



House Office Building, 9 South
Lansing, Michigan 48909
Phone: 517/373-6466

REVISE MSHDA ACT

House Bill 5538

Sponsor: Rep. Paul DeWeese

**Committee: Local Government and Urban
Policy**

Complete to 4-7-00

A SUMMARY OF HOUSE BILL 5538 AS INTRODUCED 3-22-00

House Bill 5538 would amend the state Housing Development Authority Act of 1966 to change the composition of the Michigan State Housing Development Authority (MSHDA) and alter the duties of the resident member; to modify the formula in the allocation plan to increase funding for rural housing projects; to extend from November 1, 1999 to November 1, 2002 the \$4.2 billion cap on bonds and notes; and to revise the income and purchase price limits for the programs that fund construction and improvement of low and moderate income housing.

Authority members and duties. Currently, the authority consists of the director of social services, the director of commerce, the state treasurer, and four people appointed by the governor with the advice and consent of the Senate, and not more than two can be from the same political party. The bill would specify instead that the authority consist of three heads of principal departments of the executive branch of the state government, and five people appointed by the governor with the advice and consent of the Senate, and not more than three could be of the same political party. The bill also would delete an outdated reference to staggered terms for the first appointed authority, but would retain the current four-year term.

The bill specifies that to the extent required by federal law, one of the five authority members would be designated the resident member. The resident member would be required to be both: a) an individual directly assisted by a federal housing program administered through the authority (i.e., residing in federally-supported public housing or receiving section 8 tenant-based assistance, and not including a state-financed housing assistance program, section 8 project-based assistance, or section 8 new construction assistance.); and b) an eligible resident (a person whose name appeared on the lease of the assisted housing who was 18 years of age or older). The bill also specifies that a person who no longer met either requirement would be removed from the authority for cause, upon the appointment of another person as the resident member.

Currently action may be taken by the authority when a majority of its members vote, unless the bylaws require a larger number. The bill would retain this provision but specify that, to the extent required by federal law, the resident member could only take part in, vote on, and exercise the powers of the authority concerning decisions related to the administration, operation, and management of federal public housing programs and section 8 tenant-based assistance programs. The resident member would not take part in a matter that uniquely applied to the resident member, and in those matters that were not generally applicable to all residents.

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Allocation plan formula. Under the law, the state's low income housing tax credit authority must be distributed in accordance with the qualified allocation plan, as required by section 42 of the Internal Revenue Code of 1986. Amounts allocated are set aside so that qualified nonprofit organizations receive at least 10 percent, rural housing service at least five percent, and housing projects in eligible distressed areas, at least 30 percent. Under the bill, rural housing projects (rather than services) would receive at least 10 percent, instead of five percent. The bill defines "rural housing projects" to mean proposed or existing housing projects that are: a) located in an area other than a metropolitan county; b) funded by a federal program for the development of rural housing; or c) financed by a loan guaranteed by rural housing services or a successor agency.

Currently the law specifies that the authority may incorporate one or more nonprofit housing corporations for the purposes of owning and acquiring housing projects or housing units under certain conditions. The bill would add language authorizing the authority to incorporate nonprofit housing projects for the purpose of carrying out programs and oversight responsibilities on behalf of, or in conjunction with, the United States Department of Housing and Urban Development with respect to federal housing programs.

Cap on bonds and notes, and earmarking of funds for poor. Under the law the authority cannot have outstanding at any time bonds and notes in an aggregate principal amount exceeding \$4,200,000,000. However after November 1, 1999, that limitation is reduced to \$3,000,000,000. The bill would specify that the limit would drop after November 1, 2002.

House Bill 5538 would eliminate the provision of the law that currently earmarks funding for those whose income is 55 percent or less of the statewide median. Specifically, the provision would be deleted that reads: "With respect to bonds (other than refunding bonds) that are issued to finance single family homes after November 1, 1989, for the first 120 days following the announcement of a program funded by the proceeds of those bonds, 50 percent of the proceeds available to make loans (as determined by the originating lenders) shall be reserved for applicants with gross annual incomes at or below 55 percent of the statewide median gross income."

