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BILL ANALYSIS

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Senate Bill 110 (Substitute S-1 as reported)
Sponsor: Senator Wayne Schmidt
Committee: Local Government

Date Completed: 2-22-18

## RATIONALE

Michigan's improving economy has attracted the development of deluxe housing and the redevelopment of low-income areas to high-income spaces. While this type of renovation may entice talented workers to accept high-paying jobs in the State, many people believe that the State and its municipalities must accommodate all Michigan residents by having affordable housing for low- to moderate-wage workers, as well.

Many municipalities have tried to create or adopt incentives to develop low- to moderate-income housing within their jurisdictions. However, there is concern that such incentives conflict with Public Act 226 of 1988, which limits the powers of local governmental units to control the amount of rent charged for leasing private residential property. To address the economic options associated with housing development available to local governmental units, it has been suggested that the Act should explicitly allow voluntary incentives for low- to moderate-cost private residential property.

## CONTENT

**The bill would amend Public Act 226 of 1988 to specify that a prohibition against a local governmental unit's controlling the amount of rent charged for leasing private residential property would not limit the power of the local unit to implement a plan to use voluntary incentives and agreements to increase the supply of moderate- or low-cost private residential property available for lease.**

The Act prohibits a local governmental unit from enacting, maintaining, or enforcing an ordinance or resolution that would have the effect of controlling the amount of rent charged for leasing private residential property. The prohibition does not impair the right of a local unit to manage and control residential property in which it has a property interest.

Under the bill, the prohibition also would not limit the power of a local governmental unit to adopt an ordinance or resolution to implement a plan designed to use voluntary incentives and agreements to increase the supply of moderate- or low-cost private residential property available for lease.

The Act defines "local governmental unit" as a political subdivision of the State, including a county, city, village, or township, if the political subdivision provides local government services for residents in a geographically limited area of the State as its primary purpose and has the power to act primarily on behalf of that area.

The bill would take effect 90 days after its enactment.

MCL 123.411

## ARGUMENTS

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

### Supporting Argument

Michigan has seen great economic improvements during the difficult circumstances present over the last decade. According to the Governor's office, 540,000 private-sector jobs have been created since December 2010; 122,800 manufacturing jobs have been created since 2010, the most in the United States; Michigan's income growth rate since 2010 is the sixth-highest in the nation; and the State has seen six consecutive years of population growth and eight years of unemployment reduction.

Despite these improvements, it is estimated that 15% of Michigan people are in poverty, according to the U.S. Census Bureau. While many notable high-cost housing developments have been constructed across the State, such as in Detroit, it is important for Michigan municipalities to offer abundant low- to moderate-income housing to accommodate all Michigan residents and workers. Local governmental units have reported, however, that attempting to stimulate and encourage the establishment of such housing through the adoption of economic incentives may conflict with Public Act 226 of 1988.

The bill would address this issue by easing the restrictive provisions of the Act and providing local governmental units with clarity regarding their options to allow voluntary incentives for the development of modestly priced housing.

### Opposing Argument

Local governmental units already have some mechanisms in place to encourage low- to moderate-income housing development. By allowing for new incentives and not including adequate definitions of terms related to affordable housing, the bill could create local economic uncertainty. In addition, the proposal could have adverse effects on local communities. For example, if municipalities became accustomed to relying on the use of an economic housing incentive to develop housing, the housing market eventually would become distorted.

Legislative Analyst: Drew Krogulecki

## FISCAL IMPACT

A local government that chose to offer incentives for development of low- or moderate-income housing pursuant to the authority in the bill would incur additional costs or forego local revenue in order to fund the incentive. The amount of the local fiscal impact would depend on local decisions to implement a low- or moderate-income housing incentive program and the type and scope of the specific incentives offered. The bill would have no fiscal impact on the State.

Fiscal Analyst: Ryan Bergan

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