

**SENATE BILL NO. 1331**

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; to provide that certain local governmental units, nonprofit community organizations, and certain state entities create and administer urban homestead programs; to prescribe the powers and duties of certain state and local governmental units; 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 homestead act".

3       Sec. 2. As used in this act:

4       (a) "Administrator" means the local governmental unit, a  
5 nonprofit community organization, or the Michigan state housing  
6 development authority under contract with that local governmental  
7 unit.

1 (b) "Local governmental unit" means a city, village,  
2 township, or county.

3 (c) "Michigan state housing development authority" means the  
4 Michigan state housing development authority created under sec-  
5 tion 21 of the state housing development authority act of 1966,  
6 1966 PA 346, MCL 125.1421.

7 (d) "Nonprofit community organization" means an organization  
8 exempt from taxation under section 501(c)(3) of the internal rev-  
9 enue code of 1986, that contracts with a local governmental unit  
10 to administer an urban homestead program under this act.

11 (e) "Qualified buyer" means a person who meets the criteria  
12 in section 4.

13 (f) "Qualified loan rate" means an interest rate not to  
14 exceed the interest rate charged for home improvement loans by  
15 the federal housing administration under title I of the national  
16 housing act, chapter 847, 48 Stat. 1246, 12 U.S.C. 1702, 1703,  
17 1705, and 1706b to 1706d.

18 (g) "Tax reverted property" means property conveyed to the  
19 local governmental unit for the nonpayment of property taxes  
20 under the general property tax act, 1853 PA 206, MCL 211.1 to  
21 211.157.

22 Sec. 3. By resolution, a local unit of government may oper-  
23 ate an urban homestead program or appoint a nonprofit community  
24 organization or the Michigan state housing development authority  
25 to administer an urban homestead program that makes tax reverted  
26 properties available to eligible buyers to rent and purchase  
27 under this act.

1       Sec. 4. An applicant that meets all the following criteria  
2 is eligible to rent and purchase tax reverted property as a qual-  
3 ified buyer under this act:

4       (a) That the applicant or his or her spouse is employed and  
5 has been employed for the immediately preceding 12 months.

6       (b) That the applicant or his or her spouse has not been  
7 convicted of a drug related felony with the immediately preceding  
8 3-year period as determined by the administrator.

9       (c) That all school age children of the applicant or his or  
10 her spouse who will reside in the tax reverted property attend  
11 school regularly as determined by the administrator.

12       (d) That the applicant and his or her spouse have income  
13 below the median for the state of Michigan as determined by the  
14 United States department of housing and urban development, for  
15 families with the same number of family members of the applicant  
16 and his or her spouse.

17       Sec. 5. (1) A qualified buyer may apply to the administra-  
18 tor to rent a tax reverted property in that local governmental  
19 unit. The application shall be in a form and in a manner pro-  
20 vided by the administrator. If the application is approved, the  
21 qualified buyer and administrator shall enter into a lease agree-  
22 ment for the tax reverted premises. The administrator may add  
23 additional terms and conditions to the lease agreement.

24       (2) The administrator shall charge the fair market rental  
25 value for the premises, as determined by an independent  
26 appraiser. The independent appraiser shall be paid by the  
27 administrator.

1       (3) The qualified buyer who is renting the tax reverted  
2 property is responsible for all taxes, utilities, and costs of  
3 improvements to the premises.

4       (4) If the qualified buyer is in compliance with the terms  
5 of the lease for not less than 5 years and the premises substan-  
6 tially complies with all building and housing codes, the adminis-  
7 trator shall deed or cause to be deeded that tax reverted prop-  
8 erty to the qualified buyer without additional consideration.

9       (5) If the premises are deeded to a qualified buyer under  
10 this act, the local governmental unit shall reimburse the county  
11 delinquent tax revolving fund created under section 87b of the  
12 general property tax act, 1893 PA 206, MCL 211.87b, for all pay-  
13 ments to the local governmental unit from that delinquent tax  
14 revolving fund for that tax reverted property.

15       Sec. 6. (1) If the local governmental unit acts as the  
16 administrator under this act, the rental receipts shall be depos-  
17 ited in a separate fund within the general fund of the local gov-  
18 ernmental unit. If the local governmental unit contracts with a  
19 nonprofit community organization to act as the administrator  
20 under this act, the rental receipts shall be deposited in a seg-  
21 regated escrow account in a financial institution located in this  
22 state. If the local governmental unit contracts with the  
23 Michigan state housing development authority to act as adminis-  
24 trator under this act, the rental receipts shall be deposited in  
25 a restricted account in the state general fund.

26       (2) Rental receipts deposited under subsection (1) shall be  
27 used to make loans to qualified buyers in that local governmental

1 unit for the improvement, repair, or rehabilitation of a tax  
2 reverted property. Loans shall be made for a term not to exceed  
3 10 years and at a rate of interest not to exceed the qualified  
4 loan rate. The loan agreement may contain additional terms and  
5 conditions as determined by the administrator.

6 (3) The administrator may solicit funds from any and all  
7 sources, both public and private, for deposit into the accounts  
8 and funds described in subsection (1).