

Legislative Analysis



MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4948 (H-1) as reported from committee
Sponsor: Rep. Steve Mario

Analysis available at
<http://www.legislature.mi.gov>

House Bill 4950 (H-1) as reported from committee
Sponsor: Rep. Ranjeev Puri

House Bill 4951 as reported from committee
Sponsor: Rep. Mari Manoogian

Committee: Financial Services
Complete to 10-15-21

SUMMARY:

House Bills 4948, 4950, and 4951 would each amend the State Housing Development Authority Act to modify provisions related to the Michigan State Housing Development Authority (MSHDA), including those related to the maximum cancellation prices of notes or bonds purchased by the authority, the scope of participation of the designated resident member of the authority, and the sales price limit for certain housing loans.

House Bill 4948 would amend a provision that currently allows MSHDA to purchase its own notes or bonds, which *must* upon purchase be canceled at a price that does not exceed either of the following:

- If the notes or bonds are then redeemable, the redemption price then applicable plus accrued interest to the next interest payment date.
- If the notes or bonds are not then redeemable, the redemption price applicable on the first date after the purchase on which the notes or bonds become subject to redemption, plus accrued interest to that date.

The bill would change this provision to *allow* MSHDA to cancel the notes or bonds as described above, rather than requiring MSHDA to do so immediately.

MCL 125.1430

House Bill 4950 would delete a provision that now provides, to the extent required by federal law, that the designated resident member of MSHDA can take part in, vote on, and exercise the powers of the authority only concerning decisions related to the administration, operation, and management of federal public housing programs and tenant-based assistance programs established under section 8 of the United States Housing Act of 1937, 42 USC 1437f.¹ The bill would retain a provision that prohibits the designated resident

¹ <https://www.govinfo.gov/content/pkg/USCODE-2011-title42/pdf/USCODE-2011-title42-chap8-subchapI-sec1437f.pdf>

member from taking part in, voting on, or exercising the powers of the authority in a matter that uniquely applies to him or her and does not generally apply to all residents. (The designated resident member appointed to the authority must be an eligible resident who is directly assisted by a federal housing program administered through MSHDA.)

In addition, the bill would remove a provision that now requires the budgeting, procurement, and related functions of MSHDA to be performed under the direction and supervision of the director of the Department of Labor and Economic Opportunity (LEO). (Under the law, MSHDA is housed in LEO, but exercises its powers, duties, and functions independently.)

Finally, the bill would amend a provision that requires MSHDA business to be conducted at a public meeting held in compliance with the Open Meetings Act to include meetings held electronically under that act.

The bill is reciprocally tie-barred to House Bill 5096, which means that neither bill could take effect unless both bills were enacted. (House Bill 5096 would amend the Open Meetings Act to allow MSHDA to hold its public meetings electronically through December 31, 2026.)

MCL 125.121

House Bill 4951 would change the maximum purchase price or appraised value for certain loans under the act from a fixed dollar amount to a percentage of the applicable average area purchase price.

The act allows MSHDA to make, purchase, or participate in loans made to individual purchasers for acquisition and long-term financing or refinancing of newly rehabilitated, newly constructed, or existing one- to four-family housing units, including a residential condominium unit. Among the requirements that apply to such a loan, the purchase price or appraised value (for a refinancing) cannot exceed \$224,500 for a one- or two-family unit, \$261,625 for a three-family unit, or \$299,000 for a four-family unit.

The bill would delete the limits described above and would instead provide that the purchase price or appraised value, as applicable, cannot exceed 90% of the average area purchase price applicable for the housing unit. The average area purchase price would have to be determined in accordance with section 143(e) of the federal Internal Revenue Code or any other regulations promulgated under that provision.

In addition, the act allows MSHDA to increase the purchase price limit by an amount that will cover unexpected cost increases during construction or improvements to adapt property for use by disabled individuals, up to a limit of \$3,500. The bill would increase this limit to \$10,000.

MCL 125.1444

FISCAL IMPACT:

The bills would have an indeterminate fiscal impact on MSHDA administration and operational costs and would depend on actions taken by the authority under the provisions of the bills.

Presumably, the added flexibility under House Bill 4948 would allow MSHDA to better time the cancellation of the notes and bonds purchased to generate a more favorable financial outcome when MSHDA elects to purchase its debt. Any fiscal impact would be subject to the market conditions at the time of purchase and cancellation.

House Bill 4951 would increase MSHDA's ability to participate in larger MSHDA Homeownership loans. According to MSHDA, this would increase the number of persons served and increase MSHDA's revenues. Moreover, this increase would raise the purchase price limit to levels provided at surrounding state housing finance agencies. The increase of the purchase price limit on unexpected costs from \$3,500 to \$10,000 would allow MSHDA to finance more improvements to properties for disabled individuals.

House Bill 4950 would have an indeterminate, but likely negligible, fiscal impact on MSHDA administration.

POSITIONS:

Representatives of the Michigan State Housing Development Authority testified in support of the bills. (6-9-21)

The following organizations and entities indicated support for the bills (10-6-21):

- Grand Rapids Chamber of Commerce
- Habitat for Humanity of Michigan
- Michigan Manufacturers Association
- Michigan Realtors Association

The Michigan Bankers Association indicated support for House Bill 4951. (6-9-21)

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