

Legislative Analysis



MICHIGAN HOUSING DEVELOPMENT AUTHORITY: LIVING UNIT DEFINITION, CAP, & TIMELINES

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House Bill 6098 (Substitute H-2)

Sponsor: Rep. Marie Donigan

Committee: Intergovernmental and Regional Affairs

First Analysis (5-12-10)

BRIEF SUMMARY: The bill would define "individual living unit" under the Michigan State Housing Development Authority's Supportive Housing Program; cap the number of units that MSHDA may certify each year at 250 individual living units; expand the definition of "supportive housing property"; and set new timelines for filing affidavits to seek tax exempt certification by local assessors and MSHDA.

FISCAL IMPACT: House Bill 6098 would have no material fiscal impact on the Michigan State Housing Development Authority (MSHDA), which certifies supportive housing projects as being eligible for the exemption from the 18-mill property tax levied for school operating purposes. See **Fiscal Information** below for further detail.

THE APPARENT PROBLEM:

In the previous legislative session, through a bi-partisan effort, the legislature enacted into law three bills that provide a school tax reduction for supportive housing property--Public Acts 454, 455, and 456 of 2008. See **Background Information**.

Supportive housing property is non-profit housing that consists of not more than six individual living units, occupied solely by people with low and moderate incomes who are eligible recipients of services through the public mental health system.

Generally, the new laws provided the owners of "supportive housing property" with an exemption from the 18-mill local school operating levy, and created a certification process to be undertaken by the Michigan State Housing Development Authority (MSHDA) on a first come, first served basis. Further, the laws capped the number of property tax exemptions available each year at 250 individual living units, and specified that no county could receive more than 25 percent of the total tax exemptions.

According to committee testimony, during Senate floor debate in 2008, an amendment inadvertently eliminated the annual property tax exemption cap, originally set at 250-individual living units.

Legislation has been introduced to re-set the annual property tax exemption cap at 250 living units, and also to clarify both eligibility requirements, and the MSHDA certification process.

THE CONTENT OF THE BILL:

House Bill 6098(H-2) would amend the State Housing Development Authority Act to define "individual living unit" under the Supportive Housing Program; cap the number of units that MSHDA may certify each year at 250 individual living units; expand the definition of "supportive housing property"; and set new timelines for filing affidavits to seek tax exempt certification by local assessors and MSHDA.

The law defines "supportive housing property" to mean property that meets all of the following requirements:

- (1) Is owned by an organization exempt under Section 501(c)(3) of the Internal Revenue Code, 26 USC 501.
- (2) All living units are occupied by one or more persons each having incomes at or below 30 percent of the area median income and who each individually receive services for not less than one hour per month either directly from or contracted-for by an 501(c)(3) organization, which services include mental health, substance abuse, counseling, and assistance with daily living.
- (3) Consists of not more than six *individual living units*.

House Bill 6098 would revise this definition so that (1) above would read: "is owned by an organization exempt under Section 501(c)(3) of the Internal Revenue Code, 26 USC 501, **or by a nonprofit housing corporation organized under Chapter 4.**

In addition, House Bill 6098 would define the term "*individual living unit*" to mean an accommodation containing a living area, one to four sleeping areas, bathing and sanitation facilities, and cooking facilities equipped with a cooking range, refrigerator, and sink, all of which are separate and distinct from any other accommodations. An individual living unit may be served by heating or cooling facilities that also serve additional units. An individual unit shall not provide housing for more than six individuals.

Currently, MSHDA certifies property as supportive housing property on a first-come, first-served basis, and the law specifies that not more than 25 percent of the living units certified as supportive housing property each year can be in a single county. House Bill 6098 would cap the number of individual living units at 250 each year, and specify that not more than 62 units (25 percent) could be in a single county. The bill also specifies that if by November 1 of any year the total number of living units is less than 250, the authority may certify additional living units in any county that had previously reached the 62-unit limit. Now under the law, this occurs before October 1.

House Bill 6098 specifies that this certification also would be on a first-come, first-served basis, based on affidavits filed with the authority before November 1. If not all of the affidavits could be certified without reaching the 250-unit limit, and the date and time of the filing of those affidavits did not establish which were filed earliest, then the authority would select and certify affidavits within that group randomly, keeping a balance of certified units among counties that had more than 62 certified units.

Under current law, the owner of supportive housing property files with the local assessing officer a notification, in affidavit form, of the housing's tax exempt status. House Bill 6098 would retain this provision, but require that the notification be filed first with MSHDA before November 1, and then with the local assessor before December 1. Now under the law, the notification must be filed with the local assessor before November 1. (The bill also expressly prohibits MSHDA from accepting any affidavits on or after November 1.)

Finally, House Bill 6098 would eliminate the provision of the law that specifies that an owner of property for which certification (as supportive housing) is denied, or a local unit of government in which the denied property is located, can appeal MSHDA's determination to the circuit court in the county where the property is located.

MCL 125.1459 and 125.1459a

BACKGROUND INFORMATION:

For further historical information about the Supportive Housing Program created by the legislature in 2008, see the analysis of House Bills 5437, 6492, and 6493 as enrolled, prepared by the Legislative Analysis Section of the House Fiscal Agency, and dated 12-30-08.

FISCAL INFORMATION:

House Bill 6098 would have no material fiscal impact on the Michigan State Housing Development Authority (MSHDA), which certifies supportive housing projects as being eligible for the exemption from the 18-mill property tax levied for school operating purposes. Expanding the type of entities (nonprofit housing corporations) that may own supportive housing that is eligible for the tax exemption would increase the workload of MSHDA staff, although any resulting increase could be carried out within existing staffing and budgetary resources.

To date, MSHDA has certified 99 eligible supportive housing properties, encompassing 323 individual living units as being eligible for the tax exemption. These properties are located in six counties, as shown in the chart below.

	Properties		Individual Units	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Ingham	1	1.0%	6	1.9%
Kalamazoo	3	3.0%	5	1.5%
Macomb	10	10.1%	21	6.5%
Oakland	25	25.3%	113	35.0%
Ottawa	2	2.0%	4	1.2%
Wayne	58	58.6%	174	53.9%
Total	99	100.0%	323	100.0%

Source: MSHDA

ARGUMENTS:

For:

This bill is needed to re-set the cap that limits the number of property tax exemptions available each year in the Supportive Housing Program administered by the Michigan State Housing Development Authority.

Generally, that program--created by the legislature in 2008--provides the owners of "supportive housing property" with an exemption from the 18-mill local school operating levy. To gain the tax exemption, property owners apply to the Michigan State Housing Development Authority which certifies the tax exemption on a first come, first served basis.

As introduced, the bills that created the Supportive Housing Program capped the number of property tax exemptions available each year at 250 individual living units, and specified that no county could receive more than 25 percent of the tax exemptions. However, the 250-living-unit cap was inadvertently eliminated during Senate floor debate. This bill re-sets the annual property tax exemption cap at 250 living units, and also clarifies both eligibility requirements, and the timelines that must be followed to complete the MSHDA certification process.

POSITIONS:

The Michigan State Housing Development Authority supports the bill. (5-11-10)

The Michigan Municipal League supports the bill. (5-11-10)

Community Economic Development Association of Michigan (CEDAM) supports the bill. (5-11-10)

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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.