Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 5538 (Substitute H-2 as passed by the House)
Sponsor: Representative Paul DeWeese
House Committee: Local Government and Urban Policy
Senate Committee: Local, Urban and State Affairs

Date Completed: 5-17-00

CONTENT

The bill would amend the State Housing Development Authority Act to alter the membership and duties of the Michigan State Housing Development Authority (MSHDA); define rural housing projects with respect to the low income housing tax credit; extend for two years, until November 1, 2002, the $4.2 billion limitation on bonds and notes; increase the income and purchase price limits for a mortgage credit certificate for the purchase of existing or new housing units, and for the rehabilitation of low and moderate income housing; increase the size of multifamily property eligible for rehabilitation loans; and add familial status and disability to the Act's discrimination provisions.

Membership and Duties

Currently, MSHDA consists of the director of social services, the director of commerce, the State Treasurer, and four people appointed by the Governor with the advice and consent of the Senate, of whom not more than two may be from the same political party. The bill, instead, specifies that MSHDA consist of three heads of principal departments of the executive branch of the State government and four people appointed by the Governor with the advice and consent of the Senate. Excluding the three department heads, no persons appointed could be members of the same political party.

One of the four appointed members would have to be the designated resident member. The resident member would have to be an individual directly assisted by a Federal housing program administered through MSHDA who was an eligible resident. A person who no longer met either requirement would be removed from the Authority for cause upon the appointment of another person as the resident member position.

A member could not take part in, vote on, or exercise the powers of the Authority in a matter that uniquely applied to the member.

("Directly assisted" would mean residing in Federally supported public housing or receiving "Section 8 tenant-based assistance". It would not include a State-financed housing assistance program, Section 8 project-based assistance, or Section 8 new construction assistance. "Eligible resident" would mean a person whose name appeared on the lease of the assisted housing who was 18 years of age or older.)

Low Income Housing Tax Credit

Under the Act, MSHDA has the authority to allocate and administer the low income housing credit established under Section 42 of the Internal Revenue Code. The State's low income housing tax credit must be distributed under a qualified allocation plan. Amounts allocable are set aside for qualified nonprofit organizations, housing projects in eligible distressed areas, housing projects for the elderly, and rural housing services projects (which the bill would replace with "rural housing projects"). The bill would define "rural housing projects" as proposed or existing housing projects that were located in an area other than a metropolitan county, were funded by a Federal program for the development of rural housing, and/or were financed by a loan guaranteed by rural housing services or a successor entity.

Nonprofit Housing Corporations

Currently, MSHDA may incorporate one or more nonprofit housing corporations for the purposes of owning and acquiring housing projects or housing units under certain conditions. The bill also would allow the incorporation of nonprofit housing corporations for the purpose of carrying out programs and oversight responsibilities on behalf of or in conjunction with the U.S. Department of Housing and Urban Development (HUD) with respect to Federal housing programs.

Bonds

Under the Act, MSHDA must not have outstanding at any time bonds and notes in an aggregate principal amount exceeding $4.2 billion, with certain exceptions. After November 1, 1999, this limitation on the aggregate principal amount is reduced to $3 billion. The bill would postpone the reduction to November 1, 2002.

Currently, with respect to bonds issued to finance single family homes, other than refunding bonds, for the first 120 days following the announcement of a program funded by the proceeds of those bonds, 50% of the proceeds of those bonds available to make loans must be reserved for applicants with gross annual incomes at or below 55% of the Statewide median gross income. The bill would change the gross annual income level to 60% or less of the Statewide median gross income. In addition, the bill would allow MSHDA, by resolution, to waive this requirement. The Authority would have to advise the House of Representatives and Senate standing committees with jurisdiction over housing issues five days before adopting a resolution waiving the requirement.

Mortgage Credit Certificate Program

Existing or New Housing Unit. The Act designates MSHDA as the administrator of the mortgage credit certificate program for the State permitted under Section 25 of the Internal Revenue Code. The Authority must prepare guidelines for the implementation of a mortgage credit certificate program through mortgage lenders.

To qualify for receipt of a mortgage credit certificate with respect to the acquisition of a housing unit, including a residential condominium or mobile home, the purchase price may not exceed $80,000 for an existing unit or $99,000 for a new unit. In either case, the borrower's family income must not exceed $50,055 if the housing unit is located in an eligible distressed area, or $43,575 if the housing unit is located in an area other than an eligible distressed area.

The bill, instead, provides that the purchase price with respect to an existing housing unit could not exceed $99,000 until November 1, 2001; $102,000 until November 1, 2002; and $105,000 on and after November 1, 2002. The purchase price with respect to a new housing unit could not exceed $120,000 until November 1, 2001; $124,000 until November 1, 2002; and $128,000 on and after November 1, 2002.

