



Michigan Housing and Community Development Fund

Background

The Michigan Housing and Community Development Fund (HCDF), which is analogous to which other states call housing trust funds, was established in 2004. This amendment to the MSHDA Act (Public Act 480 of 2004) requires that MSHDA create and implement a program for coordinating public and private resources to meet the affordable housing needs of low income, very low income, and extremely low-income households in Michigan.

The HCDF requires MSHDA to develop an annual plan for the allocation of money from the fund, and that the plan must have a formula for distributing money throughout the state. The statute requires that 25% of the fund be used for rental housing for groups who do not qualify for other housing preferences and that 30% of the fund be targeted at homelessness, transitional housing, and permanent supportive housing.

The HCDF provides that once the two statutory earmarks are satisfied, that MSHDA has significant flexibility to finance activities related to the acquisition of land and buildings; rehabilitation; new construction; development and predevelopment costs; insurance; down payment assistance; and security deposit assistance in its efforts to support affordable housing.

One point of understanding about the creation of the HCDF, is that while the fund was created in 2004, a dedicated funding source was not attached as part of the enabling legislation. Therefore, while the HCDF has been around since 2004, it has only been funded on a few occasions.

Legislative History

In 2004, a bipartisan group of legislators led by Rep. Jerry Kooiman (R) created Michigan's Housing and Community Development Fund (HCDF), PA 480 of 2004. They envisioned a \$100 million-a-year fund that could leverage an additional \$280 million in private investment annually. According to a House Fiscal Analysis (<http://legislature.mi.gov/doc.aspx?2007-HB-4658>), It was anticipated that the fund would receive an annual appropriation, would create more than 6,000 jobs, and generate \$21 million in state and local taxes per year.

The Fund's purpose was to create vibrant cities, towns, and villages where people are invested in the future of their communities.

In 2008, Rep. Steve Tobocman (D) sponsored HB 4658 of 2007, and with the help of Sen. Mark Jansen (R), the Legislature amended the authorizing statute expanding eligible uses of the fund. (House 107-0, and the Senate 37-0). At the time of passage of HB 4658 (PA 216 of 2008) Michigan ranked 48th out of 50 states in spending on affordable housing.

Appropriations History

To date, there have been two appropriations totaling \$4.3 million in the FY 2007-08 and FY 2008-09 budgets, and in 2012, led by Sen. Mark Jansen (R), the Legislature, Attorney General Bill Schutte, and Gov. Rick Snyder established the Michigan Homeowner Protection Fund, which allocated another \$3.7 million from the National Mortgage Settlement to the HCDF.

Quick Read:

- The Housing and Community Development Fund (HCDF) is a bipartisan creation that allows MSHDA flexibility in awarding funds to promote affordable, attainable, and workforce housing.
- The HCDF has funded projects throughout the state.
- The HCDF has an existing statutory process for seeking public input and creating a competitive procedure for making grants and awards.
- The Fund leverages public and private dollars to get nontraditional projects off the ground.
- It is an incubator for innovation in housing.
- MSHDA has projected a 4:1 return for every dollar appropriated.
- In 2008, the Living in Michigan coalition annual report identified a 11:1 return for the HCDF - \$24 million investment leveraged from a \$2.1 million appropriation.
- Once the low-income assistance thresholds are met, MSHDA has flexibility in directing the remaining funds towards workforce and missing middle housing developments.
- 47 other states have housing and community development funds that have dedicated funding.

Frequently Asked Questions

1) What is the HCDF?

The HCDF stands for the “Housing and Community Development Fund.” It is a part of the MSHDA (Michigan State Housing Development Authority) Act, and it was created in 2004 as a bipartisan plan, Public Act 480 of 2004, Rep. Jerry Kooiman (R). The intent behind the HCDF was to create vibrant cities, towns, and villages where people are invested in the future of their communities.

2) What does the HCDF do?

The HCDF is designed to help MSHDA to coordinate public and private resources to meet the affordable housing needs of low income, very low income, and extremely low-income households in Michigan.

3) How much money is in the HCDF?

The HCDF does not have a dedicated funding source, therefore the current balance is zero.

4) How often has the HCDF been funded?

The HCDF has only twice received direct appropriations from the Legislature, FY 2007-08 and FY 2008-09, but it has not received any type of funding since it received a portion of the National Mortgage Settlement in 2012.

5) What is the funding plan for the HCDF?

Governor Whitmer, in her budget recommendation, has proposed \$10 million in funding for the HCDF. The Governor has also recommended that an additional \$100 million in American Rescue Plan Funding be appropriated to the HCDF.

6) What can you do with the money?

The HCDF has an existing statutory structure that requires that 25% of the funding be used to support rental housing for disadvantaged households not eligible for other types of support and that 30% be targeted to help with homelessness, transitional housing, and permanent supportive housing. After the two earmarks, MSHDA has flexibility in allocating the remaining 45% of the funding to improve housing in this state.

7) How does the HCDF work?

MSHDA must create a plan, using public input, to create a funding formula. The formula and the allocation plan will determine which funding requests are granted. The goal is to leverage other public and private funding and it is anticipated that there will be a 4:1 return on every dollar put into the HCDF.

8) Where in the state does the HCDF go?

The HCDF in the past has funded projects throughout the state. It is anticipated, that if funded, MSHDA will be able to make awards in all regions of the state.

9) Why fund the HCDF?

Michigan has a significant shortage of affordable housing options; this supply problem is so significant that to get the housing market back to normal we will need to coordinate both public and private actors. The HCDF is a source of flexible funding that will foster innovation and creative approaches to solving this supply problem.