

SFA

BILL ANALYSIS

RECEIVED

Senate Fiscal Agency

• Lansing, Michigan 48909

• (517) 373-5383

JUN 13 1988

Mich. State Law Library

Senate Bill 835

Sponsor: Senator John F. Kelly

Committee: Education and Mental Health

Date Completed: 5-24-88

SUMMARY OF SENATE BILL 835 as introduced 4-28-88:

The bill would amend the State Housing Development Authority Act to empower the Authority to encourage, engage, or participate through grants, loans, and otherwise, in programs to rehabilitate and convert a sufficient number of State-owned properties, and suitable regional housing capable of conversion, into State early education and development academies (as proposed in Senate Bill 831).

The Authority would be required to use locationally superior, highest quality, nonoccupied State, city, or county residential property in which the State could exercise or receive an interest, or that was conveyed to it under the General Property Tax Act, to serve as the lead agency in implementing a rehabilitation program under which designated property in urban areas was converted to State early education and development academies. The Authority would have to conduct a survey to locate property suitable for this purpose.

Within 30 days after acquiring a designated property, the Authority would have to have an inspection of the property conducted to determine if it was practically and economically feasible to rehabilitate the property and convert it to an academy according to criteria developed by the Department of Social Services (DSS). The determination to acquire and designate a property would have to be made within 30 days after its inspection.

If the Authority, in consultation with the DSS, determined that a certain property could be rehabilitated and converted, the Authority would have to specify a sum to be allocated, as a grant or loan, for that purpose, or participate with the DSS in making financial resources available from a combination of sources or grants. The Authority would have to ensure that rehabilitation and conversion were completed in a manner that was economical and timely, but assured safety and accessibility. A completed academy could be transferred to the control of the local facilities board established by law or to a local school district, to be administered under a contract with the DSS.

The bill is tie-barred to Senate Bill 831.

MCL 125.1422

Legislative Analyst: S. Margules

FISCAL IMPACT

The bill would have an indeterminate impact on State and local government.

Many of the variables that would determine the fiscal impact are not known at this time, for example:

- The number of properties to be converted.
- The type of properties to be converted (commercial vs. residential).
- The Department of Social Services' criteria for the conversion.
- The location of the property (which affects labor hourly wages).
- The size and condition of the property to be converted.
- The size of the buildings to be converted.
- Whether the funds to convert would be allocated as a grant or a loan.

The Housing Authority estimated that the average cost of a "moderate rehabilitation" (not gutting and starting over) of a residential property would be between \$12 and \$18/square foot. For an 1800 square foot property, the range of the cost to convert would be \$21,600-\$32,400 per property converted.

The estimated average cost of a "substantial rehabilitation" (essentially gutting and starting over) of a residential property would be between \$25 and \$30/square foot. For an 1800 square foot property, the range of the cost to convert would be \$45,000-\$54,000 per property converted.

Since there are so many unknown variables at this time, the fiscal impact of this bill is indeterminate.

Fiscal Analyst: J. Schultz

8788 S835SA:S8788

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.