

**SENATE BILL NO. 343**

February 23, 1999, Introduced by Senators SCHUETTE, PETERS, SIKKEMA, STEIL, SHUGARS, HAMMERSTROM, EMERSON and GOSCHKA and referred to the Committee on Economic Development, International Trade and Regulatory Affairs.

A bill to create an urban homestead program; to permit certain local governmental units, nonprofit community organizations, and state entities to create and administer urban homestead programs; to prescribe the powers and duties of certain state entities 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 a local governmental unit, or a  
5 nonprofit community organization or the Michigan state housing  
6 development authority under contract with a 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 with experience in housing issues and that con-  
10 tracts with a local governmental unit to administer an urban  
11 homestead program under this act.

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

14 (f) "Qualified loan rate" means an interest rate not to  
15 exceed the adjusted prime rate determined in section 23 of 1941  
16 PA 122, MCL 205.23, minus 1 percentage point as determined by the  
17 department of treasury.

18 Sec. 3. By resolution, a local governmental unit may oper-  
19 ate, or may contract with a nonprofit community organization or  
20 the Michigan state housing development authority to operate and  
21 administer, an urban homestead program that makes property avail-  
22 able to qualified buyers to rent and purchase under this act.

23 Sec. 4. An applicant that meets all the following criteria  
24 is eligible to rent and purchase property as a qualified buyer  
25 under this act:

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

1 (b) The applicant or his or her spouse has not been  
2 convicted of a felony within the immediately preceding 3-year  
3 period as determined by the administrator.

4 (c) All school age children of the applicant or his or her  
5 spouse who will reside in the property attend school regularly as  
6 determined by the administrator.

7 (d) The applicant and his or her spouse have income below  
8 the median for the state of Michigan, as determined by the United  
9 States department of housing and urban development for families  
10 with the same number of family members of the applicant and his  
11 or her spouse.

12 (e) The applicant and his or her spouse are drug free as  
13 determined by the administrator.

14 Sec. 5. (1) A qualified buyer may apply to the administra-  
15 tor to rent certain property in that local governmental unit.  
16 The application shall be in a form and in a manner provided by  
17 the administrator. If the application is approved, the qualified  
18 buyer and administrator shall enter into a lease agreement for  
19 the premises. The administrator may determine the terms and con-  
20 ditions of the lease agreement.

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

25 (3) The qualified buyer who is renting the property is  
26 responsible for all utilities and costs of improvements to the  
27 premises.

1       (4) If the qualified buyer is in substantial compliance with  
2 the terms of the lease for not less than 5 years and continues to  
3 meet the criteria in section 4, and the premises substantially  
4 comply with all building and housing codes, the administrator  
5 shall deed or cause to be deeded that property to the qualified  
6 buyer for \$1.00.

7       Sec. 6. (1) If the local governmental unit acts as the  
8 administrator under this act, the rental receipts shall be depos-  
9 ited in a separate fund within the general fund of the local gov-  
10 ernmental unit. If the local governmental unit contracts with a  
11 nonprofit community organization to act as the administrator  
12 under this act, the rental receipts shall be deposited in a seg-  
13 regated escrow account in a financial institution located in this  
14 state. If the local governmental unit contracts with the  
15 Michigan state housing development authority to act as adminis-  
16 trator under this act, the rental receipts shall be deposited in  
17 a restricted account in the state general fund.

18       (2) Rental receipts deposited under subsection (1) shall be  
19 used to make loans to qualified buyers in that local governmental  
20 unit for the improvement, repair, or rehabilitation of property  
21 in the urban homestead program. Loans shall be made for a term  
22 not to exceed 10 years and at a rate of interest not to exceed  
23 the qualified loan rate. The administrator may determine the  
24 terms and conditions of the loan agreement.

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

1       Sec. 7. Every 2 years, the administrator shall hire an  
2 independent auditor to audit the books and accounts of the urban  
3 homestead program operated by the administrator. Upon comple-  
4 tion, the audit report shall be made available to the public.