

Legislative Analysis



HOUSING AND COMMUNITY DEVELOPMENT FUND

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House Bill 4658 as enrolled
Public Act 216 of 2008
Sponsor: Rep. Steve Tobocman

House Committee: New Economy and Quality of Life
1st Senate Committee: Commerce and Tourism
2nd Senate Committee: Economic Development and Regulatory Reform

Second Analysis (4-9-09)

BRIEF SUMMARY: The bills would expand ways to use the Housing and Community Development Fund, including funding for projects in downtown areas and adjacent neighborhoods, foreclosure prevention and assistance, assistance with individual development accounts, activities related to combating homelessness, technical assistance to certain entities, and predatory lending prevention and relief.

FISCAL IMPACT: The Michigan State Housing Development Authority would incur additional administrative costs as officials there invested the money in the Housing and Community Development Fund, although those costs are not likely to be significant. The bill would have no material impact on the potential revenue for the Housing and Community Development Fund, which could receive appropriations and other money, including contributions and investment earnings.

THE APPARENT PROBLEM:

In 2004, a bipartisan group of legislators created Michigan's Housing and Community Development Fund, envisioning a \$100 million-a-year program that could leverage an additional \$280 million investment annually. As the Fund grows, it is expected to create more than 6,000 good-paying jobs, and generate \$21 million in state and local taxes. The Fund's purpose is to create vibrant cities, towns, and villages where people are invested in the future of their communities--communities that have affordable housing for a well-paid workforce, low-income families, and the homeless.

When the Fund was created, Michigan joined 38 other states whose officials have created a dedicated fund for housing and community development. However, the state's ongoing budget crisis prevented the Legislature from appropriating much money to the Fund—to date, two appropriations totaling \$4.3 million in the FY 2007-08 and FY 2008-09 budgets. See [Fiscal Information](#) for more detail. Consequently, Michigan ranks 48th out of 50 states in spending on affordable housing.

Over the past two years, leaders at the Michigan State Housing Development Authority and across Michigan's affordable housing industry have formed a broadly representative statewide task force to review Michigan's affordable housing laws, and plans. That group, currently headed by the chairman of Habitat for Humanity, has recommended

changes to current statutes that would, among other things, amend the plan of work at the Michigan State Housing Development Authority to include administration of the Fund, and the creation of an advisory board whose members would guide disbursements from it.

THE CONTENT OF THE BILL:

House Bill 4658 would amend the State Housing and Community Development Authority Act of 1966 (MCL 125.1422 et al.) to expand ways to use the Housing and Community Development Fund, including funding for projects in downtown areas and adjacent neighborhoods, foreclosure prevention and assistance, assistance with individual development accounts, activities related to combating homelessness, technical assistance to certain entities, and predatory lending prevention and relief. The bill would also make other general amendments related to the Housing and Community Development Fund.

Uses of the Fund. The act currently provides that the Fund shall be used to make grants, mortgage loans, or other loans to eligible applicants to finance any of the following types of activities, for projects for housing or home ownership for low-income, very low income, or extremely low income households. Loans may be made by MSHDA at no interest or below-market interest rates. A portion of the funds is to be expended for "special needs populations," such as homeless people, people with physical or mental disabilities, and people living in rural or distressed areas. Currently, funding for the following activities is allowed:

- (a) Acquisition of land and buildings.
- (b) Rehabilitation.
- (c) New construction.
- (d) Development and predevelopment costs.
- (e) Preservation of existing housing.
- (f) Infrastructure improvements, development projects, or community facilities that support housing development.
- (g) Insurance.
- (h) Operating and replacement reserves.
- (i) Down payment assistance.
- (j) Security deposit assistance.
- (k) Supportive services.

The bill adds that the Fund shall be used for projects located in a downtown area or an adjacent neighborhood.

The bill defines "downtown area" to mean an area where at least 20 contiguous properties have been planned, zoned, or used for commercial purposes for at least 50 years and where a majority of the buildings are adjacent to each other and abut to the public right-of-way. Further, a downtown area must include "a significant number" of multi-level, mixed-used buildings, and property in the area must be owned by at least three private owners. The bill also defines "adjacent neighborhood" as a residential area as determined by MSHDA immediately adjoining or near a downtown area within the same municipality.

The bill then modifies the purposes for which funding can be used. With respect to projects located in a downtown area or an adjacent neighborhood, the authority must expend its money for the following purposes (the proposed changes italicized):

- (a) Acquisition of land and buildings.
- (b) Rehabilitation.
- (c) New construction.
- (d) Development and pre-development costs.
- (e) Preservation of existing housing.
- (f) *Community development projects, including but not limited to infrastructure improvements, economic development projects, blight elimination, or community facilities.*
- (g) Insurance.
- (h) Operating and replacement reserves.
- (i) Down payment assistance.
- (j) Security deposit assistance.
- (k) *Foreclosure prevention and assistance.*
- (l) *Individual development accounts established under the Individual or Family Development Account Program Act.*
- (m) *Activities related to ending homelessness.*
- (n) *Technical assistance to non-profit organizations, municipalities, and land banks; and o) Predatory lending prevention or relief.*

Eligible Applicants. Under the act, "eligible applicants" for funding include nonprofit corporations, for-profit corporations, and partnerships approved by MSHDA and organized for the purpose of developing and supporting affordable housing projects.

