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BILL ANALYSIS

Senate Fiscal Agency

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House Bill 4505 (Substitute H-1 as reported with amendments)**Sponsor: Representative Nelson W. Saunders****House Committee: Urban Affairs****Senate Committee: Finance****Date Completed: 6-8-87*****RATIONALE***

Prior to 1984, the Michigan State Housing Development Authority (MSHDA) financed low income, multifamily rental developments through Federal "Section 8" construction programs, in conjunction with tax-exempt bonds and other private financing mechanisms. When the Section 8 program was terminated in 1984, State legislation was passed establishing new, limited obligation, low and moderate income "multifamily direct" and "pass through" rental housing loan programs to be administered by the Authority. The legislation also set a limit on the amount of bonds that could be issued to finance Authority programs, and set a time frame, within which the bonds must be issued, of June 30, 1987. Some people feel these programs have been successful and should be continued.

CONTENT

The bill would amend the State Housing Development Authority Act to extend sunsets on certain MSHDA programs. The bill would extend from June 30, 1987, to June 30, 1989, the deadline for extending loans to nonprofit housing corporations, consumer housing cooperatives, limited dividend housing corporations and associations, mobile home park corporations and associations, and public bodies or agencies that construct or rehabilitate certain types of low and moderate income housing.

In addition, the deadline reducing the limitation on the aggregate principal amount of MSHDA's notes and bonds from \$3 billion to \$1.8 billion would be extended from June 30, 1987, to June 30, 1989. The Authority would retain its capacity as the sole issuer of qualified mortgage bonds, unless it elected to designate another issuer.

The bill is tie-barred to Senate Bill 326, which would require MSHDA, under certain conditions, to make loans to housing cooperatives for multifamily housing projects in eligible distressed areas, and to allocate Federal housing credits to applicants developing housing projects.

MCL 125.1401

SENATE COMMITTEE ACTION

As passed by the House, the bill would have allowed MSHDA to develop and own low and moderate income housing, and to incorporate subsidiary authorities for the purpose of owning, maintaining, or improving housing projects or housing units over which MSHDA had obtained control. The Senate Finance committee adopted

amendments that would eliminate these provisions. It was argued that allowing MSHDA to become an owner and developer would significantly change the traditional role of the Authority, and that rather than creating a new program for MSHDA, incentives should be created to encourage greater private sector participation. The committee also adopted an amendment to tie-bar the bill to Senate Bill 326.

FISCAL IMPACT

No General Fund or local unit dollars are at risk under House Bill 4505. The cost of development and maintenance of public housing would be funded from MSHDA reserves. The Authority's reserves are earnings from the repayment and arbitrage of past bond obligations.

Supporting Argument

Extending the sunsets on the Authority's loan programs and debt ceiling would continue a successful program and help to ensure that there was a supply of affordable rental housing for low and moderate income households.

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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.

H.B. 4505 (6-8-87)