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BILL ANALYSIS

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Senate Bill 1135 (as introduced 9-12-96)
Sponsor: Senator Leon Stille
Committee: Local, Urban and State Affairs

Date Completed: 9-17-96

CONTENT

The bill would amend the State Housing Development Authority Act to delete the November 1, 1996, sunset date on a number of provisions, including those granting the Authority power to acquire a project for preservation purposes; setting income limits for multifamily programs; and, reducing the aggregate principal amount of the Authority's outstanding bonds and notes. The bill also would expand the Authority's ability to make loans using proceeds held in escrow accounts; permit the Authority to decline to finance a project if it would have a negative effect on the marketability of existing Authority-financed housing or were not likely to meet expected outcomes; and, redefine "housing unit" to include an owner-occupied one- to four- unit structure.

Sunset Date

The bill would delete the November 1, 1996, sunset date on the Act's provisions that do the following:

- Permit the Authority to incorporate one or more nonprofit housing corporations to acquire housing projects to preserve housing for low and moderate income persons.
- Permit the Authority to establish by resolution more restrictive income or purchase price limits than the maximum limits established in the Act.
- Permit the Authority to make loans to any nonprofit housing corporation, consumer housing cooperative, limited dividend housing corporation or association, or mobile home park corporation or association, or to any public body or agency for the construction or rehabilitation, and for the long-term financing, of multifamily housing projects that meet certain income limits. In addition, the bill would delete a provision that, after November 1, 1996, the Authority may continue to finance these projects until funds derived from bonds and notes issued before November 2, 1996, for this purpose have been spent.
- Establish minimum rates of occupancy in multifamily housing projects by individuals and families who meet certain low or moderate income limits.

The bill also would eliminate a provision that reduces from \$4.2 billion to \$1.8 billion, after November 1, 1996, the aggregate principal amount of bonds and notes that the Authority may have outstanding. The bond cap would remain at \$4.2 billion.

Escrow Account Loans

Currently, the Authority may invest up to 20% of its funds in escrow accounts for the benefit of the Authority or mortgagors of Authority-financed housing in mortgage loans previously originated or purchased by the Authority, under certain conditions and without the consent of the escrow depositors. The bill would delete references to “mortgage loans” in these provisions, and would refer instead to “loans”.

Housing Tax Credit

Under the Act, the State’s low income housing tax credit authority must be distributed pursuant to a qualified allocation plan prepared by the Authority, submitted to the Legislature, and approved by the Governor after public hearings. Currently, not less than 10% must be set aside for Farmers Home 515 projects. The bill would reduce this amount to 5% and specify that the amount would be set aside for Rural Housing Service projects.

Allocations

The Act establishes the following limitations on the use of \$2.4 billion increases in the Authority’s debt capacity that were authorized after July 9, 1984: \$1.3 billion to finance home improvement loans and single family homes, \$800 million to finance multifamily housing projects from certain limited notes or bonds, and \$300 million to finance multifamily housing projects exclusive of these types of projects that are financed from limited notes or bonds. The bill would delete these limitations as well as other provisions concerning the issuance of bonds or notes under these provisions.

Home Improvement Loans

For home improvement loans insured under Title I of the National Housing Act, the bill would establish the maximum principal loan amounts, exclusive of finance charges, as follows: \$25,000 for residential structures containing one dwelling unit and \$12,000 per dwelling unit for residential structures containing two to four dwelling units.

Loan Fund Commitments

The Act provides that as long as there is uncommitted bonding capability under the Act’s limitations, the Authority must issue a six-month commitment to loan funds, subject to sale by the Authority of its notes and bonds in compliance with applicable law and pursuant to terms and conditions that permit the funding of the loan, either directly or indirectly by a loan through a mortgage lender, to the borrower in the amount of the total development cost of the proposed multifamily housing project or \$25 million, whichever is less, or if the proposed project is located in an eligible distressed area, in the amount of the total development costs of the proposed project or \$50 million whichever is less, upon the Authority’s determination of certain information about the project and the borrower. Among other things, the Authority must determine that the borrower has provided evidence of a commitment to issue a credit enhancement in the form of a letter of credit, bonding, guarantee, mortgage insurance, or other appropriate security in a form and amount sufficient to assure the Authority that the repayment of notes or bonds is reasonably secure. If the Authority determines that the repayment of bonds or notes will be reasonably secure, the Authority’s review of the credit enhancement must take the place of its normal underwriting and feasibility review. Under the bill, the Authority could undertake to review all or any portion of the plans, estimated costs, projected expenses and rents, and similar factors related to the proposed

housing project and could decline to finance the proposed project if either of the following applied: the Authority determined that the construction or rehabilitation of the proposed additional units could negatively affect the marketability of Authority-financed housing in the market area of the proposed project; or, the Authority determined that the proposed housing project was not reasonably likely to be able to pay projected expenses and debt service.

Liability

Under the bill, an action could not be brought against the Authority to enforce any of the following promises or commitments of the Authority unless the promise or commitment were in writing and signed with an authorized signature by the Authority: a promise or commitment to lend money, grant or extend credit, or make any other financial accommodation; a promise or commitment to renew, extend, modify, or permit a delay in repayment or performance of a loan, extension of credit, or other financial accommodation; or a promise or commitment to waive a provision of a loan, extension of credit, or other financial accommodation.

Definitions

Currently, a limited dividend housing association must include general or limited partnerships, joint ventures, or trusts, as any of these entities may be approved by resolution of the Authority. In addition, a mobile home park association currently includes general or limited partnerships, joint ventures, or trusts, as any of these entities are approved by resolution of the Authority. The bill would include limited liability companies within these definitions.

Under the Act, "housing unit" means living accommodations that are intended for occupancy by a single family, that may be site constructed or may be a mobile home or other form of manufactured housing with the occupant owning the housing unit or a cooperative shareholder or member having a proprietary lease of the housing unit. Under the bill, "housing unit" would mean living accommodations that were intended for occupancy by up to four families, with a separate dwelling unit for each family, with the owner of the housing occupying at least one of the dwelling units or a cooperative shareholder or member having a proprietary lease of the housing unit.

MCL 125.1411 et al.

Legislative Analyst: L. Arasim

FISCAL IMPACT

The bill would bring the State Housing Development Authority Act into alignment with Federal legislation by eliminating some of the sunset provisions that were previously eliminated at the Federal level. There would be no fiscal impact on State or local government.

Fiscal Analyst: M. Tyszkiewicz

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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.