

**SENATE BILL NO. 1326**

September 23, 1998, Introduced by Senators SCHUETTE, BULLARD, SHUGARS and SCHWARZ and referred to the Committee on Economic Development, International Trade and Regulatory Affairs.

A bill to create an urban homestead program for multifamily public housing; to provide that certain local governmental units, public housing entities, and certain state entities create and administer urban homestead programs for multifamily public housing; to prescribe the powers and duties of certain state and local governmental units, public housing entities, and nonprofit community organizations; and to provide for the disposition of personal and real property.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 1. This act shall be known and may be cited as the  
2 "urban homesteading in multifamily public housing act".

3       Sec. 2. As used in this act:

4       (a) "Homestead agreement" means a written contract between a  
5 resident organization or successor entity and a qualified buyer

1 that contains the terms under which the qualified buyer may  
2 acquire the public housing property.

3 (b) "Housing commission" means a housing commission or hous-  
4 ing authority as defined under section 3 of 1937 PA 293, MCL  
5 125.603.

6 (c) "Housing project" means that term as defined under  
7 section 3 of 1937 PA 293, MCL 125.603, that is not specifically  
8 designed for the elderly or handicapped or more than 50% occupied  
9 by the elderly or handicapped.

10 (d) "Michigan state housing development authority" means the  
11 Michigan state housing development authority created under sec-  
12 tion 21 of the state housing development authority act of 1966,  
13 1966 PA 346, MCL 125.1421.

14 (e) "Nonprofit community organization" means an organization  
15 exempt from taxation under section 501(c)(3) of the internal rev-  
16 enue code of 1986.

17 (f) "Qualified buyer" means a person who meets the criteria  
18 in section 6.

19 (g) "Qualified loan rate" means an interest rate not to  
20 exceed the interest rate charged for home improvement loans by  
21 the federal housing administration under title I of the national  
22 housing act, chapter 847, 48 Stat. 1246, 12 U.S.C. 1702, 1703,  
23 1705, and 1706b to 1706d.

24 (h) "Resident organization" means a group of residents of a  
25 specific housing project who contract with a housing commission  
26 to manage that housing project for not less than 5 years with the

1 intent to acquire legal ownership of the housing project under  
2 this act.

3       Sec. 3. By resolution, and subject to federal and state  
4 law, a housing commission may operate an urban homestead program  
5 for multifamily public housing to administer a homesteading pro-  
6 gram that makes multifamily public housing properties available  
7 to resident organizations and eligible buyers to purchase under  
8 this act.

9       Sec. 4. (1) A resident organization in a housing project  
10 that contracts with a housing commission to manage the housing  
11 project is eligible to acquire the housing project after not less  
12 than 5 years if the resident organization can demonstrate to the  
13 housing commission a successful record of management of the hous-  
14 ing project as determined by the housing commission.

15       (2) If a resident organization contracts with a housing com-  
16 mission under subsection (1), the housing commission shall pay  
17 all management fees that the housing commission receives for the  
18 housing project to the resident organization to manage the  
19 property.

20       (3) A resident organization that manages a housing project  
21 under contract with a housing commission may apply to the  
22 Michigan state housing development authority for grant funds up  
23 to \$250,000.00 for management training and counseling. Nonprofit  
24 community organizations and similar organizations are eligible to  
25 provide the management training and counseling.

26       Sec. 5. (1) If the housing commission determines that the  
27 resident organization has successfully managed the housing

1 project under this act, upon payment of fair market value, the  
2 housing commission shall transfer legal ownership to the resident  
3 organization. The resident organization shall hold legal owner-  
4 ship of the housing project in the form of a cooperative housing  
5 corporation or a condominium association.

6 (2) In consideration of the transfer of legal ownership, the  
7 resident organization shall pay the fair market value of the  
8 housing project to the housing commission.

9 (3) The Michigan state housing development authority shall  
10 make mortgage loans to resident organizations that qualify under  
11 this act to acquire multifamily public housing of up to 95% of  
12 the fair market value of the housing project. The remaining por-  
13 tion of the transfer price shall be provided by the resident  
14 organization from any legal source.

15 Sec. 6. An applicant who meets all the following criteria  
16 is eligible to enter into a homestead agreement to acquire public  
17 housing property as a qualified buyer under this act:

18 (a) The applicant or his or her spouse is employed and has  
19 been employed for the immediately preceding 12 months.

20 (b) The applicant or his or her spouse has not been con-  
21 victed of a drug related felony with the immediately preceding  
22 3-year period.

23 (c) All school age children of the applicant or his or her  
24 spouse who will reside in the multifamily public housing property  
25 attend school regularly.

26 (d) The applicant and his or her spouse have income below  
27 the median for the state of Michigan as determined by the United

1 States department of housing and urban development, for families  
2 with the same number of family members of the applicant and his  
3 or her spouse.

4       Sec. 7. (1) A qualified buyer may apply to the resident  
5 organization or successor entity to acquire the public housing  
6 property. The application shall be in a form and in a manner  
7 provided by the resident organization or successor entity. If  
8 the application is approved, the qualified buyer and the resident  
9 organization or successor entity shall enter into a homestead  
10 agreement for the public housing property. The resident organi-  
11 zation or successor entity may add additional terms and condi-  
12 tions to the homestead agreement.

13       (2) If the qualified buyer is in compliance with the terms  
14 of the homestead agreement and has lived in the property for not  
15 less than 5 years, or if the qualified buyer has resided in the  
16 multifamily public housing property before the resident organiza-  
17 tion or successor entity takes ownership under this act, resides  
18 in that property for not less than 5 years, meets the criteria in  
19 the homestead agreement, and has otherwise promptly met its  
20 financial obligations with the resident organization or successor  
21 entity, the resident organization or successor entity shall deed  
22 or cause to be deeded that public housing property occupied by  
23 the qualified buyer to the qualified buyer for fair market con-  
24 sideration as determined by the resident organization or succes-  
25 sor entity.

26       Sec. 8. The Michigan state housing development authority  
27 shall provide mortgage loans to qualified buyers who purchase

1 their unit in the multifamily public housing. Loans provided  
2 under this section shall be made at a rate of interest not to  
3 exceed the qualified rate. The loan agreement may contain addi-  
4 tional terms and conditions as determined by the Michigan state  
5 housing development authority.

6       Sec. 9. For 5 years after a qualified buyer takes ownership  
7 of a unit under this act, the resident organization or successor  
8 entity has a right of first refusal if the qualified buyer  
9 desires to sell his or her property acquired under this act.  
10 During the 5 year period, the resident organization or successor  
11 entity may repurchase the property at the same price for which  
12 the qualified buyer purchased the property if the qualified buyer  
13 sells the property.

14       Sec. 10. (1) Residents of the housing project who resided  
15 in the housing project before the resident organization or suc-  
16 cessor entity took legal ownership may continue to reside in the  
17 premises under the same terms and conditions as when the property  
18 was owned by the housing commission.

19       (2) The Michigan state housing development authority shall  
20 request the federal government to provide housing vouchers for  
21 residents who do not become owners.