Legislative Analysis

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HOUSING AND COMMUNITY DEVELOPMENT

House Bill 4787
Sponsor: Rep. Jerry O. Kooiman

House Bill 4788
Sponsor: Rep. Triette Reeves
Committee: Local Government and Urban Policy

Complete to 11-29-04

A SUMMARY OF HOUSE BILLS 4787 - 4788 AS INTRODUCED 5-28-03]

House Bills 4787 and 4788 would create the Michigan Housing and Community Development Program, and the Michigan Housing and Community Development Fund, respectively. House Bill 4788 is tie-barred to House Bill 4787, meaning that House Bill 4788 could not become law unless House Bill 4787 were also enacted.

<u>House Bill 4787</u> would amend the State Housing Development Authority Act of 1966 (MCL 125.1401 to 125.1499c) to establish the Michigan Housing and Community Development Program. The bill would amend the title of the act to expand its purview and then add a new chapter.

Under the bill, the Michigan Affordable Housing Fund would be created in the Department of Treasury, and administered by MSHDA. The state treasurer would be required to credit to the fund a) 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; b) all proceeds of assets received by the authority as a result of the default of loans or agreements made under this chapter; c) all appropriations, grants, or gifts of money or property made to the fund; d) all fees or charges collected by the authority pursuant to activities authorized under this chapter; and, e) other revenue as provided by law. All balances in the fund at the end of a fiscal year would be carried over as a part of the fund, and would not revert to the general fund of the state.

House Bill 4787 would require the authority to create and implement the Michigan Housing and Community Development Program for the purpose of developing and coordinating public and private resources to meet the housing needs of low income, very low income, and extremely low income households in the state. Further, the authority would be required to identify, select, and make financing available to eligible applicants. Under the bill, the authority would promulgate rules under the Administrative Procedures Act to provide for the specific terms and conditions under which assistance made would be recaptured; and more generally, for implementation of the program.

<u>Annual allocation plan</u>. Under the bill, the authority would develop an annual plan providing for the allocation of money from the fund. That allocation plan would have to

contain a formula for distributing money throughout the state, based on the number of people experiencing poverty and housing distress in various regions of the state. It also would be required to identify eligible applicants, preference for special population groups, and preference for geographic targeting in designated revitalization areas, including but not limited to neighborhood preservation areas, state renaissance zones, core communities, and federally-designated enterprise community or home ownership zones.

Target populations. The bill would require that the plan earmark not less than 25 percent of the fund for rental housing projects that would not qualify under preferences for special population groups, geographic preferences, or other preferences contained in the allocation plan. Further, not less than 30 percent of the fund would be earmarked for projects that target extremely low income households, and provide at a minimum, both a) housing development for the homeless, transitional housing, and permanent housing, and b) security deposits, supportive services, and technical assistance to eligible applicants. The bill specifies that a rental housing project assisted by the fund provide affordable housing for households earning no more than 60 percent of the median income. Further, it specifies that a home ownership project assisted by the fund provide affordable housing for households earning no more than 60 percent of the median income.

The allocation plan would specify that money that had not been committed at the end of a fiscal year would not be carried over in the category to which it had been allocated during that fiscal year, but instead be reallocated for the next fiscal year in accord with the next fiscal year's allocation plan.

Public hearings. Under the bill, the authority would be required to hold public hearings in at least three separate locations throughout the state on the priorities and draft annual allocation plan before spending money from the fund. After the public hearings, the authority could make minor modifications to the allocation plan as necessary to facilitate the administration of the program, or to address unforeseen circumstances.

Report to the governor and legislature. The authority would be required to issue an annual report to the governor and the legislature, summarizing the expenditures of the fund for the previous fiscal year, including at a minimum a description of the eligible applicants that received funding, the number of housing units that were produced, and the income levels of the households that were served.

Eligible expenditures from the fund. Money in the fund could be used to make grants, mortgage loans, or other loans to eligible applicants, to enable them to finance any of the following with respect to housing for low income, very low income, and extremely low income households: a) land and building acquisition; b) rehabilitation; c) new construction; d) development and predevelopment costs; e) preservation of existing housing ; f) infrastructure improvements, economic development projects, or community facilities that directly support housing development; g) insurance; h) operating and replacement reserves; i) down payment assistance; j) security deposit assistance; and k) supportive services.

Special needs populations. Under the bill, the authority would be required to expend a portion of the fund for housing for special needs populations including but not limited to, the homeless, people with physical or mental handicaps, and people living in rural or distressed areas. The authority could make a loan to an eligible applicant from the fund at no interest or at or below market interest rates, with or without security, and could make a loan for predevelopment financing.

Economically diverse developments. Further, the authority could provide assistance for housing units for very low income or extremely low income households within multifamily housing that is occupied partly by very low income or extremely low income households, and partly by households that do not qualify as very low income or extremely low income housing, subject to the rules promulgated by the authority.

Under the bill, the authority would be required to provide funding for projects with 50 units or less, and provide incentives to encourage economically diverse housing developments that respond to community priorities.

Finally, the authority would be prohibited from providing assistance for housing under this chapter unless both of the following circumstances existed: a) if the housing were multifamily housing, the owner or manager agreed in writing not to evict tenants without just cause; and b) the housing would 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, upon terms and conditions specified in the rules of the authority promulgated under this chapter.

