

**SUBSTITUTE FOR
HOUSE BILL NO. 5444**

A bill to amend 1966 PA 346, entitled
"State housing development authority act of 1966,"
by amending section 44 (MCL 125.1444), as amended by 2004 PA 549.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 44. (1)(a) The authority may make loans to a nonprofit
2 housing corporation, consumer housing cooperative, limited dividend
3 housing corporation, limited dividend housing association, mobile
4 home park corporation, or mobile home park association or to a
5 public body or agency for the construction or rehabilitation, and
6 for the long-term financing, of the following:

7 (i) Housing for low income or moderate income persons.

8 (ii) For the period of time beginning May 1, 1984, and ending
9 November 1, 1987, housing projects in which not less than 20% of

1 the dwelling units are allotted to individuals of low or moderate
2 income within the meaning of former section 103(b)(4)(A) of the
3 internal revenue code of 1954; not less than 60% of the dwelling
4 units are available to persons and families whose gross household
5 income does not exceed 125% of the higher of either the median
6 income for a family in this state or the median income for a family
7 within the nonmetropolitan county or metropolitan statistical area
8 in which the housing project is located, as determined by the
9 authority; and not more than 20% of the dwelling units are
10 available for occupancy without regard to income. The enactment of
11 this subparagraph or the expiration of the authority granted by it
12 does not affect rules in effect before July 10, 1984, or
13 promulgated after July 9, 1984, to define low or moderate income
14 persons.

15 (iii) For the period of time beginning May 1, 1984, and ending
16 November 1, 1987, housing projects in eligible distressed areas in
17 which housing projects not less than 20% of the dwelling units are
18 allotted to individuals of low or moderate income within the
19 meaning of former section 103(b)(4)(A) of the internal revenue code
20 of 1954; not less than 60% of the dwelling units are available to
21 persons and families whose gross household income does not exceed
22 150% of the higher of either the median income for a family in this
23 state or the median income for a family within the nonmetropolitan
24 county or metropolitan statistical area in which the housing
25 project is located, as determined by the authority, and not more
26 than 20% of the dwelling units are available for occupancy without
27 regard to income.

1 (iv) Beginning November 1, 1987, multifamily housing projects
2 that meet the 20-50 or 40-60 test established in section 142 of the
3 internal revenue code, 26 USC 142, and, in addition, in which the
4 remaining dwelling units are available for occupancy without regard
5 to income.

6 (v) Social, recreational, commercial, or communal facilities
7 necessary to serve and improve the residential area in which an
8 authority-financed housing project is located or is planned to be
9 located thereby enhancing the viability of the housing.

10 (b) Notwithstanding the provisions of this section, the
11 authority may establish by resolution higher income limits that it
12 considers necessary to achieve sustained occupancy of a housing
13 project financed under subsection (1)(a)(i), (ii), (iii), (iv), or (v)
14 if the authority determines both of the following:

15 (i) The owner of the housing project exercised reasonable
16 efforts to rent the dwelling units to persons and families whose
17 incomes did not exceed the income limitations originally
18 applicable.

19 (ii) For an annual period after the first tenant has occupied
20 the housing project, the owner of the housing project has been
21 unable to attain and sustain at least a 95% occupancy level at the
22 housing project.

23 (c) A loan under this section may be in an amount not to
24 exceed 90% of the project cost as approved by the authority. For
25 purposes of this section, the term "project cost" includes all
26 items included in the definition of a project cost in section 11
27 and also includes a builder's fee equal to an amount up to 5% of

1 the amount of the construction contract, developer overhead
2 allowance and fee of 5% of the amount of the project cost, the cost
3 of furnishings, and a sponsor's risk allowance equal to 10% of the
4 project cost. A loan shall not be made under this section unless a
5 market analysis has been conducted that demonstrates a sufficient
6 market exists for the housing project.

7 (d) After November 1, 1987, the authority may continue to
8 finance multifamily housing projects for families or persons whose
9 incomes do not exceed the limits provided in subsection (1)(a)(ii)
10 or (iii) or (1)(b), until funds derived from the proceeds of bonds or
11 notes issued before November 2, 1987, for that purpose, including
12 the proceeds of prepayments or recovery payments with respect to
13 these multifamily housing projects, have been expended. Multifamily
14 housing projects or single family housing units in an eligible
15 distressed area that are financed by proceeds of notes or bonds
16 issued before June 30, 1984, and that the authority has designated
17 for occupancy by persons and families without regard to income
18 pursuant to this act shall remain eligible for occupancy by
19 families and persons without regard to income until the authority's
20 mortgage loan issued with respect to these multifamily housing
21 projects is fully repaid.

22 (e) Notwithstanding the expiration of lending authority under
23 subsection (1)(a)(ii), (iii), (iv), or (v), multifamily housing
24 projects financed under those subparagraphs may continue to remain
25 eligible for occupancy by persons and families whose incomes do not
26 exceed the limits provided in those subparagraphs or subsection
27 (1)(b).

1 (f) For purposes of this subsection:

2 (i) "Gross household income" means gross income of a household
3 as those terms are defined in rules of the authority.

