

Legislative Analysis



EXPAND HOUSING AND COMMUNITY DEVELOPMENT PROGRAM TO MIDDLE-INCOME HOUSEHOLDS

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Senate Bill 293 (S-1) as reported from House committee
Sponsor: Sen. Kristen McDonald Rivet
House Committee: Economic Development and Small Business
Senate Committee: Economic and Community Development
Complete to 10-18-23

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

SUMMARY:

Senate Bill 293 would amend Chapter 3A of the State Housing Development Authority Act to expand the Housing and Community Development Program to include housing projects for middle-income households and no longer require the program be restricted to downtown areas.

Currently, the Michigan Housing and Community Development program finances projects and coordinates resources to meet the needs of *low-income*, *very low-income*, and *extremely low-income* households located in a *downtown area* or *adjacent neighborhood*. The program is administered by the Michigan State Housing Development Authority (MSHDA), which allocates money for the projects from the Michigan Housing and Community Development Fund (HCDF).¹

Low-income household means an individual, family, or unrelated individuals living together whose adjusted household income is more than 50% but less than 60% of the area median income (AMI), as determined by MSHDA.

Very low-income household means an individual, family, or unrelated individuals living together whose adjusted household income is not more than 50% of the AMI, as determined by MSHDA.

Extremely low-income household means an individual, family, or unrelated individuals living together whose adjusted household income is not more than 30% of the AMI, as determined by MSHDA.

Downtown area means an area where at least 20 contiguous properties have been planned, zoned, or used for commercial purposes for at least 50 years and where most of the buildings are adjacent to each other and up to the public right-of-way. Downtown areas must contain a significant number of multi-level mixed-use buildings with property owned by at least four private owners.

Adjacent neighborhood means a residential area that immediately adjoins or is near a downtown area within the same municipality.²

¹ For more information on the Michigan Housing and Community Development Fund, see: <https://www.michigan.gov/mshda/-/media/Project/Websites/mshda/developers/lihtc/Folder2/HCDF-Overview.pdf>

² Senate Bill 293 would remove this definition.

Under Senate Bill 293, the program could also serve *middle income households* and would no longer be restricted to downtowns and adjacent neighborhoods.

Middle income household would mean an individual, family, or unrelated individuals living together whose adjusted household income is not more than 120% of the AMI, as determined by MSHDA.

Eligible funding uses

Chapter 3A authorizes MSHDA to spend money in the Housing and Community Development Fund to enable *eligible applicants* to finance certain activities with respect to housing projects, including assistance to nonprofit organizations, municipalities, and land bank authorities. Under Senate Bill 293, this assistance would specifically include support of capacity building, local and regional planning, and housing studies. The bill would also allow community development financial institutions to receive the funding.

Eligible applicant means a nonprofit corporation, a for-profit corporation, a municipality, a land bank organized under the Land Bank Fast Track Act, or a MSHDA-approved partnership organized to develop and support affordable housing.³

Additionally, eligible applicants for housing units for middle-income households living in a multifamily housing structure that is also occupied by noneligible households would be able to receive MSHDA assistance. (This provision currently applies to eligible applicants for very low-income and extremely low-income households.)

Allocation plans

MSHDA is required to develop a biennial allocation plan for the Housing and Community Development Fund that contains a formula for distributing money throughout the state based on the number of people experiencing poverty, economic distress, and housing distress in various regions of the state. Before developing the plan, MSHDA must hold public hearings in at least three separate locations regarding its contents.

Senate Bill 293 would require MSHDA to provide an option for virtual participation in all public hearings prior to the development of the plan, and MSHDA would have to utilize additional methods to gather public comment on an allocation plan that target engagement with people with disabilities; people with limited English proficiency; and people from low-income, very low-income, and extremely low-income households.

The HCDF would no longer be required to allocate at least 30% of its funding for projects that target extremely low-income households; housing for the homeless; and supportive, transitional, and permanent housing. It also would no longer be required to allocate 25% of its funding for rental housing projects that do *not* qualify under preferences for special population groups or other preferences contained in the allocation plan. Additionally, a rental or home ownership project assisted by the fund would no longer have to designate at least 20% of the units in the project for households that earn up to 60% of the area median income.

³ The definition of “eligible applicant” would be amended to reflect changes made by SB 293.

MSHDA would no longer be specifically required to expend a portion of the fund for housing for people with disabilities and people living in eligible distressed areas,⁴ but the allocation plan would have to consider the number of people with disabilities and the number of accessible housing units in various regions of the state. The plan would also have to consider the availability and adequacy of alternative funding to address the housing needs of people with disabilities, low-income households, very low-income households, and extremely low-income households.

Additional provisions

The annual report that MSHDA is required to submit to the governor and the legislature that summarizes the expenditures of the Michigan Housing and Community Development Fund for the prior fiscal year would have to be made available to the public on MSHDA's website.⁵

Additionally, the bill would require MSHDA to consider the advice provided by the Statewide Housing Partnership, rather than the HCDF Advisory Committee, when performing functions under Chapter 3A.⁶ (If the partnership is dissolved, MSHDA would have to create an advisory council with members assigned by the MSHDA director that represent the same interests as the Statewide Housing Partnership.)

MCL 125.1458 et seq.

BRIEF DISCUSSION:

According to committee testimony, removing some of the restrictions on the Housing and Community Development program would grant MSHDA greater flexibility in funding the state's regional housing plans and would allow MSHDA to better address the various housing challenges that the state currently faces, particularly the lack of middle-income housing.

FISCAL IMPACT:

The bill would expand the Michigan Housing and Community Development Program to also include services to middle-income households. The bill would also delete the requirement that projects receiving funding must be in a downtown area or in an area adjacent to a downtown and would remove the current requirements that specific percentages of the fund be allocated for certain low-income households and housing types. These changes would have minimal direct fiscal impact on the Department of Labor and Economic Opportunity (LEO) and on local units of government. Any additional costs to LEO would be related to increased administrative expenses to the authority from the bill's requirements that virtual participation must be provided for all public meetings held while developing the biannual allocation plan and that the authority must employ alternative methods to engage with people with disabilities, people with limited English proficiency, and low-income households.

⁴ For more information on and a list of eligible distressed areas, see: <https://www.michigan.gov/mshda/-/media/Project/Websites/mshda/about/reports/MSHDA-EDA-List.pdf>

⁵ The report would no longer have to include the number of downtown areas and adjacent neighborhoods that received financing.

⁶ Executive Order 2022-10 created the Statewide Housing Partnership Council: <https://www.michigan.gov/whitmer/-/media/Project/Websites/Whitmer/Documents/Exec-Orders/EO-202210--Statewide-Housing-Partnership-220907-final-signed.pdf>. The Council is set to dissolve on September 6, 2024.

POSITIONS:

A representative of the Michigan State Housing Development Authority testified in support of the bill. (9-12-23)

The following entities indicated support for the bill:

- Community Economic Development Association of Michigan (9-12-23)
- Home Builders Association of Michigan (10-3-23)
- Michigan Coalition to End Domestic and Sexual Violence (9-12-23)
- Michigan Housing Council (9-12-23)
- Michigan Realtors (10-3-23)
- Michigan Townships Association (9-12-23)

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■ 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.