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BILL ANALYSIS

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Senate Bill 293 (Substitute S-1 as passed by the Senate)  
Sponsor: Senator Kristen McDonald Rivet  
Committee: Economic and Community Development

Date Completed: 7-25-23

## **RATIONALE**

In Michigan, the housing crisis affects prospective homeowners of all income brackets; however, middle-income buyers have been particularly hard hit. According to the June 2023 Housing Affordability and Supply Report published by the National Association of Realtors, middle-income buyers overall can afford to purchase only 23% of home listings nationwide. Testimony before the Senate Committee on Economic and Community Development indicates that Michigan is short 190,000 housing units. The scarcity of available homes and high housing costs, exacerbated by competition, have contributed to a lack of attainable housing for middle-income homebuyers.<sup>1</sup>

The housing crisis is not isolated to urban areas alone. Many rural communities cannot afford to incentivize housing developers to build in their areas, leading to low home stock. Statewide, many prospective homebuyers have begun to look for affordable homes further away from their workplaces, creating traffic, long commute times, and a lack of investment in certain communities. Accordingly, some believe that the Michigan State Housing Development Authority (MSHDA) should be allowed to invest in additional housing projects to alleviate housing scarcity and make homebuying more affordable for middle-income households across the State.

## **CONTENT**

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

- **Expand the scope of the Michigan Housing and Community Development Program to make its financing available to middle-income households and delete a requirement that projects financed by the Program be in a downtown area or adjacent neighborhood.**
- **Delete the requirement that percentages of the Fund be earmarked for projects that target specific groups based on income threshold and housing type.**
- **Require an allocation plan to include a formula for distributing money based on the number of individuals experiencing economic distress, the number of people with disabilities, and the number of accessible housing units in various regions of the State, and a consideration of funds from other sources available to address the housing needs of people with disabilities and low-income, very-low-income, and extremely-low-income households.**
- **Require the Authority to employ accessible methods to gather public comment.**
- **Require the Authority to take advice provided by the Statewide Housing Partnership Council.**

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<sup>1</sup> Bahney, Anna, "Middle-income buyers face the most severe housing shortage", CNN Business, June 2023.

- **Allow, instead of requiring, the Authority to spend a portion of the Fund for housing for persons with disabilities and persons living in eligible distressed areas.**

#### Program Purpose

Among other things, the Act establishes the Program for the purpose of developing and coordinating public and private resources to meet the housing needs of low-income, very-low-income, and extremely-low-income households and to finance projects in a downtown area or adjacent neighborhood in the State. The bill would modify the Program's purpose to include the development and coordination of public and private resources to also meet the housing needs of middle-income households and remove the requirement that the Program only develop and coordinate projects located in a downtown area or adjacent neighborhood.

Under the bill, "middle-income household" would mean an individual, family, or unrelated individuals living together whose adjusted household income is not more than 120% of the area median income, as determined by the Authority.

The Act requires the Authority to make financing available to eligible applicants from money in the Fund or from money secured by the Fund for housing for low-income, very-low-income, and extremely-low-income households and for projects located in a downtown area or adjacent neighborhood. The bill would require the Authority to make financing available for housing for middle-income households and remove the requirement that the Authority make funding available for projects located in a downtown area or adjacent neighborhood.

The Act defines "eligible applicant" as a not-for-profit corporation, a for-profit corporation, a municipality, a land bank fast track authority, or a partnership that is approved by the Authority and that is organized for the purpose of developing and supporting affordable housing for low-income, very-low-income, or extremely-low-income households or projects located in a downtown area or adjacent neighborhood. The bill would modify the definition to include those organizations described above organized for the purpose of developing and supporting affordable housing for middle-income households. The bill would remove from the definition the requirement that the housing be in a downtown area or adjacent neighborhood.

#### Program Plan

The Act requires the Authority to develop a plan for distribution of money from the Fund. It specifies that the plan must abide by the following requirements, which the bill would delete:

- The allocation plan must include a preference for certain special population groups.
- At least 25% of the Fund must be earmarked for rental housing projects that do not qualify under preferences for special population groups or other preferences contained in the allocation plan.
- At least 30% of the Fund must be earmarked for projects that target extremely low-income households and include at a minimum developing housing for the homeless, supportive housing, transitional housing, and permanent housing.
- A rental housing project or home ownership project assisted by the Fund must set aside at least 20% of the rental units included in the project for households earning no more than 60% of the area median income.

The bill would maintain two current provisions. Firstly, money that has not been committed at the end of a fiscal year may not be carried over in the category to which the money had been allocated during that fiscal year but must be reallocated for the next fiscal year according to the next fiscal year's allocation plan. Secondly, the allocation plan must contain a formula

for distributing money throughout the State based on the number of persons experiencing poverty, economic, and housing distress in various regions of the State. In addition, the bill would require the plan to consider the number of people with disabilities and the number of accessible housing units in various regions of the State.

The plan also would have to consider the availability and adequacy of funds from other sources to address the housing needs of people with disabilities and low-income, very-low-income, and extremely-low-income households.

