

Legislative Analysis



MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 5030 as reported from committee
Sponsor: Rep. Betsy Coffia

Analysis available at
<http://www.legislature.mi.gov>

House Bill 5031 (proposed substitute H-2)
Sponsor: Rep. Ranjeev Puri

House Bill 5032 as reported from committee
Sponsor: Rep. Will Snyder

Committee: Economic Development and Small Business
Complete to 6-11-24

SUMMARY:

House Bills 5030, 5031, and 5032 would each amend the State Housing Development Authority Act to modify provisions related to the Michigan State Housing Development Authority (MSHDA), including those related to the maximum cancellation prices of notes or bonds purchased by the authority, the scope of participation of the designated resident member of the authority, and the sales price limit for certain housing loans.

House Bill 5030 would amend a provision that currently allows MSHDA to purchase its own notes or bonds, which *must* upon purchase be canceled at a price that does not exceed either of the following:

- If the notes or bonds are then redeemable, the redemption price then applicable plus accrued interest to the next interest payment date.
- If the notes or bonds are not then redeemable, the redemption price applicable on the first date after the purchase on which the notes or bonds become subject to redemption, plus accrued interest to that date.

The bill would change this provision to *allow* MSHDA to cancel the notes or bonds as described above, rather than requiring MSHDA to do so immediately.

MCL 125.1430

House Bill 5031 would delete a provision that now provides, to the extent required by federal law, that the designated resident member of MSHDA can take part in, vote on, and exercise the powers of the authority only concerning decisions related to the administration, operation, and management of federal public housing programs and tenant-based assistance programs established under section 8 of the United States Housing Act of 1937, 42 USC 1437f.¹ The bill would retain a provision that prohibits the designated resident member from taking part in, voting on, or exercising the powers of the authority in a matter that uniquely applies to them and does not generally apply to all residents. (The designated resident member appointed to

¹ <https://www.govinfo.gov/content/pkg/USCODE-2011-title42/pdf/USCODE-2011-title42-chap8-subchapI-sec1437f.pdf>.

the authority must be an eligible resident who is directly assisted by a federal housing program administered through MSHDA.)

MCL 125.121

House Bill 5032 would change the maximum purchase price or appraised value for certain loans under the act from a fixed dollar amount to a percentage of the applicable average area purchase price.

The act allows MSHDA to make, purchase, or participate in loans made to individual purchasers for acquisition and long-term financing or refinancing of newly rehabilitated, newly constructed, or existing one- to four-family housing units, including a residential condominium unit. Among the requirements that apply to such a loan, the purchase price or appraised value (for a refinancing) cannot exceed \$224,500 for a one- or two-family unit, \$261,625 for a three-family unit, or \$299,000 for a four-family unit.

The bill would delete the limits described above and would instead provide that the purchase price or appraised value, as applicable, cannot exceed 90% of the average area purchase price applicable for the housing unit. The average area purchase price would have to be determined in accordance with section 143(e) of the federal Internal Revenue Code or any other regulations promulgated under that provision.

In addition, the act allows MSHDA to increase the purchase price limit by an amount that will cover unexpected cost increases during construction or improvements to adapt property for use by disabled individuals, up to a limit of \$3,500. The bill would increase this limit to \$10,000.

MCL 125.1444

BACKGROUND:

House Bills 5030, 5031, and 5032 are reintroductions of House Bills 4948, 4950, and 4951, respectively, of the 2021-22 legislative session.² All three of those bills were passed by the House and referred to the Senate Finance committee but were not reported.

BRIEF DISCUSSION:

According to committee testimony, the bills would streamline MSHDA operations, which would allow the authority to better use its resources to address Michigan's accessible housing shortage.

Supporters believe that House Bill 5030 would allow MSHDA to make better use of its funding. Since a portion of MSHDA's debt is variable rate debt, and market disruptions (such as the COVID-19 pandemic) can make these rates unreasonably high, allowing MSHDA to hold onto its debt until such a disruption passes would allow it to direct more money toward housing initiatives. MSHDA estimates that this change could save millions of dollars.

² <https://www.legislature.mi.gov/documents/2021-2022/billanalysis/House/pdf/2021-HLA-4948-5F9BDE21.pdf>

Supporters of House Bill 5031 suggest that allowing MSHDA's resident board member to have full voting rights would allow that individual to provide their input on all MSHDA programs and would reduce marginalization of that member. Further, the bill would reduce legal questions about quorums and address other operational challenges.

According to committee testimony, House Bill 5032 is intended to bring MSHDA's sales price limits, which have not been updated since they were established in 2009, into closer alignment with neighboring states. The change could allow MSHDA to provide more services to more people, such as financing necessary accommodation improvements for disabled individuals. Supporters argue that the bill could help more people attain homeownership by allowing more MSHDA program participants to compete with cash buyers.

FISCAL IMPACT:

The bills would have an indeterminate fiscal impact on the administration and operational costs of MSHDA that would depend on actions taken by the authority under their provisions.

House Bill 5030 would presumably provide additional flexibility that would allow MSHDA to better time the cancellation of the notes and bonds purchased to generate a more favorable financial outcome when MSHDA elects to purchase its debt. Any fiscal impact would be subject to the market conditions at the time of purchase and cancellation.

House Bill 5031 would have an indeterminate, but likely negligible, fiscal impact on MSHDA's administration costs.

House Bill 5032 would increase MSHDA's ability to participate in larger MSHDA homeownership loans. According to MSHDA, this would increase the number of persons served and increase MSHDA's revenues. Moreover, this increase would raise the purchase price limit to levels provided at surrounding state housing finance agencies. In addition, the increase of the purchase price limit from \$3,500 to \$10,000 for unexpected costs during construction for disabled individuals would allow MSHDA to finance more improvements to properties for disabled individuals.

POSITIONS:

Representatives of the following entities testified in support of the bills:

- Michigan State Housing Development Authority (3-5-24)
- Michigan Mortgage Lenders Association (10-12-23)

A representative of the Northern Michigan Chamber Alliance testified in support of House Bill 5030. (3-5-24)

A representative of the Home Builders Association of Michigan testified in support of House Bill 5032. (10-12-23)

The following entities indicated support for the bills:

- Home Builders Association of Michigan (4-23-24)
- Housing North (3-5-24)

- Michigan Realtors (4-23-24)
- Northern Michigan Chamber Alliance (10-12-23)
- Petoskey Regional Chamber of Commerce (10-12-23)
- Traverse Connect (10-12-23)

The following entities indicated support for House Bill 5030 (3-5-24):

- Cadillac Chamber of Commerce
- Petoskey Regional Chamber of Commerce
- Traverse Connect

The Michigan Bankers Association indicated support for House Bill 5032. (10-12-23)

The Rent is Too Damn High indicated a neutral position on the bills. (10-12-23)

Legislative Analyst: Holly Kuhn
Fiscal Analyst: Viola Bay Wild

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.