

Legislative Analysis



MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

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

House Bill 5030 as introduced
Sponsor: Rep. Betsy Coffia

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

House Bill 5031 as introduced
Sponsor: Rep. Ranjeev Puri

House Bill 5032 as introduced
Sponsor: Rep. Will Snyder

Committee: Economic Development and Small Business
Housing Subcommittee
Revised 10-26-23

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, conflicts of interest of certain members 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 prohibits the designated resident member of MSHDA 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.

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.¹ All three bills were passed by the House and referred to the Senate Finance committee but were not reported.

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.

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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.

¹ <http://www.legislature.mi.gov/documents/2021-2022/billanalysis/House/pdf/2021-HLA-4948-5F9BDE21.pdf>