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Senate Bill 326 (as enrolled) (Public Act 179 of 1987)

Sponsor: Senator John M. Engler

Senate Committee: Finance

House Committee: Urban Affairs

Date Completed: 3-16-88

SUMMARY OF SENATE BILL 326 as enrolled:

The bill would amend the Michigan State Housing Development Authority Act to extend the authority of the Michigan State Housing Development Authority (MSHDA) to make loans for multifamily housing projects past the November 1, 1987, deadline, to authorize MSHDA to make new types of loans for multifamily housing projects, to allow certain financing fees to be included in a project's cost, and to express legislative intent regarding reducing the cost of multifamily projects. Following is a detailed description of the bill.

The bill would specify that the "Legislature intends that the authority explore the possibility of reducing the cost of financing multifamily housing projects through the issuance of variable rate obligations that could be converted to long-term fixed-rate obligations". The Authority would be authorized by the bill to make fixed-rate mortgages with the proceeds of these obligations. The bill also would specify that the "Legislature also intends that the authority explore the possibility of providing subsidies to projects to assist owners in meeting the 20-50 test established in Section 142 of the Internal Revenue Code".

The bill would extend from November 1, 1987, to November 1, 1989, the deadline for MSHDA to make loans for multifamily housing projects currently allowed under the Act. In addition, the bill would authorize MSHDA, between November 1, 1987, and November 1, 1989, to make loans to nonprofit housing corporations, consumer housing cooperatives, limited dividend housing corporations or associations, mobile home park corporations or associations for construction, rehabilitation, or long-term financing of multifamily housing projects. In nondistressed areas, a project would be required to meet the 20-50 test, and not less than 15% of the dwelling units could be allotted to the elderly or to persons and families whose gross household income did not exceed 125% of the higher of either the median income for a family in the State, or the median income for a family within the nonmetropolitan county or metropolitan statistical area in which the project was located. In addition, not less than 15% of the dwelling units could be allotted to the elderly, or to persons and families whose gross household income did not exceed 150% of the median income for a family in the State, or the median income for a family within the nonmetropolitan county or statistical area in which the project was located, and not more than 50% of the dwelling units could be made available for occupancy without regard to income. The income limits for loans for multifamily housing projects in distressed areas also would be required to conform to the 20-50 test, and not more than 80% of the dwelling units could be available for occupancy without regard to income.

To finance a project, MSHDA would be required to loan an amount equal to 90% of a project's cost. Included in a project's cost would be a builder's fee of up to 5% of the amount of the construction contract, developer overhead of 2% of the project cost, sponsor's risk allowance of 10% of the project cost, and cost of furnishings. The Authority could continue to finance multifamily housing projects for those who were eligible until funds derived from the proceeds of bonds or notes issued before November 2, 1989, for that purpose—including the proceeds of refunding notes or bonds or prepayments or recovery payments with respect to these multifamily housing projects—had been expended. Should the income or purchase price limit prescribed by the Internal Revenue Code be lower than the Act's income or purchase price limits, then the Internal Revenue Code limits would apply.

The bill would require that the income eligibility standards of the Act (i.e., persons must have a gross income below certain levels for certain types of housing as specified in the Act) be complied with at the time of the initial occupancy of the tenant and that the Authority require subsequent compliance with income eligibility standards from a tenant only to the extent that it determined that compliance was necessary to effectuate the purposes of the Act or of Federal law.

The bill is tie-barred to House Bill 5073, which would amend the MSHDA Act to provide financing, technical assistance, and subsidies to housing rehabilitation activities that were part of an overall neighborhood rehabilitation plan. (House Bill 5073 was enrolled and became Public Act 180 of 1987.)

MCL 125.1432b et al.

Legislative Analyst: G. Towne

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.