Mortgage credit certificate program. Under the law, the authority is designated as the administrator of the mortgage credit certificate program for the state, as permitted under section 25 of the Internal Revenue Code of 1986. As administrator of the program, the authority is required to convert at least \$59 million of 1985 federal mortgage revenue bond authority into mortgage credit certificate authority, and then to prepare guidelines that would allow a mortgage credit certificate program to operate through mortgage lenders. The law sets income and housing purchase price limits for eligible applicants and the homes they would purchase, although the limits are different depending on whether a housing unit is located in a distressed area or in another eligible but nondistressed area. The current law also increased the income and purchase price limits after May 1, 1995, in effect specifying two limits: one in effect before that date in each category, and a second higher limit in effect after that date.

House Bill 5538 would increase the current income and purchase price limits and ensure that they would escalate annually after 2001, and also replace the distressed area and nondistressed area categories with two new categories: metropolitan counties and nonmetropolitan counties.

Specifically, to qualify for a mortgage credit certificate to acquire a housing unit (including a residential condominium or mobile home), the purchase prices with respect to the unit could not exceed one of the following limits, that would increase initially on March 1, 2001, and then on each following March 1, at a rate of five percent compounded annually: a) \$99,000 for an existing housing unit; or, b) \$120,000 for a new housing unit. Further, to qualify for a mortgage credit certificate, the borrower's family income could not exceed one of the following: a) for a unit located in a metropolitan county, 100 percent of the statewide median family income; or b) for a unit located in a nonmetropolitan county, \$43,575, until the U.S. Department of Housing and Urban Development's published nonmetropolitan county median family income exceeds \$43,575. To qualify for a certificate after that time, the borrower's family income could not exceed 100 percent of the nonmetropolitan county median family income. Identical income limits would apply for those seeking a certificate to improve or rehabilitate an existing housing unit (including a residential condominium or mobile home). Further, identical purchase price limits (including the annual escalator) and income limits would apply when applicants apply to the authority for single family loans.

Multifamily unit loan program. Currently, the authority may make, purchase, or participate in loans, grants, or deferred payment loans to people and families of low and moderate income, so they are able to finance the rehabilitation of residential real property designed for occupancy by not more than four families. The law specifies that for purposes of this program, low and moderate income means people and families whose income does not exceed \$41,700 on or before May 1, 1995, and \$43,575 after that date.

House Bill 5538 would retain this program, but increase the number of families a housing project could serve from not more than four, to not more than 11. Further, the bill specifies that low and moderate income would mean 100 percent of the statewide median family income. The law also specifies the maximum principal loan amounts for home improvement loans: \$25,000 for residential structures containing one dwelling unit, and \$12,000 per dwelling unit for residential structures containing two to four dwelling units. In contrast, House Bill 5538 would retain principal loan amount limits, but the bill specifies \$25,000 for a residential structure containing one dwelling unit, unless the loan is made in conjunction with additional money provided by a municipality or nonprofit community-based organization, in which case a loan for a residential structure containing one dwelling unit would be \$35,000. Further, House Bill 5538 would increase from \$12,000 to \$15,000 the improvement loan limit per dwelling unit for a residential structure containing two to 11 (rather than four) dwelling units. It also specifies that a structure need not be of a minimum age to be eligible for rehabilitation under this section.

Prohibit discrimination in occupancy. Under current law, the occupancy of housing projects and residential real property assisted under the act is required to be open to all regardless of sex, race, religion, color, national origin, age, or marital status. House Bill 5538 would retain these categories and add two others: familial status, and disability. The law states, however, that this provision does not apply in certain senior housing programs, with respect to the age provision only. In these same instances, House Bill 5538 would retain the exemption for age, and also exempt the proposed familial status provision.

Throughout the bill, references to the Department of Commerce would be replaced by references to the Department of Consumer and Industry Services. Likewise, throughout the bill the references to sections 25 and 42 of the Internal Revenue Code are clarified by specifying the Internal Revenue Code of 1986.

MCL 125.1421 et al

Analyst: J. Hunault

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.