Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 1135 (as enrolled)
Sponsor: Senator Leon Stille
Committee: Local, Urban and State Affairs

PUBLIC ACT 475 of 1996

Date Completed: 10-9-96

RATIONALE

The Michigan State Housing Development Authority (MSHDA) works to improve housing opportunities for people with low and moderate incomes by selling debt instruments in order to finance its various programs. The Agency also administers Federal programs that provide financial assistance for housing for low-income persons. The Authority is widely recognized for its innovative programs and its success in providing housing for low- and moderate-income individuals and families. Public Acts 220 and 221 of 1993 amended the State Housing Development Authority Act to raise MSHDA's debt capacity from $3.4 billion to $4.2 billion and to postpone the sunset on the Authority's statutory debt ceiling from November 1, 1993, to November 1, 1996. Since various provisions in the Act are about to expire, some people believe that the Act should be revised to eliminate the sunset dates on most provisions and to bring the Act into compliance with Federal regulations.

CONTENT

The bill would amend the State Housing Development Authority Act to delete the November 1, 1996, sunset date on a number of provisions, including those granting the Authority power to acquire a project for preservation purposes; setting income limits for multifamily programs; and, reducing the aggregate principal amount of the Authority's outstanding bonds and notes. The bill also would expand the Authority's ability to make loans using proceeds held in escrow accounts; require that after November 1, 1999, the aggregate principal of notes and bonds be reduced from $4.2 billion to $3 billion; and, redefine "housing unit" to include an owner-occupied one- to four-unit structure.

Sunset Date

The bill would delete the November 1, 1996, sunset date on the Act's provisions that do the following:

-- Permit the Authority to incorporate one or more nonprofit housing corporations to acquire housing projects to preserve housing for low- and moderate-income persons.
-- Permit the Authority to establish by resolution more restrictive income or purchase price limits than the maximum limits established in the Act.
-- Permit the Authority to make loans to any nonprofit housing corporation, consumer housing cooperative, limited dividend housing corporation or association, or mobile home park corporation or association, or to any public body or agency for the construction or rehabilitation, and for the long-term financing, of multifamily housing projects that meet certain income limits. In addition, the bill would delete a provision that, after November 1, 1996, the Authority may continue to finance these projects until funds derived from bonds and notes issued before November 2, 1996, for this purpose have been spent.
-- Establish minimum rates of occupancy in multifamily housing projects by individuals and families who meet certain low- or moderate-income limits.

The bill also would revise a provision that reduces from $4.2 billion to $1.8 billion, after November 1, 1996, the aggregate principal amount of bonds and notes that the Authority may have outstanding. Under the bill, the aggregate principal amount of notes and bonds that the Authority could have outstanding after November 1, 1999, would be reduced from $4.2 billion to $3 billion.

Escrow Account Loans

Currently, MSHDA may invest up to 20% of its funds in escrow accounts for the benefit of the Authority or mortgagors of Authority-financed housing in mortgage loans previously originated or purchased by MSHDA, under certain conditions and without the consent of the escrow depositors. The bill would delete references to "mortgage loans" in these provisions, and would refer instead to "loans".

Housing Tax Credit

Under the Act, the State's low income housing tax credit authority must be distributed pursuant to a qualified allocation plan prepared by the Authority, submitted to the Legislature, and approved by the Governor after public hearings. Currently, not less than 10% must be set aside for Farmers Home 515 projects. The bill would reduce this amount to 5% and specify that the amount would be set aside for Rural Housing Service projects.

Allocations

The Act establishes the following limitations on the use of $2.4 billion increases in the Authority's debt capacity that were authorized after July 9, 1984: $1.3 billion to finance home improvement loans and single family homes, $800 million to finance multifamily housing projects from certain limited notes or bonds, and $300 million to finance multifamily housing projects exclusive of these types of projects that are financed from limited notes or bonds. The bill would delete these limitations as well as other provisions concerning the issuance of bonds or notes under these provisions.

Home Improvement Loans

For home improvement loans insured under Title I of the National Housing Act, the bill would establish the maximum principal loan amounts, exclusive of finance charges, as follows: $25,000 for residential structures containing one dwelling unit and $12,000 per dwelling unit for residential structures containing two to four dwelling units.

Liability

Under the bill, an action could not be brought against MSHDA to enforce any of the following promises or commitments of the Authority unless the promise or commitment were in writing and signed with an authorized signature by the Authority: a promise or commitment to lend money, grant or extend credit, or make any other financial accommodation; a promise or commitment to renew, extend, modify, or permit a delay in repayment or performance of a loan, extension of credit, or other financial accommodation; or a promise or commitment to waive a provision of a loan, extension of credit, or other financial accommodation.

Definitions

Currently, a limited dividend housing association must include general or limited partnerships, joint ventures, or trusts, as any of these entities may be approved by resolution of the Authority. In addition, a mobile home park association currently includes general or limited partnerships, joint ventures, or trusts, as any of these entities are approved by resolution of the Authority. The bill would include limited liability companies within these definitions.

Under the Act, "housing unit" means living accommodations that are intended for occupancy by a single family, that may be site constructed or may be a mobile home or other form of manufactured housing with the occupant owning the housing unit or a cooperative shareholder or member having a proprietary lease of the housing unit. Under the bill, "housing unit" would mean living accommodations that were intended for occupancy by up to four families, with a separate dwelling unit for each family, with the owner of the housing occupying at least one of the dwelling units or a cooperative shareholder or member having a proprietary lease of the housing unit.

MCL 125.1411 et al.

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

In the 30 years that MSHDA has existed, it has helped improve the availability of habitable, affordable housing for low- and moderate-income citizens. If the Act's November 1, 1996, sunset dates takes effect, the Authority no longer will have the power to incorporate nonprofit housing corporations to acquire a project for preservation purposes; make loans to certain housing corporations for the construction or rehabilitation and long-term financing of multifamily housing projects that meet certain income limits; or, establish minimum occupancy rates in multifamily housing projects by persons who meet certain low- or moderate-income limits. By eliminating the sunset dates on these provisions, the bill would bring Michigan's program into compliance with the Federal program, which also deleted sunset dates to extend permanently provisions in the housing program. The bill, however, would require that after November 1, 1999, the aggregate principal of notes and bonds be reduced from $4.2 billion to $3 billion. (Currently, the Act requires that after November 1, 1996, this aggregate be reduced from $4.2 billion to $1.8 billion.) By eliminating all of the Act's sunset dates except for the revised sunset on the bonding provisions, the bill would enable the Authority to continue operating; at the same time, the bill would provide for legislative review of the program. In addition, the increase to $3 billion of a scheduled reduction in the aggregate principal of notes and bonds would reflect the increase in the Authority's indebtedness that has occurred over time. The bill also would increase to $25,000 the maximum principal amounts for home improvement loans for single unit dwellings, which would reflect Federal increases in loan guarantees. In addition, the bill would redefine "housing unit" to include an owner-occupied one- to four-unit structure so the Authority could make loans to persons who wanted to purchase multiunit dwellings in accordance with a community's comprehensive affordable housing plan.

Legislative Analyst: L. Arasim

FISCAL IMPACT

The bill would bring the State Housing Development Authority Act into alignment with Federal legislation by eliminating some of the sunset provisions that were previously eliminated at the Federal level. There would be no fiscal impact on State or local government.

Fiscal Analyst: M. Tyskiewicz

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