



Olds Plaza Building, 10th Floor  
Lansing, Michigan 48909  
Phone: 517/373-6466

## AFFORDABLE HOUSING PROGRAM

House Bill 5075

Sponsor: Rep. H. Lynn Jondahl

House Bills 5191 and 5192

Sponsor: Rep. Burton Leland

Committee: Housing & Urban Affairs

Complete to 2-22-94

### A REVISED SUMMARY OF HOUSE BILLS 5191 AND 5192 AS INTRODUCED 11-4-9 AND HOUSE BILL 5075 AS INTRODUCED 9-30-93

The bills would establish the Michigan Affordable Housing Program and the Michigan Affordable Housing Fund, which would be administered by the Michigan State Housing Development Authority (MSHDA) to meet the residential housing needs of very low- and extremely low-income households. The bills would also require that land contracts be recorded with county registers of deeds and that a portion of the fees charged for recording such contracts be deposited into the fund. House Bills 5191 and 5192 are tie-barred to each other and to House Bill 5075. ("Very low-income household" is defined under House Bill 5075 to mean a person or persons whose adjusted household income is between 25 percent and 50 percent of the median income of a similar sized household within the nonmetropolitan county or the metropolitan statistical area in which the household resided; "extremely low-income household" is defined to mean a person or persons whose adjusted household income is not more than 25 percent of the median income for a similar sized household within the nonmetropolitan county or the metropolitan statistical area in which the household resided.)

House Bill 5191 would amend the Revised Judicature Act (MCL 600.101 et al.) to permit a county register of deeds to collect, in addition to any other fees required by law, a \$25 recording fee for land contracts. The recording fees would be remitted quarterly, and would be deposited by the state treasurer into the Michigan Affordable Housing Fund. A county could retain up to \$5 of each \$25 fee collected to cover administration costs.

At present, the act governing land contracts provides a procedure to be followed for the execution, acknowledgment and recording of a land contract. Generally, the execution of a land contract occurs when it is signed in the presence of two witnesses, and if execution occurs before a notary public or judge, he or she must certify that the contract has been "acknowledged." Once acknowledged, a land contract may be recorded with a county register of deeds. However, the act specifically states that a land contract lacking acknowledgment or recording is not invalidated; in other words, it has the same legal force as recorded mortgages and deeds. House Bill 5192 would amend the land contract act (MCL 565.354a) to require a contract for the sale of land to be recorded with a county register of deeds no later than 30 days after it had been executed and acknowledged for it

House Bills 5075, 5191 and 5192 (2-22-94)

to be validated. This provision would apply only to land contracts that were executed after the bill's effective date. However, a land contract that lacked acknowledgment would not be invalidated. (Note: This provision appears to contradict the bill's requirement that land contracts be recorded in order to be valid, since Section 4 of the act requires acknowledgment of a contract before it may be recorded.)

House Bill 5075 would add a new chapter to the State Housing Development Authority Act (MCL 125.1403a) to establish a Michigan Affordable Housing Program within the Michigan State Housing Development Authority (MSHDA). The bill would also establish an affordable housing fund, which would be administered by an advisory commission within MSHDA.

Affordable Housing Fund Advisory Commission. The commission would be created within MSHDA and would consist of the following members:

--Five members appointed by the Speaker of the House, including a person active in local government, housing, and community development activities; a person actively engaged in the residential building industry; a government-assisted housing resident; a representative of a statewide organization involved in research and policy development for low-income persons; and a person actively involved in an organization that was primarily concerned with the promotion of handicapper rights.

--Five members appointed by the Senate Majority Leader, including a person actively engaged in public housing administration; a person actively engaged in the mortgage or banking industry; a person actively involved in a neighborhood association or civic group that promoted low-income residential housing; a person actively involved in an organization that was primarily concerned with the promotion of housing for low-income persons; and a person actively involved in an organization that was primarily concerned with the promotion of housing for low-income senior citizens.

--Four members appointed by the governor representing the general public.

The Michigan Affordable Housing Program. The Michigan Affordable Housing Program would be created by MSHDA, with the advice and input of the advisory commission and the Michigan Housing Coordinating Council (created by executive order in 1990), in order to develop and coordinate public and private resources to meet the housing needs of very low- and extremely low-income households. Under the program, MSHDA would be required to identify, select, and make financing available to eligible applicants from money in the Michigan Affordable Housing Fund, from money secured by the fund, or from other resources; promulgate rules to provide for the recapture of assistance made under the provisions of the bill; and promulgate rules every four years for a plan for allocating money from the fund. Each fiscal year, the percentage of funds in each category allocated to affordable housing in eligible distressed areas would equal no less than the percentage of eligible distressed areas in that category. MSHDA could also allocate additional funds. The allocation plan would provide for the following spending allocations:

Counties having a population of 650,000 or more: 40 percent.

Counties with a population of 100,000 to 650,000: 35 percent.

Counties with a population of less than 100,000: 25 percent.

MSHDA would also be required to issue notes and bonds, which would pay for its fees and expenses, establish reserves, and pay interest and issuance costs.

The Michigan Affordable Housing Fund. Grants and loans would be made from the fund to encourage investment in affordable housing for very low-income or extremely low-income households, and to reduce the development costs of such housing. The fund would be administered by MSHDA, with the advice of the Affordable Housing Fund Advisory Commission, and would receive money from dividends and interest on the fund's investments; principal and interest payments from loans made from the fund; assets received by MSHDA as a result of loan defaults; fees or charges collected by MSHDA and proceeds from sales of limited obligation notes and bonds made under the provisions of the bill; and appropriations, grants, gifts and other revenue.

Money in the fund would be expended, among other things, to make grants, mortgage loans, or other loans to enable eligible applicants (individuals, nonprofit organizations, for-profit businesses and governmental units) to acquire or retain, or to encourage investment in, affordable single-family and multi-family housing for very low- and extremely low-income households. The authority would expend a portion of the fund for housing for special needs populations, including, but not limited to, the homeless, single parent families, the elderly, or persons with physical or mental handicaps. Grants could be made for rental assistance, security deposit assistance, and mortgage foreclosure assistance for very low- and extremely low-income households. Grants could not be made to for-profit entities. Loans could be made at no interest, or at below-market interest rates, with or without security, and could include loans for predevelopment financing. Assistance could also be provided for housing units for very low-income or extremely low-income households within multifamily housing that was occupied partly by very low-income or extremely low-income households that did not qualify under current MSHDA rules.

Restrictions. The fund could not be used to supplant existing resources. In addition, assistance would not be provided for housing unless all of the following circumstances existed:

--For multifamily housing, the owner or manager would have to agree in writing not to refuse to accept tenants who received governmental assistance, and would have to agree not to evict tenants without just cause.

--Housing would have to be sold or rented with a deed restriction, agreement, or other legal document that provided for the recapture of some or all of the assistance provided.

--For multifamily housing constructed or rehabilitated with assistance from the fund, at least than 50 percent of the occupancy rate would have to be composed of very low-income and extremely low-income households, and at least 25 percent would have to be composed of extremely low-income households.

Housing would also have to comply with the Housing Law of Michigan and the State Construction Code Act.