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BILL ANALYSIS



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House Bill 4658 (Substitute S-1)
Sponsor: Representative Steven Tobocman
House Committee: New Economy and Quality of Life
Senate Committee: Economic Development and Regulatory Reform

Date Completed: 6-11-08

CONTENT

The bill would amend the State Housing Development Authority Act to do the following:

- Remove the Michigan Housing and Community Development Fund from the Department of Treasury and establish a fund of the same name within the Michigan State Housing Development Authority (MSHDA).**
- Expand the Housing and Community Development Program to include the financing of development in a downtown area or adjacent neighborhood.**
- Include municipalities, land bank fast track authorities, and partnerships organized to develop projects in downtown areas or adjacent neighborhoods, among applicants eligible for funding.**
- Extend the uses of the Fund to foreclosure prevention and assistance, individual development accounts, predatory lending prevention and relief, and other purposes.**

Fund

Currently, the Michigan Housing and Community Development Fund is established under Chapter 3A of the Act within the Department of Treasury. The Fund is administered by MSHDA, and money in the Fund may be spent only as provided under the Act. The State Treasurer must credit to the Fund all of the following:

- 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 it.
- All proceeds of assets received by MSHDA as a result of the default of loans or agreements made under Chapter 3A.
- All appropriations, grants, or gifts of money or property made to the Fund.
- All fees or charges collected by MSHDA under activities authorized under Chapter 3A.
- Other revenue as provided by law.

All balances in the Fund at the end of a fiscal year must be carried over as a part of the Fund and may not revert to the State's General Fund.

The bill would delete those provisions, and would create the Community and Housing Development Fund as a separate fund within MSHDA. The Fund would have to be

administered by MSHDA, and money in the Fund could be spent only as provided under the Act.

The Authority would have to credit to the Fund all amounts appropriated to the Fund or to MSHDA for the Fund and any other money made available to it for the Fund from any other source for the purposes under the Act. On behalf of the Fund, MSHDA could solicit and accept gifts, grants, labor, loans, and other aid from any person, government, or entity. The Authority could receive money or other assets from any source, including Federal funds, gifts, bequests, and donations, for deposit into the Fund.

The Authority would have to invest the money and credit the earnings from the investments to the Fund in accordance with its powers under the Act.

Money appropriated to the Fund or to MSHDA for the Fund would be available for disbursement upon appropriation. Money in the Fund at the end of the fiscal year would have to be carried over as part of the Fund and not lapse to the General Fund.

Housing & Community Development Program

Under the Act, MSHDA must create and implement the Michigan Housing and Community Development Program for the purpose of developing and coordinating public and private resources to meet the affordable housing needs of low income, very low income, and extremely low income households in the State.

The Authority must identify, select, and make financing available to eligible applicants from money in the Fund or secured by the Fund for affordable housing for low income, very low income, and extremely low income households.

The bill would include in the purpose of the Program the financing of projects located in a downtown area or adjacent neighborhood. The bill also would remove the reference to affordable housing, instead referring to housing.

Under the bill, "downtown area" would mean an area where 20 or more contiguous properties have been planned, zoned, or used for commercial purposes for 50 or more years and where a majority of the buildings are built adjacent to each other, as determined by MSHDA, and up to the public right-of-way. In order to be a downtown area, the area would have to contain a significant number of multilevel, mixed use buildings, and property in the downtown area would have to be owned by more than three private owners.

"Adjacent neighborhood" would mean a residential area as determined by MSHDA immediately adjoining or near a downtown area within the same municipality. "Mixed use buildings" would mean buildings that can be used for more than one purpose, and in any combination, including residential housing combined with either commercial or retail space.

Under the Act, "low income household", "very low income household", and "extremely low income household" mean a person, a family, or unrelated people living together whose adjusted household income is the following percentage of the median income, as determined by MSHDA:

Household	More Than	Not More Than
Low income	50%	60%
Very low income	25%	50%
Extremely low income		25%

The bill would revise those definitions to include the following percentages of the "area" median income:

Household	More Than	Not More Than
Low income	50%	60%
Very low income		50%
Extremely low income		30%

The bill also would revise the definition of "eligible applicant", which currently means a nonprofit corporation, a for-profit corporation, or a partnership that is approved by MSHDA and that is organized for the purpose of developing and supporting affordable housing for low income, very low income, or extremely low income households. The bill would include a municipality or a land bank fast track authority organized under the Land Bank Fast Track Act, and would include a partnership that was organized for the purpose of developing and supporting projects located in a downtown area or adjacent neighborhood.

The Act gives MSHDA all powers necessary or convenient to carry out the Act, including certain specified powers. Under the bill, MSHDA also would have the power to implement and administer a housing and community development program as described in the Act.

Fund Expenditures

The Act requires MSHDA to spend money in the Fund to make grants, mortgage loans, or other loans to eligible applicants to enable them to finance certain activities with respect to housing or home ownership for low income, very low income, and extremely low income households. Under the bill, MSHDA also could make these expenditures with respect to projects located in a downtown area or adjacent neighborhood.

Currently, the grants, mortgage loans, or other loans may be used to finance the following:

- Acquisition of land and buildings.
- Rehabilitation.
- New construction.
- Development and predevelopment costs.
- Preservation of existing housing.
- Insurance.
- Operating and replacement reserves.
- Down payment assistance.
- Security deposit assistance.
- Supportive services.
- Infrastructure improvements, economic development projects, or community facilities that support housing development.

The bill would remove the reference to supportive services, and would revise the last item to specify community development projects, including infrastructure improvements, economic development projects, blight elimination, or community facilities.

In addition, the bill would permit the Fund to be used for the following:

- Foreclosure prevention and assistance.
- Individual development accounts established under the Individual or Family Development Account Program Act.
- Activities related to ending homelessness.
- Assistance to nonprofit organizations, municipalities, and land bank fast track authorities.
- Predatory lending prevention and relief.

Under the Act, MSHDA must spend a portion of the Fund for housing for special needs populations, including the homeless, people with physical or mental handicaps, and people living in rural or distressed areas. The bill instead would require a portion of the Fund to be spent for housing for people with physical or mental handicaps and people living in eligible distressed areas.

In addition, MSHDA may 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 fall under those categories, subject to rules promulgated by MSHDA. Under the bill, MSHDA could provide assistance to eligible applicants for these housing units.

The Act also allows MSHDA to provide funding for projects with 50 units or less and provide incentives to encourage project feasibility and mixed income housing projects that respond to community priorities. The bill would remove that provision.

The bill would permit MSHDA to spend money in the Fund for all other things necessary to achieve the objectives and purposes of the Fund or Chapter 3A.

The bill would require MSHDA, when performing functions under the chapter, to consider advice provided by a proposed advisory committee. (Senate Bill 1243 (S-2) would create the Michigan Housing and Community Development Fund Advisory Committee within MSHDA.)

MCL 125.1422 et al.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

Under the bill, the Michigan Housing and Community Development Fund could gain access to new sources of funds, including investment income, gifts, grants, labor, and loans, potentially increasing the revenue available to the Fund. The bill would permit the Authority to use the Fund in any manner that would achieve its objectives and purposes. The bill also would include municipalities and land bank fast track authorities as eligible applicants for funding from the Michigan Community and Housing Development Fund, allowing them to seek grants and loans from the Fund for many types of housing and community development projects. The Michigan Community and Housing Development Fund was funded for the first time in FY 2007-08 with a General Fund appropriation of \$2,163,400.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.