cost to the State would be: 12 commissioners x 12 meetings x \$150 = \$21,600.

Fiscal Analyst: J. Schultz

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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.