

SENATE BILL NO. 345

February 23, 1999, Introduced by Senators SCHUETTE, 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 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 the housing coopera-
5 tion law, 1937 PA 293, MCL 125.603.

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

11 (d) "Michigan state housing development authority" means the
12 Michigan state housing development authority created under sec-
13 tion 21 of the state housing development authority act of 1966,
14 1966 PA 346, MCL 125.1421.

15 (e) "Multifamily housing" means housing accommodations
16 designed as a residence for more than 1 family.

17 (f) "Nonprofit community organization" means an organization
18 exempt from taxation under section 501(c)(3) of the internal rev-
19 enue code of 1986 with experience in housing issues.

20 (g) "Qualified buyer" means a person who meets the criteria
21 in section 6.

22 (h) "Qualified loan rate" means an interest rate not to
23 exceed the adjusted prime rate determined in section 23 of 1941
24 PA 122, MCL 205.23, minus 1 percentage point as determined by the
25 department of treasury.

26 (i) "Resident organization" means a group of residents made
27 up of not less than 50% of total residents of the specific

1 housing project who contract with a housing commission to manage
2 that housing project for not less than 5 years with the intent to
3 acquire legal ownership of the housing project under this act.

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

10 Sec. 4. (1) A resident organization in a housing project
11 that contracts with a housing commission to manage the housing
12 project is eligible to acquire the housing project after not less
13 than 5 years if the resident organization can demonstrate to the
14 housing commission a successful record of management of the hous-
15 ing project as determined by the housing commission and each
16 member of the resident organization meets the criteria in section
17 6.

18 (2) If a resident organization contracts with a housing com-
19 mission under subsection (1), the housing commission shall pay
20 all management fees and operation subsidies that the housing com-
21 mission receives for the housing project to the resident organi-
22 zation to manage the property.

23 (3) A resident organization that manages a housing project
24 under contract with a housing commission may apply to the
25 Michigan state housing development authority for grant funds for
26 management training and counseling. Nonprofit community

1 organizations and similar organizations are eligible to provide
2 the management training and counseling.

3 Sec. 5. (1) If the housing commission determines that the
4 resident organization has successfully managed the housing
5 project under this act and that all the members of the resident
6 organization meet the criteria in section 6, the housing commis-
7 sion shall transfer legal ownership to the resident organization
8 for \$1.00. However, if the housing commission received federal
9 funds for which bonds or notes were issued and those bonds or
10 notes are outstanding for that housing project, the housing com-
11 mission shall transfer legal ownership to the resident organiza-
12 tion only upon payment of the bonded debt by the resident
13 organization. The housing commission shall obtain the appropri-
14 ate releases from the holders of the bonds or notes. The resi-
15 dent organization shall hold legal ownership of the housing
16 project in the form of a cooperative housing corporation or a
17 condominium association.

18 (2) The Michigan state housing development authority may
19 make mortgage loans to resident organizations that qualify under
20 this act to acquire multifamily public housing of up to 95% of
21 the bonded indebtedness of the housing project. The remaining
22 portion of the bonded indebtedness shall be provided by the resi-
23 dent organization from any legal source.

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

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

3 (b) The applicant or his or her spouse has not been con-
4 victed of a felony within the immediately preceding 3-year period
5 as determined by the resident organization.

6 (c) All school age children of the applicant or his or her
7 spouse who will reside in the multifamily public housing property
8 attend school regularly as determined by the resident
9 organization.

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

15 (e) The applicant and his or her spouse are drug free as
16 determined by the resident organization.

17 Sec. 7. (1) A qualified buyer may apply to the resident
18 organization or successor entity to acquire the public housing
19 unit in which the qualified buyer resides. The application shall
20 be in a form and in a manner provided by the resident organiza-
21 tion or successor entity. If the application is approved, the
22 qualified buyer and the resident organization or successor entity
23 shall enter into a homestead agreement for the public housing
24 property. The resident organization or successor entity shall
25 determine the terms and conditions of the homestead agreement.

26 (2) If the qualified buyer is in substantial compliance with
27 the terms of the homestead agreement and has lived in the

1 property for not less than 5 years, or if the qualified buyer has
2 resided in the multifamily public housing property before the
3 resident organization or successor entity takes ownership under
4 this act, resides in that property for not less than 5 years,
5 meets the criteria in the homestead agreement, continues to meet
6 the criteria in section 6, and has otherwise substantially met
7 its financial obligations with the resident organization or suc-
8 cessor entity, the resident organization or successor entity
9 shall transfer legal ownership to that public housing unit occu-
10 pied by the qualified buyer to the qualified buyer for \$1.00.
11 However, if the housing commission received federal funds for
12 which bonds or notes were issued and those bonds or notes were
13 paid off by the resident organization when it acquired legal
14 ownership, the resident organization shall transfer legal owner-
15 ship to the qualified buyer only upon payment of the pro rata
16 share of the bonded debt on that specific property by the quali-
17 fied buyer.

18 Sec. 8. The Michigan state housing development authority
19 may provide mortgage loans to qualified buyers who are required
20 to pay for their unit in the multifamily public housing. Loans
21 provided under this section shall be made at a rate of interest
22 not to exceed the qualified rate. The Michigan state housing
23 development authority shall determine the terms and conditions of
24 the loan agreement. Loans made by the Michigan state housing
25 development authority may be prepaid or paid off at any time
26 without penalty.

1 Sec. 9. For 5 years after a qualified buyer takes ownership
2 of a unit under this act, the resident organization or successor
3 entity has a right of first refusal if the qualified buyer
4 desires to sell his or her unit acquired under this act. During
5 the 5-year period, the resident organization or successor entity
6 may repurchase the unit at the fair market price if the qualified
7 buyer sells the unit. During the 5-year period, the qualified
8 buyer shall not rent out or lease his or her unit or allow any
9 other nonfamily member to reside in the unit.

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

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

18 Sec. 11. If a waiver of federal law, rule, or policy is
19 needed to implement this act, the housing commission, the
20 Michigan state housing development authority, and the resident
21 organization shall work together to obtain the appropriate waiv-
22 ers from the appropriate federal authorities.

23 Sec. 12. (1) Every 2 years, the housing commission shall
24 hire an independent auditor to audit the books and accounts of a
25 resident organization under a management contract to a housing
26 commission.

1 (2) Every 2 years, a resident organization that has taken
2 legal ownership of a housing project or property that previously
3 was a housing project shall hire an independent auditor to audit
4 the books and accounts of the resident organization.

5 (3) Upon completion, the audit reports described in this
6 section shall be made available to the public.