The bill also provides that the borrower's family income could not exceed either of the following:

- -- If the existing or new housing unit were located in a metropolitan area, $52,900 on or before November 1, 2001; $54,750 from November 2, 2001 until November 1, 2002; and $56,650 on an after November 1, 2002.
- -- If the existing or new housing unit were located in a nonmetropolitan area, $43,575 on or before November 1, 2002.

After November 1, 2002, the family income limit would increase to the lesser of the HUD metropolitan median income or $44,000.

Improvement or Rehabilitation. To qualify for receipt of a mortgage credit certificate with respect to the improvement or rehabilitation of an existing housing unit, including a residential condominium or mobile home, the borrower's family income must not exceed $50,055 if the housing unit is located in an eligible distressed area, or $43,575 if the housing unit is located in an area other than an eligible distressed area.

Under the bill, the borrower's family income could not exceed either of the following:

- -- For a unit located in a metropolitan county, $52,900 on or before November 1, 2001; $54,750 from November 2, 2001 until November 1, 2002; and $56,650 on an after November 1, 2002.
- -- For a unit located in a nonmetropolitan county, $43,575 on or before November 1, 2002. After November 1, 2002, the family income limit would increase to the lesser of the HUD metropolitan median income or $44,000.

Loans

Long-Term Financing. The Act permits MSHDA to make or purchase loans to individual purchasers for the long-term financing of a newly rehabilitated, newly constructed, or existing housing unit, including a residential condominium unit. For a loan for a newly rehabilitated or newly constructed housing unit, the purchase price of the housing unit must not exceed $99,000. For a loan for an existing housing unit, the purchase price of the housing unit must not exceed $80,000. In either case, the borrower's family income must not exceed $43,575.

Under the bill, to qualify for a loan, the borrower's family income could not exceed either of the following: if the housing unit were located in a metropolitan area, $52,900 on or before November 1, 2001; $54,750 from November 2, 2001 until November 1, 2002; and $56,650 on and after November 1, 2002.

If the housing unit were located in a nonmetropolitan area, $43,575 on or before November 1, 2002. After November 1, 2002, the family income limit would increase to the lesser of the HUD metropolitan median income or $44,000.

In addition, the purchase price with respect to the unit could not exceed the following:

- -- for an existing housing unit, $99,000 on or before November 1, 2001; $102,000 from November 2, 2001 until November 1, 2002; and $105,000 on and after November 1, 2002.
- -- For a newly rehabilitated or a newly constructed housing unit, $120,000 on or before November 1, 2001; $124,000 from November 2, 2002; and $128,000 on and after November 1, 2002.

Rehabilitation Loans. The Act permits MSHDA to make, purchase, or participate in loans, grants, or deferred payment loans to persons and families of low and moderate income to finance the rehabilitation of residential real property that is designed for occupancy by not more than four families, that is owned or being purchased by one or more persons or families of low and moderate income, and that is for occupancy by persons or families of low and moderate income. Under the bill, these provisions would apply to property that was designed for occupancy by not more than 11 families.

The Act specifies that, for purposes of these provisions, "persons and families of low and moderate income" means persons and families whose family income does not exceed $43,575. The bill would increase the family income ceiling to $52,900 on or before November 1, 2001, $54,750 from November 2, 2001 until November 1, 2002, and $56,650 on an after November 1, 2002 if the housing unit were located in a metropolitan area; or $43,575 on or before November 1, 2002 if the housing unit were located in a nonmetropolitan area. After November 1, 2002, the family income limit would increase to the lesser of the HUD metropolitan median income or $44,000.

Currently, for home improvement loans insured under Title I of the National Housing Act, the maximum principal loan amounts, excluding finance charges, are $25,000 for residential structures containing one dwelling unit, and $12,000 per dwelling unit for residential structures containing two to four dwelling units. Under the bill, the maximum principal loan amount for a home improvement loans, exclusive of finance charges, would be $25,000 for a residential structure containing one dwelling unit, unless the loan was made in conjunction with additional money provided by a municipality or nonprofit community-based organization, in which case the loan would be $35,000. The amount would be $15,000 per dwelling unit for a residential structure containing two to 11 dwelling units.

A structure would not be required to be of a minimum age to be eligible for rehabilitation.

Discrimination

Currently, MSHDA must require that occupancy of housing projects and residential real property assisted under the Act be open to all regardless of sex, race, religion, color, national origin, age, or marital status. The bill would add familial status or disability to the list.

Under the Act, this provision does not apply, with respect to age only, to the sale, rental, or lease of housing accommodations meeting the requirements of Federal, State or local housing programs for senior citizens, or accommodations otherwise intended, advertised, designed, or operated, bona fide, for the purpose of providing housing accommodations for persons 55 years of age or older. The bill would include familial status in this exception.

MCL 125.1421 et al. Legislative Analyst: N. Nagata

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: M. Tyszkiewicz