2020 LEGISLATIVE INITIATIVES

Housing North works to deliver a collective voice of influence from rural northwest Michigan to identify, influence, and advocate for state policies that support diverse housing options. Since 2019, Housing North has been working with Borealis Strategic to advocate for policies identified as priorities in its Advocacy Strategy, which was developed with input from a broad range of housing stakeholders in Northwest Lower Michigan. An overview of priority initiatives follows. For additional information, please contact Sarah Lucas at 231-342-1242 or via email at sarah@housingnorth.org.

Expanded Payment-In-Lieu-Of-Taxes Authorization

The payment-in-lieu-of taxes (PILOT) mechanism is a vitally important financial incentive for housing projects that are affordable to low-income households, allowing municipalities the ability to grant a tax abatement to developers and instead collect a service fee and a certain percentage of gross rents. However, current rules only allow communities to grant a PILOT if the project includes state or federal subsidy – meaning that developers who are financing affordable or workforce housing with alternative or private financing are not eligible for tax relief. A bill drafted in 2019 would grant local governments in rural areas the authority to authorize a PILOT determine the amount, length of term, and eligibility for the payment in lieu of tax. Agreements must be for developments that are not aided by low income housing tax credits authorized by the Michigan State Housing Development Authority. Senator Wayne Schmidt has verbally agreed to sponsor the bill. Co-sponsors are needed.

Employer Housing Assistance Tax Credit

Many employers have been important partners in housing solutions, working to provide housing to their employees by buying homes and using them as rentals, acting as developers, or. However, there are limited options to provide incentives for their involvement. An employer-assisted housing tax credit would provide a one-time tax credit to employers who offset employee housing costs through rental vouchers, new development, rehabilitation, down payment programs, or other employee housing assistance. Eligible employees are employees whose income is equal to 120 percent or less of the area median income. A bill was drafted in 2019 (Draft 0440’19), and Representative Tristan Cole has verbally committed to sponsor. Co-sponsors are needed.

Homestead Exemption for Long-Term Rentals

Property owners who provide long-term rentals face the challenge of losing the homestead property tax exemption, resulting in high non-homestead tax bills that often make housing unaffordable to the workforce. This incentivizes some property owners to convert long-term rental units to short-term seasonal rentals which can often be much more lucrative than long-term rental units; and high tax bills discourage developers and potential landlords from

building or offering long-term rentals Even a partial homestead tax credit would incentivize second-home and residential property owners to keep workforce affordable units on the market. Representative Tristan Cole has verbally agreed to sponsor bills drafted in 2020 (drafts 06409'20 & 06409'20a). Co-sponsors are needed.

Regional Housing Authorities

The enormous demand for housing and high development costs mean that no matter how many development tools are created, there's still a need for additional revenue to support housing programs and needs. There are currently few options available to raise local revenue specifically for housing. Enabling the creation and use of regional housing authorities by multijurisdictional agreements would allow local units of government to formally cooperate in the interest of raising and administering local housing funds . Regional housing authorities would be able to levy taxes (if approved by a majority of voters in the affected municipalities), issue bonds, agree to development impact fees, and pledge funds for housing and homelessness-related services and programs. They could plan, finance, acquire, construct, repair, maintain, manage, and operate housing for low- to moderate-income earners, and "missing middle" housing and rental price ranges. These authorities have a precedent in laws that allow for local housing commissions (PA 18 of 1933) and public transit authorities (PA 196 of 1986); and there are also important similarities to regional housing authority structures authorized in Colorado, which have been active and successful in incentivizing, supporting, and developing workforce housing. Draft legislation is currently in progress.

Michigan Housing and Community Development Fund (Affordable Housing Trust Fund)

Michigan's Housing and Community Development Fund (MHCDF), established in 2008, was created to support the development and coordination of public and private resources to meet the affordable housing needs of low-income households and revitalize downtown areas and neighborhoods in Michigan. The MHCDF is designed to help fund housing for people with low and moderate incomes, people who are homeless, people with disabilities; and to fund downtown and neighborhood improvements to make them attractive places to live and do business.

The MHCDF is housed within the Michigan State Housing Development Authority (MSHDA). The MHCDF was funded for one year in 2008 as a general appropriation, but was subsequently cut by the legislature the following year. In 2012, $3.7 million from the Homeowner Protection Fund was allocated to the Michigan Housing and Community Development Fund for another round of one-time funding. Unfortunately, only nine projects out of the 65 submitted received funding due to the limited resources of the MHCDF. A larger and more stable funding source is needed in the state of Michigan in order to continue funding projects that serve to strengthen our neighborhoods and communities in a number of ways.

Forty-seven states and the District of Columbia have created housing trust funds. The most popular funding source is the real estate transfer tax, which is a tax that may be imposed by states, counties or municipalities on the transfer of the title of real property within the jurisdiction. Housing North recommends exploring, in place of a real estate transfer tax, a document recording fee, similar to a funding mechanism used in Ohio, which consists of a small, set fee charged upon the recording of a property sale or transfer.

Residential Facilities Exemption

Local governments currently have limited tools to offset taxes in housing development as a means to incentivize workforce housing. To expand the incentive toolbox, local officials have explored the creation of a "residential facilities exemption" to allow a temporary tax abatement on qualified new housing development in locally-established districts. The concept is based on the industrial facilities exemption currently allowed by the Plant Rehabilitation and Industrial Development Districts Act, PA 198 of 1974, which provides a tax incentive to manufacturers for certain qualifying industrial development. An Industrial Facilities Exemption (IFE) certificate grants a tax abatement for 1-12 years, as determined by the local unit of government. Applications are filed, reviewed and approved by the local unit of government, but are also subject to state review and approval.

With new legislation, a similar approach may be used to provide tax abatements for qualified residential facilities in districts as established by local governments, in order to enable renovation and expansion of aging residential units and assist in or encourage the building of new residential units in districts established by local governments. A bill is currently being draft; sponsors and co-sponsors are needed.