

Legislative Analysis



REVISE MSHDA ACT

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House Bill 6077

Sponsor: Rep. Steve Tobocman

Committee: Local Government and Urban Policy

Complete to 9-14-04

A SUMMARY OF HOUSE BILL 6077 AS INTRODUCED 7-6-04

House Bill 6077 would amend the State Housing Development Authority Act to update the references made in that act to the federal Internal Revenue Code. The updated references establish the income guidelines for those eligible to participate in the programs offered by the Michigan State Housing Development Authority (MSHDA).

Currently under the law, in order to qualify for a mortgage credit certificate to acquire an existing housing unit, or to improve or rehabilitate an existing unit, the borrower's family income cannot exceed specified limits for particular home values located in certain geographic areas, and set for the years 2001 and 2002. House Bill 6077 would eliminate this language and specify instead that to qualify for a mortgage credit certificate to acquire "a new or existing" housing unit, both of the following would apply: a) the purchase price could not exceed three times the income limit, as established from time-to-time by the U. S. Secretary of the Treasury pursuant to section 143(f) of the Internal Revenue Code, as determined by the authority following its receipt of the application; and b) the borrower's family income could not exceed the following: (i) for eligible distressed areas, 115 percent of state median income, as established from time-to-time by the U. S. Secretary of the Treasury pursuant to section 143(f) of the Internal Revenue Code; or (ii) for any other area, 100 percent of state median income, as established from time-to-time by the U. S. Secretary of the Treasury pursuant to section 143(f) of the Internal Revenue Code.

Under current law, MSHDA can make loans to a nonprofit housing corporation, consumer housing cooperative, limited dividend housing corporation, limited dividend housing association, mobile home park corporation, mobile home park association, or to a public body or agency for the construction, rehabilitation, and long-term financing for low income or moderate income people. The bill would maintain this provision, but eliminate a reference to a program that originated in 1987 which allows MSHDA to finance multifamily housing projects that meet the 20-50 or 40-60 tests, in which not less than 15 percent of the dwelling units are allotted to people and families whose gross housing income does not exceed 125 percent of the median income for a family; not less than 15 percent are allotted to people and families whose gross household income does not exceed 150 percent of family median income; and not more than 50 percent of the dwelling units are available for occupancy without regard to income.

Currently under the law, MSHDA can make loans to a nonprofit housing corporation, limited dividend housing corporation, mobile home park corporation, or mobile home park association for the construction or rehabilitation of housing units. The law specifies certain restrictions on the loans, and also additional requirements if the units are sold while a loan is outstanding. Under the bill these provisions would be retained. However, the law also currently specifies that the loan mortgage be replaced by a mortgage running from the individual purchaser to the authority, and it requires the authority to encourage nonprofit housing corporations and limited dividend housing corporations engaged in construction or rehabilitation to utilize the labor or prospective individual purchasers, and the value of their labor is used to reduce the project costs of the housing units. Further, the law specifies that if the sale price to low or moderate income purchasers does not exceed \$12,000, then the purchasers may be required to perform a minimum number of hours of labor which is later credited to the purchase. Under the bill, these provisions would be eliminated.

The current law also allows the authority to make or purchase loans made to an individual for long-term financing of a newly rehabilitated, newly constructed, or existing housing unit. Under the bill, this provision would be revised to specify that the authority could make, purchase, “or participate in” loans made to “individual purchasers for acquisition and” long-term financing of newly rehabilitated, newly constructed, or existing “one- to four-unit housing units.” However, the borrower’s family income cannot exceed specified limits for particular home values located in certain geographic areas, and set for the years 2001 and 2002. House Bill 6077 would eliminate this language and specify instead that to qualify for these loans, all of the following would apply: *a) the borrower’s family income could not exceed the following:* (i) for eligible distressed areas, 115 percent of state median income, as established from time-to-time by the U. S. Secretary of the Treasury pursuant to section 143(f) of the Internal Revenue Code; or (ii) for any other area, 100 percent of state median income, as established from time-to-time by the U. S. Secretary of the Treasury pursuant to section 143(f) of the Internal Revenue Code; *and the purchase price could not exceed the following:* i) with respect to a one- or two-family unit, three times the income limit, as established from time-to-time by the U. S. Secretary of the Treasury pursuant to section 143(f) of the Internal Revenue Code; ii) with respect to a three-family unit, three and one-half times the income limit, as established from time-to-time by the U. S. Secretary of the Treasury pursuant to section 143(f) of the Internal Revenue Code; and iii) with respect to a four-family unit, four times the income limit, as established from time-to-time by the U. S. Secretary of the Treasury pursuant to section 143(f) of the Internal Revenue Code.

Finally, currently under the law, the authority may 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 designed for occupancy by not more than 11 families, if that property is owned or is being purchased by one or more people of low and moderate income, and will be for occupancy by low and moderate income people or families. House Bill 6077 would retain this provision but revise it to specify that the residential real property could be designed for occupancy by not more than 24 families. The law then defines people and families of low and moderate

income for home located in certain geographic areas, and set for the years 2001 and 2002. The bill would eliminate these income limits and instead define low and moderate income to mean persons and families whose family income does not exceed the following: (i) for eligible distressed areas, 115 percent of state median income, as established from time-to-time by the U. S. Secretary of the Treasury pursuant to section 143(f) of the Internal Revenue Code; or (ii) for any other area, 100 percent of state median income, as established from time-to-time by the U. S. Secretary of the Treasury pursuant to section 143(f) of the Internal Revenue Code.

Currently under the law, the maximum principal loan amounts for home improvement loans, exclusive of finance charges are as follows: a) \$25,000 for a residential structure (unless the loan is made in conjunction with additional money provided by a municipality or nonprofit community-based organization, in which case a loan for a resident structure containing one unit is \$35,000); or b) \$15,000 per dwelling unit for a residential structure containing two to eleven dwelling units. House Bill 6077 would revise this provision to specify that the maximum principal loan amounts would be a) \$50,000 (not \$25,000) for a residential structure (unless the loan were made in conjunction with additional money provided by a municipality or nonprofit community-based organization, in which case a loan for a resident structure containing one unit is \$35,000); or b) \$25,000 (not \$15,000) per dwelling unit for a residential structure containing 2 to 24 (not 11) dwelling units.

House Bill 6077 is tie-barred to Senate Bill 1341 which would amend the State Housing Development Authority Act to, among other things, revise certain of the limitations on notes and bonds, allow the authority to establish annual fees paid by the borrower during the term of a loan, and allow multifamily housing projects for students, as well as low and moderate income people, if the student housing project developers cooperate with college or university officials (including meeting the requirement that the college or university board of trustees approve any sale of the housing project).

MCL 125.1411 et al

FISCAL IMPACT:

There is no direct fiscal impact by this bill on either the State or on local units of government. The Michigan State Housing Development Authority's loans and operating expenses are financed through the sale of tax-exempt and taxable bonds and notes to private investors, not from state tax revenues. There may be indirect benefits to local and state revenues due to expanded home ownership programs and property improvement. Whatever benefits these may be are indeterminate.

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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.