Senate Fiscal Agency
P.O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 417 (as reported without amendment)
Sponsor: Senator Sam Singh
Committee: Housing and Human Resources

CONTENT

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

-- Specify that the Michigan State Housing Development Authority (MSHDA) could use the proceeds of certain notes or bonds to loan money through a mortgage lender for projects with independent living, congregate care, or assisted living units for individuals 55 years of age or older, or supporting facilities to serve and improve areas in which the financed multifamily project was located.
-- Decrease, from 30% to 15%, the minimum percent of total costs that must be spent on rehabilitation for a project to qualify as rehabilitation.
-- Allow, instead of requiring, MSHDA to establish higher income limits for specified housing projects, generally multifamily housing projects.
-- Allow a borrower to qualify for a loan with a private placement structure.
-- Modify the application requirements for a borrower seeking to qualify for a loan and reduce the application fee for a loan by a specified amount.
-- Specify that MSHDA could issue a six-month loan commitment.
-- Specify that, if MSHDA determined that the repayment of the note or bonds would be reasonably secure because of the proposed credit enhancement or private placement structure, that determination would be conclusive and would have to take the place of MSHDA's normal underwriting and feasibility review.
-- Modify certain fees a borrower would have to pay to MSHDA.
-- Increase, from $25.0 million to $100.0 million, the maximum allowed outstanding loan commitment for specified borrowers.
-- Allow MSHDA to establish a fee to be paid by a borrower during an applicable compliance monitoring period.

MCL 125.1444c

BRIEF RATIONALE

Currently, MSHDA uses pass-through financing in which the bonds issued to finance a development are secured by the revenues of the borrowers. According to testimony before the Senate Committee on Housing and Human Services, the State is facing a housing crisis and an aging population. It has been suggested that developers with larger project budgets, projects with permanent placement structures, and projects with housing for those 55 and older should be able to use MSHDA's pass through financing programs.

Legislative Analyst: Eleni Lionas

FISCAL IMPACT

The bill would have a fiscal impact on MSHDA and no fiscal impact on the State or local units of government. Expanding multifamily housing to independent living, congregate care, or assisted living facilities and increasing the total loan amount to $100.0 million could increase the number of multifamily housing projects approved under MSHDA's bonding authority. The total amount of bonds that MSHDA could issue would still be capped at $5.0 billion, which means the expansion of multifamily housing projects would not increase MSHDA's overall bonding issuances. The Authority could experience additional administrative expenses in the unit that processes applications for multifamily housing projects, which would be covered by either additional administrative fee revenue or MSHDA's general restricted revenue. The Authority does not receive any State General Fund appropriations and its bonding is not backed or obligated by the State. Therefore, the bill would have no fiscal impact on the overall State budget.

Date Completed: 9-21-23 Fiscal Analyst: Cory Savino, PhD

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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.