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CREATE AFFORDABLE HOUSING FUND

House Bill 5441
Committee: Tax Policy

House Bills 5442 and 5443
Committee: Urban Policy and Economic Development

Sponsor: Rep. Michael Hanley

Complete to 4-3-98

A SUMMARY OF HOUSE BILLS 5441-5443 AS INTRODUCED 1-14-98

The package of bills would create an "Affordable Housing Fund" to be administered by the Michigan State Housing Development Authority (MSHDA), and create a single business tax credit for contributions to the fund. The fund would create a dedicated housing stream to fund housing development efforts for low income populations. House Bills 5441 and 5443 are tie-barred.

House Bill 5441 would amend the Single Business Tax Act (MCL 208.39c) to create a credit against the tax for contributions made to the Michigan Affordable Housing Fund (proposed in House Bill 5443). A taxpayer could claim a credit for up to 105 percent of the amount of his or her contributions to the fund, but contributions used to calculate the credit could not exceed 50 percent of his or her tax liability for that tax year. The amount of each taxpayer's credit would be determined by the Department of Treasury with the approval of MSHDA, based on the total amount of tax credits that could be issued in a year. The bill would cap the total amount of tax credits at $3.00 times the population of the state, indexed for inflation. Any amount of tax credit that exceeded the taxpayer's tax liability could not be refunded, but could be carried forward to offset tax liability in subsequent tax years, for up to 10 years.

House Bill 5442 would amend the State Housing Development Authority Act (MCL 125.1458 et al.) and House Bill 5443 would create a new act, the Michigan Affordable Housing Fund Act. The two bills contain similar provisions, creating the Michigan Affordable Housing Fund and a program to provide assistance from the fund to "eligible applicants" to develop housing for certain low income populations. A not-for-profit corporation, or a partnership consisting of a not-for-profit corporation and a for-profit corporation organized for the purpose of developing housing for low income persons (with the housing under the managing control of the not-for-profit corporation), would be eligible to obtain funds from the fund.

Affordable housing fund. The fund would be created in the Department of Treasury, to be administered by MSHDA. The cumulative contributions made to the fund, less administrative expenses, would have to be appropriated annually solely for the purposes outlined in the bills.

The state treasurer would credit to the fund all receipts, including dividends and interest on the investment of money in the fund and principal and interest payments from loans or agreements made from the fund; all proceeds received as a result of default of loans or agreements; all appropriations, gifts, or grants made to the fund; all fees or charges collected by the agency under the bills; and other revenue as provided by law. Any balance remaining in the fund at the end of a fiscal year would not revert to the general fund, but would remain in the fund for purposes of the bills.

Affordable housing program. Under the bills, MSHDA would be required to create and implement the Michigan Affordable Housing Program for the purpose of developing and coordinating public and private resources to meet the affordable housing needs of very low income and extremely low income households. Money from the fund would have to be used to provide grants, mortgage loans, and other loans (including construction loans, bridge loans, and predevelopment loans) to applicants to develop housing. Loans could be provided to eligible applicants at no interest or at below market interest rates, with or without security. The targeted population would be "very low income households" (households whose adjusted gross income is between 25 and 50 percent of the median income of a similar sized household within the same nonmetropolitan county or metropolitan statistical area) and "extremely low income households" (households with an adjusted gross income of less than 25 percent of the area's median income). (Note: Those terms are used in House Bill 5442; House Bill 5443 uses the terms "low income" and "very low income" households, and does define the terms.)

Funding could be used for multifamily housing that included units for the targeted low income population as well as units for those who did not qualify as low income. However, MSHDA would be prohibited from providing assistance for housing under the program unless: 1) the owner or manager agreed in writing not to evict tenants without "just cause," as that term is defined in Public Act 18 of the Extra Session of 1993, which governs housing facilities; 2) the housing was sold or rented with a deed restriction or other agreement that provided for the recapture of some or all of the assistance provided under the program; and 3) for multifamily housing, not less than 50 percent of the housing was occupied by the targeted low income population, including at least 25 percent occupance by extremely low income households.

Money in the fund could be used to provide single-family or multi-family housing. It could be used for acquisition of land and buildings, new construction or rehabilitation of existing buildings, predevelopment and development costs, costs to preserve existing housing units, infrastructure that directly supports housing development, insurance, operating and replacement reserves, down payment and security deposit assistance, and supportive services. Not more than three percent of program funds could be allocated for security deposit assistance, and not more than 10 percent for supportive services. A portion of the allocations each year would have to be used to provide housing for homeless persons, those with physical and mental disabilities, and persons living in distressed or rural areas.

MSHDA would develop an allocation plan each year, based on annual priorities set by the agency according to the provisions of the bills. The allocation plan would have to explain how MSHDA would identify, select, and finance projects, and how the agency would provide advice and guidance to applicants for financing. The plan would include a list of organizations eligible to receive funds, any preferences for identified special population groups, any geographic targeting in designated revitalization areas, and the allocation formula, which would be based on the number of people in poverty in a geographic area, the level of housing distress in that area, and any other factor that supports the need for affordable housing. Further, the legislature would require MSHDA to hold public hearings on its annual allocation plan before spending money, and would allow the agency to make minor changes to the plan as necessary after the hearings.

The agency would be required to promulgate rules under the Administrative Procedures Act to implement the program, including rules providing for the terms and conditions under which funds provided could be recaptured.

MSHDA would be required to report annually to the governor and the legislature, summarizing the expenditures of the fund, and including a description of the eligible applicants that received funding, the number of housing units that were produced, and the income levels of the persons served.

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