

# SENATE BILL No. 1133

February 19, 2008, Introduced by Senator RICHARDVILLE and referred to the Committee on Banking and Financial Institutions.

A bill to amend 1966 PA 346, entitled  
"State housing development authority act of 1966,"  
by amending section 44 (MCL 125.1444), as amended by 2004 PA 549.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 44. (1)(a) The authority may make loans to a nonprofit  
2 housing corporation, consumer housing cooperative, limited dividend  
3 housing corporation, limited dividend housing association, mobile  
4 home park corporation, or mobile home park association or to a  
5 public body or agency for the construction or rehabilitation, and  
6 for the long-term financing, of the following:

7           (i) Housing for low income or moderate income persons.

8           (ii) For the period of time beginning May 1, 1984, and ending  
9 November 1, 1987, housing projects in which not less than 20% of

1 the dwelling units are allotted to individuals of low or moderate  
2 income within the meaning of former section 103(b)(4)(A) of the  
3 internal revenue code of 1954; not less than 60% of the dwelling  
4 units are available to persons and families whose gross household  
5 income does not exceed 125% of the higher of either the median  
6 income for a family in this state or the median income for a family  
7 within the nonmetropolitan county or metropolitan statistical area  
8 in which the housing project is located, as determined by the  
9 authority; and not more than 20% of the dwelling units are  
10 available for occupancy without regard to income. The enactment of  
11 this subparagraph or the expiration of the authority granted by it  
12 does not affect rules in effect before July 10, 1984, or  
13 promulgated after July 9, 1984, to define low or moderate income  
14 persons.

15 (iii) For the period of time beginning May 1, 1984, and ending  
16 November 1, 1987, housing projects in eligible distressed areas in  
17 which housing projects not less than 20% of the dwelling units are  
18 allotted to individuals of low or moderate income within the  
19 meaning of former section 103(b)(4)(A) of the internal revenue code  
20 of 1954; not less than 60% of the dwelling units are available to  
21 persons and families whose gross household income does not exceed  
22 150% of the higher of either the median income for a family in this  
23 state or the median income for a family within the nonmetropolitan  
24 county or metropolitan statistical area in which the housing  
25 project is located, as determined by the authority, and not more  
26 than 20% of the dwelling units are available for occupancy without  
27 regard to income.

1           (iv) Beginning November 1, 1987, multifamily housing projects  
2 that meet the 20-50 or 40-60 test established in section 142 of the  
3 internal revenue code, 26 USC 142, and, in addition, in which the  
4 remaining dwelling units are available for occupancy without regard  
5 to income.

6           (v) Social, recreational, commercial, or communal facilities  
7 necessary to serve and improve the residential area in which an  
8 authority-financed housing project is located or is planned to be  
9 located thereby enhancing the viability of the housing.

10           (b) Notwithstanding the provisions of this section, the  
11 authority may establish by resolution higher income limits that it  
12 considers necessary to achieve sustained occupancy of a housing  
13 project financed under subsection (1)(a)(i), (ii), (iii), (iv), or (v)  
14 if the authority determines both of the following:

15           (i) The owner of the housing project exercised reasonable  
16 efforts to rent the dwelling units to persons and families whose  
17 incomes did not exceed the income limitations originally  
18 applicable.

19           (ii) For an annual period after the first tenant has occupied  
20 the housing project, the owner of the housing project has been  
21 unable to attain and sustain at least a 95% occupancy level at the  
22 housing project.

23           (c) A loan under this section may be in an amount not to  
24 exceed 90% of the project cost as approved by the authority. For  
25 purposes of this section, the term "project cost" includes all  
26 items included in the definition of a project cost in section 11  
27 and also includes a builder's fee equal to an amount up to 5% of

1 the amount of the construction contract, developer overhead  
2 allowance and fee of 5% of the amount of the project cost, the cost  
3 of furnishings, and a sponsor's risk allowance equal to 10% of the  
4 project cost. A loan shall not be made under this section unless a  
5 market analysis has been conducted that demonstrates a sufficient  
6 market exists for the housing project.

7 (d) After November 1, 1987, the authority may continue to  
8 finance multifamily housing projects for families or persons whose  
9 incomes do not exceed the limits provided in subsection (1)(a)(ii)  
10 or (iii) or (1)(b), until funds derived from the proceeds of bonds or  
11 notes issued before November 2, 1987, for that purpose, including  
12 the proceeds of prepayments or recovery payments with respect to  
13 these multifamily housing projects, have been expended. Multifamily  
14 housing projects or single family housing units in an eligible  
15 distressed area that are financed by proceeds of notes or bonds  
16 issued before June 30, 1984, and that the authority has designated  
17 for occupancy by persons and families without regard to income  
18 pursuant to this act shall remain eligible for occupancy by  
19 families and persons without regard to income until the authority's  
20 mortgage loan issued with respect to these multifamily housing  
21 projects is fully repaid.

22 (e) Notwithstanding the expiration of lending authority under  
23 subsection (1)(a)(ii), (iii), (iv), or (v), multifamily housing  
24 projects financed under those subparagraphs may continue to remain  
25 eligible for occupancy by persons and families whose incomes do not  
26 exceed the limits provided in those subparagraphs or subsection  
27 (1)(b).

1 (f) For purposes of this subsection:

2 (i) "Gross household income" means gross income of a household  
3 as those terms are defined in rules of the authority.