4 (ii) "Median income for a family in this state" and "median
5 income for a family within the nonmetropolitan county or
6 metropolitan statistical area" mean those income levels as
7 determined by the authority.

8 (2)(a) The authority may make loans to a nonprofit housing
9 corporation, limited dividend housing corporation, mobile home park
10 corporation, or mobile home park association for the construction
11 or rehabilitation of housing units, including residential
12 condominium units as defined in section 4 of the condominium act,
13 1978 PA 59, MCL 559.104, for sale to individual purchasers of low
14 or moderate income or to individual purchasers without regard to
15 income when the housing units are located in an eligible distressed
16 area. A loan under this section may be in an amount not to exceed
17 100% of the project cost as approved by the authority in the case
18 of a nonprofit housing corporation or individual purchaser, and in
19 an amount not to exceed 90% of the project cost as approved by the
20 authority in the case of a limited dividend housing corporation,
21 mobile home park corporation, or mobile home park association.

22 (b) While a loan under this subsection is outstanding, a sale
23 by a nonprofit housing corporation or limited dividend housing
24 corporation or a subsequent resale is subject to approval by the
25 authority. The authority may provide in its rules concerning these
26 sales and resales that the price of the housing unit sold, the
27 method of making payments after the sale, the security afforded,

1 and the interest rate, fees, and charges to be paid shall at all
2 times be sufficient to permit the authority to make the payments on
3 its bonds and notes and to meet administrative or other costs of
4 the authority in connection with the transactions. Housing units
5 shall be sold under terms that provide for monthly payments
6 including principal, interest, taxes, and insurance.

7 (c) While a loan under this subsection is outstanding, the
8 authority, before the approval of sale by a nonprofit housing
9 corporation, limited dividend housing corporation, mobile home park
10 corporation, or mobile home park association, shall satisfy itself
11 that the sale is to persons of low or moderate income if the
12 housing unit is not located in an eligible distressed area, or to
13 persons without regard to income if the housing unit is located in
14 an eligible distressed area.

15 (3) The authority may make, purchase, or participate in loans
16 made to individual purchasers for acquisition and long-term
17 financing **OR REFINANCING** of newly rehabilitated, newly constructed,
18 or existing 1- to 4-unit housing units, including a residential
19 condominium unit as defined in section 4 of the condominium act,
20 1978 PA 59, MCL 559.104. To qualify, all of the following apply:

21 (a) The borrower's family income shall not exceed the
22 following:

23 (i) For eligible distressed areas, \$69,800.00 until June 1,
24 2006, \$72,250.00 until November 1, 2007, and \$74,750.00 on and
25 after November 1, 2007.

26 (ii) For any other area, \$60,700.00 until June 1, 2006,
27 \$62,800.00 until November 1, 2007, and \$65,000.00 on and after

1 November 1, 2007.

2 (b) The purchase price **OR IN THE CASE OF A REFINANCING, THE**
3 **APPRAISED VALUE**, does not exceed the following:

4 (i) With respect to a 1- or 2-family unit, 3 times the income
5 limit, as established pursuant to subdivision (a).

6 (ii) With respect to a 3-family unit, 3-1/2 times the income
7 limit, as established pursuant to subdivision (a).

8 (iii) With respect to a 4-family unit, 4 times the income limit,
9 as established pursuant to subdivision (a).

10 (c) For unexpected cost increases during construction or
11 improvements to adapt new or existing property for use by disabled
12 individuals, the authority may increase the purchase price limit by
13 an amount sufficient to cover these cost increases, but not to
14 exceed \$3,500.00.

15 (d) If an income or purchase price limit prescribed by this
16 subsection exceeds an application limit prescribed by the internal
17 revenue code, the internal revenue code limit applies.

18 (e) Except with respect to newly constructed housing units,
19 the authority may by resolution establish, for a length of time the
20 authority considers appropriate, maximum borrower income or
21 purchase price limits more restrictive than those maximum
22 limitations set forth in this section. The authority shall advise
23 the appropriate house and senate standing committees 5 days prior
24 to adopting a resolution establishing more restrictive maximum
25 borrower income or purchase price limits.

26 (f) Before making a loan under this section, authority staff
27 shall determine that the borrower has the ability to repay the

1 loan.

2 (g) A loan made or purchased to finance the acquisition of an
3 existing housing unit may include funds for rehabilitation.

4 (H) IF THE LOAN MADE IS A LOAN FOR REFINANCING OF A 1- TO 4-
5 UNIT HOUSING UNIT, INCLUDING A RESIDENTIAL CONDOMINIUM UNIT AS
6 DEFINED IN SECTION 4 OF THE CONDOMINIUM ACT, 1978 PA 59, MCL
7 559.104, THE AUTHORITY SHALL DETERMINE THAT 1 OF THE UNITS IS
8 OCCUPIED BY THE BORROWER.

9 (4) A loan shall be secured in a manner and be repaid in a
10 period, not exceeding 50 years, as may be determined by the
11 authority. A loan shall bear interest at a rate determined by the
12 authority.

13 (5) A person who, for purposes of securing a loan under this
14 act, misrepresents his or her income, including taking a leave of
15 absence from his or her employment for purposes of diminishing his
16 or her income, is not to be eligible for a loan under this act.