The bill would add that eligible applicants include municipalities, land bank fast track authorities organized under the Land Bank Fast Track Act, and partnerships organized for the purpose of developing projects in downtown areas or adjacent neighborhoods.

Allocation Plan. The act requires MSHDA to develop a plan of how money in the Fund is to be allocated. The bill would retain these provisions.

Michigan Housing and Community Development Fund Advisory Committee. The bill requires that when performing its functions, the Authority consider advice provided by the Advisor Committee created under Section 58e of the act (MCL 125.1458e). [This 10-member committee was created by Public Act 346 of 1966. Nine of its ten members are appointed by the Governor with the advice and consent of the Senate; the tenth member is the executive director of the Authority. Its members include representatives of housing lenders, developers, builders, local government, local housing organizations, non-profit organizations, local economic development groups, and local neighborhood associations.]

Supportive housing. Finally, the bill provides a definition of "supportive housing" to refer to a rental housing project in which some or all of the units are targeted to people with household incomes at or below 30 percent of area median income and that provide services, either directly or contracted for, to those people that include, but are not limited to, mental health, substance abuse services, counseling services, and daily living services.

BACKGROUND INFORMATION:

For further information about the Michigan Housing and Community Development Fund visit <http://www.livinginmichigan.org>

For further information about the Michigan State Housing Development Authority, visit <http://www.michigan.gov/msdha>

FISCAL INFORMATION:

The bills would have no material impact on the potential revenue for the Housing and Community Development Fund. The Fund could receive appropriations and other money, including contributions and investment earnings. The Michigan State Housing Development Authority would incur additional administrative costs relative to the investment of money in the Housing and Community Development Fund under Section 22 of the act. These costs are not likely to be significant.

House Bill 4658 would also alter the distribution of money available from the Housing and Community Development Fund. From the standpoint of local government, the bill makes funding available from the Fund to cities, villages, and townships for community development projects in downtown areas and adjacent neighborhoods, and also makes funds available to land bank authorities, which could use funds for a variety of activities, including blight elimination. Funding would also be available to the State Land Bank Authority.

To date, the total appropriation to the Housing and Community Development Fund in FY 2007-08 and FY 2008-09 has been \$4.3 million. (In FY 2004-05, the Human Services budget included an appropriation of \$2.0 million in federal TANF funds, which was later eliminated with Executive Order 2005-3, and the FY 2008-09 budget included an appropriation of \$2.0 million in TANF contingency funds, which was vetoed by the Governor). For FY 2009-10, the DELEG Executive Budget Recommendation and the Senate-passed version of SB 243 include an appropriation of \$2.2 million GF/GP to the Fund.

In addition to the legislative appropriations, two recent tax law changes have the potential to increase revenue in the Fund. Beginning in the 2008 tax year, personal income taxpayers are provided a check-off allowing for contributions of at least \$5 to the Fund. (This was added with the enactment of 2007 PA 133, SB 257). Additionally, Michigan Business Tax taxpayers are permitted a credit against their MBT liability equal to half of any contribution to the Fund (combined with contributions to public libraries, public broadcast stations, colleges, and universities) equal to five percent of tax liability or \$5,000, whichever is less.

ARGUMENTS:

For:

A chief aim of community development is lively, livable cities and adjacent neighborhoods. These bills would help Michigan update its low-income housing

assistance program, putting a sharper focus on projects that offer affordable downtown housing for a well-paid workforce, low-income families, and the homeless.

In 2004, when a bipartisan group of legislators revisited the creation of Michigan's Housing and Community Development Fund of 1966, they envisioned a revitalized program--a \$100 million-a-year program that could leverage an additional \$280 million investment, annually. As the Fund grew, they expected it to create more than 6,000 good-paying jobs, and generate \$21 million in state and local taxes. The state's ongoing budget crisis has slowed the realization of that dream. To date, two appropriations totaling \$4.3 million, and a proposed \$2.2 million allocation in the Fiscal Year 2010 budget (now awaiting House consideration) have been allocated to the Fund. According to committee testimony from the president of the Community Housing and Development Network, the Fund could easily allocate up to \$35 million to worthy projects across Michigan.

Targeted assistance is wise in an era when resources are constrained, and when a sustained economic recovery depends upon the revitalization of Michigan's core cities--places where young people will eagerly live and work.

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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.