4 (ii) "Median income for a family in this state" and "median  
5 income for a family within the nonmetropolitan county or  
6 metropolitan statistical area" mean those income levels as  
7 determined by the authority.

8 (2) (a) The authority may make loans to a nonprofit housing  
9 corporation, limited dividend housing corporation, mobile home park  
10 corporation, or mobile home park association for the construction  
11 or rehabilitation of housing units, including residential  
12 condominium units as defined in section 4 of the condominium act,  
13 1978 PA 59, MCL 559.104, for sale to individual purchasers of low  
14 or moderate income or to individual purchasers without regard to  
15 income when the housing units are located in an eligible distressed  
16 area. A loan under this section may be in an amount not to exceed  
17 100% of the project cost as approved by the authority in the case  
18 of a nonprofit housing corporation or individual purchaser, and in  
19 an amount not to exceed 90% of the project cost as approved by the  
20 authority in the case of a limited dividend housing corporation,  
21 mobile home park corporation, or mobile home park association.

22 (b) While a loan under this subsection is outstanding, a sale  
23 by a nonprofit housing corporation or limited dividend housing  
24 corporation or a subsequent resale is subject to approval by the  
25 authority. The authority may provide in its rules concerning these  
26 sales and resales that the price of the housing unit sold, the  
27 method of making payments after the sale, the security afforded,

1 and the interest rate, fees, and charges to be paid shall at all  
2 times be sufficient to permit the authority to make the payments on  
3 its bonds and notes and to meet administrative or other costs of  
4 the authority in connection with the transactions. Housing units  
5 shall be sold under terms that provide for monthly payments  
6 including principal, interest, taxes, and insurance.

7 (c) While a loan under this subsection is outstanding, the  
8 authority, before the approval of sale by a nonprofit housing  
9 corporation, limited dividend housing corporation, mobile home park  
10 corporation, or mobile home park association, shall satisfy itself  
11 that the sale is to persons of low or moderate income if the  
12 housing unit is not located in an eligible distressed area, or to  
13 persons without regard to income if the housing unit is located in  
14 an eligible distressed area.

15 (3) The authority may make, purchase, or participate in loans  
16 made to individual purchasers for acquisition and long-term  
17 financing **OR REFINANCING** of newly rehabilitated, newly constructed,  
18 or existing 1- to 4-unit housing units, including a residential  
19 condominium unit as defined in section 4 of the condominium act,  
20 1978 PA 59, MCL 559.104. To qualify, all of the following apply:

21 (a) The borrower's family income shall not exceed ~~the~~  
22 ~~following: \$108,000.00.~~

23 ~~—— (i) For eligible distressed areas, \$69,800.00 until June 1,~~  
24 ~~2006, \$72,250.00 until November 1, 2007, and \$74,750.00 on and~~  
25 ~~after November 1, 2007.~~

26 ~~—— (ii) For any other area, \$60,700.00 until June 1, 2006,~~  
27 ~~\$62,800.00 until November 1, 2007, and \$65,000.00 on and after~~

1 ~~November 1, 2007.~~

2 (b) The purchase price **OR, IN THE CASE OF REFINANCING, THE**  
3 **APPRAISED VALUE** does not exceed the following:

4 (i) With respect to a 1- or 2-family unit, ~~3 times the income~~  
5 ~~limit, as established pursuant to subdivision (a) \$224,500.00.~~

6 (ii) With respect to a 3-family unit, ~~3 1/2 times the income~~  
7 ~~limit, as established pursuant to subdivision (a) \$261,625.00.~~

8 (iii) With respect to a 4-family unit, ~~4 times the income limit,~~  
9 ~~as established pursuant to subdivision (a) \$299,000.00.~~

10 (c) For unexpected cost increases during construction or  
11 improvements to adapt new or existing property for use by disabled  
12 individuals, the authority may increase the purchase price limit by  
13 an amount sufficient to cover these cost increases, but not to  
14 exceed \$3,500.00.

15 (d) If an income or purchase price limit prescribed by this  
16 subsection exceeds an ~~application~~ **APPLICABLE** limit prescribed by  
17 the internal revenue code, the internal revenue code limit applies  
18 **IF THE LOAN WILL BE FINANCED WITH THE PROCEEDS OF A TAX-EXEMPT**  
19 **BOND.**

20 (e) Except with respect to newly constructed housing units,  
21 the authority may by resolution establish, for a length of time the  
22 authority considers appropriate, maximum borrower income or  
23 purchase price limits more restrictive than those maximum  
24 limitations set forth in this section. The authority shall advise  
25 the appropriate house and senate standing committees 5 days prior  
26 to adopting a resolution establishing more restrictive maximum  
27 borrower income or purchase price limits.

1           (f) Before making a loan under this section, authority staff  
2 shall determine that the borrower has the ability to repay the  
3 loan.

4           (g) A loan made or purchased to finance the acquisition of an  
5 existing housing unit may include funds for rehabilitation.

6           (4) A loan shall be secured in a manner and be repaid in a  
7 period, not exceeding 50 years, as may be determined by the  
8 authority. A loan shall bear interest at a rate determined by the  
9 authority.

10          (5) A person who, for purposes of securing a loan under this  
11 act, misrepresents his or her income, including taking a leave of  
12 absence from his or her employment for purposes of diminishing his  
13 or her income, is not to be eligible for a loan under this act.