Definitions. House Bill 4787 would define “affordable housing” to mean residential housing that is occupied by low income, very low income, or extremely low income households, and results in monthly housing costs equal to no more than one-third of the adjusted household income of the occupying household. “Eligible applicant” would be defined to mean a not-for-profit corporation or a partnership that is approved by the authority and that is organized for the purpose of developing and supporting affordable housing for low income, very low income, or extremely low income households.

Further, the bill would define “extremely low income household” to mean a person, a family, or unrelated persons living together whose adjusted household income is not more than 25 percent of the median income, as determined by the authority.

The bill would define “very low income household” to mean a person, a family, or unrelated persons living together whose adjusted household income is more than 25 percent but not more than 50 percent of the median income, as determined by the authority.

It would define “low income household” to mean a person, a family, or unrelated persons living together whose adjusted household income is more than 50 percent but not more than 60 percent of the median income, as determined by the authority.

House Bill 4788 would create a new act to establish the Michigan Housing and Community Development Fund in the Department of the Treasury. Under the bill, the fund would be created as a separate fund in the department, and it would be administered by the Michigan State Housing Development Authority (MSHDA). The department would be required to credit to the fund all amounts appropriated and contributions received. Then the state treasurer would be required to invest the fund's money, and credit to the fund any earnings received. The funds would be available for disbursement upon appropriation.

The bill specifies that notwithstanding any other allocations and disbursements, an amount equal to the cumulative contributions made to the fund, less any amount appropriated to the department to implement the act, would be deposited in the fund and appropriated annually.

Eligible organizations. House Bill 4788 specifies that money in the fund would be allocated to 501(c)(3) or 501(c)(4) tax exempt organizations for housing projects, if the organization had conducted a market study (or a review) in order to ensure that there was a need for the proposed project. The bill also specifies that housing developed with money from the fund be of a consistent nature with housing already provided in the area, and that MSHDA encourage housing projects that are part of a planned community revitalization strategy.

Eligible expenditures from the fund. Under the bill, money from the fund would be used to provide grants, mortgage loans, and other loans including but not limited to construction loans, bridge loans, and predevelopment loans to provide housing for low income, very low income, and extremely low income households. Money could be used to provide either single-family or multifamily housing. However, the bill would require that a portion of the allocation each year be used to provide housing for homeless people, people with physical and mental disabilities, and, people living in distressed or rural areas. Further, money in the fund could be used for all of the following: land and building acquisition; new construction or rehabilitation of existing buildings; predevelopment and development costs; costs to preserve existing housing units; infrastructure and community facilities that directly support housing development; insurance premiums; operating and replacement reserves; down payment and security deposit assistance; and supportive services.

Annual priorities and public hearings. House Bill 4788 would require MSHDA to develop annual priorities based on the allowable purposes for the fund, and allocate the money in the fund based upon those priorities. Each year, prior to the allocation of money from the fund, MSHDA would be required to hold public hearings in at least three separate locations throughout the state, in order to learn about citizen responses to the priorities and the proposed allocations for the upcoming year.

Annual allocation plan. Under the bill, MSHDA would be required to develop an allocation plan each year based on the annual priorities, and that plan would include how MSHDA would identify, select, and make financing available to applicants so they could develop fundable projects. The plan also would be required to specify how MSHDA would allocate money to provide technical assistance to eligible applicants. The allocation plan would be required to include a list of the organizations and types of organizations eligible to receive money from the fund, any preferences for identified special population groups, and any geographic targeting in designated revitalization areas, including but not limited to MSHDA's neighborhood preservation areas, renaissance zones, federal designated employment and enterprise zones, and community or home ownership zones. Further, it would be required to include the allocation funding formula.

Allocation formula. House Bill 4788 would require that MSHDA determine a formula for allocating money through the state using as factors, the number of people in poverty in a geographic area; the level of housing distress in a geographic area; and any other factor that supports the need for affordable housing included in the allocation plan.

Finally, the bill specifies that any balance remaining in the fund at the end of any fiscal year would not revert to the general fund, but would remain in the fund and continue to be available for the purposes authorized under the act.

Definition. Under the bill, "eligible applicant" means the term as it would be defined in House Bill 4787; that is, a not-for-profit corporation, or a partnership that includes a not-for-profit corporation, organized for the purpose of developing and supporting affordable housing for low income, very low income, or extremely low income households, whose housing is under the managing control of the not-for-profit corporation.

FISCAL IMPACT:

$2,000,000 has already been appropriated in the Family Independence Agency FY 2005 budget to provide initial funding for the Michigan Housing and Community Development Fund. These two bills create the fund and define its purpose.

The $2,000,000 in initial funding will use the Federal Temporary Aid to Needy Families (TANF) block grant as the source of funds. These bills provide for a permanent fund that will be credited for interest on investments, application fees, and proceeds of the sale of homes or other housing that have been re-possessed in default judgments. It is unclear whether these additional fund sources will be sufficient to maintain the new Fund permanently. Possibly additional appropriations of Federal or GF/GP funds will be necessary in subsequent fiscal years, but this amount is indeterminate.

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