#### Fund Allocation

The Act requires the Authority to spend money in the Fund to make grants, mortgage loans, or other loans to eligible applicants to enable them to finance specified projects with respect to housing for low-income, very-low-income, and extremely-low-income households, including the acquisition of land and buildings, new construction, community development projects, and assistance to nonprofit organizations, municipalities, and land bank fast track authorities. Under the bill, assistance would include support of capacity building, local and regional planning, and housing studies. Assistance could be extended to community development financial institutions, in addition to those listed prior.

The bill also would apply this requirement to middle-income households and remove the requirement that these projects be located in a downtown area or adjacent neighborhood.

#### Statewide Housing Partnership Council

Currently, the Act requires the Authority to consider advice provided by the Michigan Housing and Community Development Fund Advisory Committee.<sup>2</sup> Instead, the bill would require the Authority to take advice provided by the Statewide Housing Partnership Council (see **BACKGROUND**). The bill would specify that, if the partnership were dissolved, the Authority would have to create an advisory council with members assigned by the Director, representing the same interests as the Statewide Housing Partnership.

#### Various Provisions

The Act requires the Authority to spend a portion of the Fund for housing for persons with physical or mental handicaps and persons living in eligible distressed areas. The bill would make this provision permissive instead of mandatory.

Additionally, the Act requires an Authority to hold public hearings in at least three separate locations to discuss the content of its biennial allocation plan. The bill would require the Authority to provide an option for virtual participation by members of the public in all public meetings and employ additional methods to gather public comment. The alternative methods would have to focus on engaging with people with disabilities, people with limited English proficiency, and people from low-income, very-low-income, and extremely-low-income households.

The Act also allows the Authority to aid eligible applicants for housing units within multifamily housing that is occupied partly by low-income, very-low-income, and extremely-low-income households. Under the bill, this provision would apply to middle-income households, as well.

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<sup>2</sup> MCL 125.1458e.

## Annual Report

The Act requires the Authority to issue an annual report to the Governor and the Legislature summarizing the expenditures of the Fund for the prior fiscal year including a description of the eligible applicants that received funding, the number of housing units that were produced, the income levels of the households that were served, the number of homeless persons served, and the number of downtown areas and adjacent neighborhoods that receive financing. The bill would delete the requirement that the annual report summarize expenditures of the Fund related to the number of downtown areas and adjacent neighborhoods that receive financing.

Additionally, the bill would require the Authority to make the annual report available to the public on the Authority's website.

MCL 125.1458 et al.

## **BACKGROUND**

In 2022, Governor Gretchen Whitmer issued Executive Order 10, which created the Statewide Housing Partnership as an advisory body within MSHDA. Among other things, Governor Whitmer charged the Partnership with developing a strategy to implement the Michigan Statewide Housing Plan, launched in 2022 to address the shortage of affordable housing in the State.<sup>3</sup> The Order specified that the Partnership would dissolve on September 6, 2024, or such other time as the Governor directs.

## **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**

The bill would give the Authority flexibility to decide how best to use the Housing and Community Development Fund. The Authority possesses many tools to support low-income, very-low-income, and extremely-low-income households. According to testimony before the Senate Committee on Economic and Community Development, the Authority has comparatively fewer tools to aid middle-income households that have had trouble finding affordable housing in recent years. The bill would allow, but not require, the Authority to use the Fund to support middle-income families, depending on market circumstances. For example, if the Authority received Federal funding targeted at low-income households, it could apply unused funds to projects targeted at middle-income families. The bill would grant the Authority greater flexibility to aid all Michiganders.

### **Supporting Argument**

The bill would increase housing availability for middle-income households in rural areas, aiding community development. By expanding the Program to make its financing available to middle-income households and removing a requirement that projects financed by the Program be in a downtown area or adjacent neighborhood, the bill would increase rural community development. Instead of moving to find affordable housing, individuals could invest in housing closer to their workplaces, where they could participate in their local economy.

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<sup>3</sup> "Michigan Statewide Housing Plan Overview", Statewide Housing Plan, Michigan State Housing Development Authority. Retrieved on 6-28-2023.

### **Supporting Argument**

The bill would make the Program more inclusive. In addition to extending funds to middle-income households, the bill also would require the Authority's biennial allocation plan to consider the number of people with disabilities and the number of accessible housing units in various regions of the State. This information would allow the Authority to use the Fund to build more accessible housing. Affordable housing would include, for example, houses or apartments with ramp access instead of stair access, bathrooms with step-in tubs and handrails, and doors with easier-to-use handles like push/pull bars.<sup>4</sup> In addition, the bill would require the Authority to use accessible methods, such as virtual participation, to gather public comment. Overall, the bill would increase the Program's accessibility.

Legislative Analyst: Abby Schneider

### **FISCAL IMPACT**

The bill would expand the Program to include middle-income housing projects and remove the spending requirements that target low-income, extremely low-income, and transitional housing, and housing for the homeless. While these changes would not create or spend State revenue directly, there could be indirect benefits to the State and local units of government because of increased middle-income housing volume, such as increased property and income tax revenue. Any indirect benefits would likely take years to become apparent or measurable.

The Authority would likely have minor, administrative cost increases associated with the creation of an advisory council and allowing for virtual participation during hearings on the biennial allocation plan. Such expenses would be absorbed by the Authority.

Fiscal Analyst: Michael Siracuse

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<sup>4</sup> "10 Ways to Make a Handicap Accessible Home", [www.101mobility.com](http://www.101mobility.com). Retrieved on 7-24-23.