

Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA**BILL ANALYSIS**

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bills 528, 529, and 530 (as passed by the Senate)

Sponsor: Senator Leon Stille (S.B. 528)
Senator Loren Bennett (S.B. 529)
Senator Mike Rogers (S.B. 530)

Committee: Local, Urban and State Affairs

Date Completed: 3-26-98

RATIONALE

In an effort to reduce crime in high-risk neighborhoods, a number of local governments across the State have instituted community-based policing measures, such as locating a precinct station in a neighborhood to promote interaction between the police and residents. While these efforts have had some success, many residents and elected officials believe that a greater police presence would help to reduce crime in these neighborhoods. They contend that police officers who work in high-risk communities would have more influence if they lived in the neighborhood and felt that they had a stake in its revitalization. Consequently, some people propose offering zero-interest home loans and certain fee exemptions as inducements to police officers to purchase a home and move their families into the high-crime neighborhoods where they work.

CONTENT

Senate Bills 528 and 529 would amend the Michigan Vehicle Code to exempt a qualified police officer from having to pay a vehicle registration fee and an operator's or chauffeur's license application fee, respectively. Senate Bill 530 would amend the State Housing Development Authority to require the Authority to establish and implement a program to provide zero-interest loans to qualified law enforcement officers for the purchase of a home in a high-crime area.

Senate Bills 528, 529 and 530 would define "qualified police officer" as a person who met the following conditions: was employed as a police officer by the State or by a municipality (county, city, village, or township) in the State; lived in a high-crime area; worked as a police officer in the high-crime area where he or she lived; and, met

any other conditions as determined by the municipality where he or she lived. "High-crime area" would mean an area within a municipality that the Department of State Police determined was a high-crime area based on the State Police Uniform Crime Reporting Program statistics and other relevant factors after consultation with the municipality.

MCL 257.217 (S.B. 528)
257.307 (S.B. 529)
Proposed MCL 125.1446a (S.B. 530)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Home ownership by police in high-crime neighborhoods, as proposed in Senate Bill 530, is a small but growing element of community policing programs across the country. Communities that have established home ownership programs include Chicago, Sarasota, and Atlantic City. One of the first programs began in 1991 in Columbia, South Carolina, where the police department offers low-interest loans to an officer who is willing to live in a high-crime or deteriorating neighborhood. According to Columbia police officials, overall crime rates decreased 16% since 1991, and much of that drop is attributable to the home loan program. Five years after the program was established, 11 police officers had moved into some of the city's high-crime neighborhoods. Prior to the program, residents of these neighborhoods reportedly complained that the police weren't sensitive to the community's problems because the police didn't live in the neighborhood. The ongoing

presence of the police in these areas has helped sustain or renew stability to the communities. Residents apparently feel safer knowing that a police officer and his or her family live in the area and they believe that an officer's squad car in front of his or her house serves as a deterrent. In addition, the appearance of these neighborhoods has improved as houses once slated for demolition have been remodeled into attractive homes. The program also has changed the attitudes of the police who live in these neighborhoods because they no longer leave the area after their shift and consider the crime to be someone else's problem. Rather, the neighborhood is a place not only where the officer works, but also where the officer and his or her family live. In addition, the program gives young officers and their families the opportunity to buy a home years earlier than they could otherwise afford to do.

The desire to make high-crime neighborhoods safer also is the impetus behind the Officer Next Door Program, a Federal initiative that President Bill Clinton announced in June 1997. Under this program, certain properties owned by the Department of Housing and Urban Development (HUD) and located in revitalization areas, which include vacant and run down properties that have been selected by a local government for economic development efforts, are available at a 50% discount to law enforcement officers, governmental agencies, and nonprofit organizations. If an officer chooses to use an FHA-insured mortgage, the down payment is \$100. If a governmental agency or nonprofit organization is the purchaser, HUD expects the full discount to be passed on to the officer. Although not required, officers are encouraged to purchase a home in the community they serve. In addition, a officer must occupy the property as his or her principle residence for at least three years.

Response: According to a contact person for the HUD program in the Michigan State Police Department, he has received six inquiries from police officers from across the State who were referred to HUD offices in Detroit and Grand Rapids. According to HUD officials in Grand Rapids, they work with officials in that city as well as in Jackson, Lansing, and Muskegon Heights and notify them of HUD properties that are available in target areas. The local officials, such as the human resources directors in Jackson and Grand Rapids, then work with the local police departments. To date, one police officer was ready to sign a sales contract on a HUD home, but the sale was not completed because the officer could not obtain the necessary financing.

Opposing Argument

Proponents of the bills are asking police officers to put themselves and their families at risk merely for a free driver's license, a free car registration, and a zero-interest home loan. Problems found in high-crime areas are too complex to be solved just by having a police officer live in the neighborhood. Instead, efforts should be focused on the reasons for crime, such as drugs and poverty. If the State wants to address the problem of high-crime neighborhoods, it is not clear why the 1998-99 Executive Budget proposes eliminating \$10 million that is included in the current Department of Treasury budget to assist local law enforcement agencies with matching funds that are required for them to participate in a Federal community policing program. If there is to be a home-loan program, however, the following questions should be addressed: Would officers and their families have to reside at the dwelling for a minimum number of years, as required under the Federal program? What would be the "other conditions" that an officer would have to meet in order to qualify? What verification would the Secretary of State require as proof that a person was eligible for the free license or registration?

Legislative Analyst: L. Arasim

FISCAL IMPACT

Senate Bills 528 and 529

The fiscal impact of these provisions is indeterminate. Under the terms of the bills, the determination of a "high-crime area" would be made by the Department of State Police after consulting with the local municipality. Because these determinations have not yet been made it is not possible to estimate how many of the 20,000 statewide police officers currently live and work in high-crime areas. Also unknown is the number of police officers who would move into neighborhoods defined as high-crime areas after this program was implemented.

The average registration fee per vehicle for passenger vehicles is approximately \$58 per vehicle. Exempting "qualified police officers" from the requirement to pay a registration fee would result in a loss of revenue for the Michigan Transportation Fund.

The current driver's license application fee is \$12, payable every four years. Exempting qualified officers from this fee would result in a loss of

revenue for the General Fund and the Transportation Economic Development Fund.

Finally, in order to verify that someone was a qualified police officer, the Secretary of State would have to maintain a list of designated high-crime areas, and make that list available to its branch offices. It is difficult to estimate the costs of establishing and operating this new system.

Senate Bill 530

This bill would have an indeterminate fiscal impact on the Michigan State Housing Development Authority (MSHDA). First, because the determination of a "high-crime area" would be made by the Department of State Police in conjunction with local municipalities, it is not possible to identify the number of law enforcement officers who would be eligible for this program. It is estimated that there are approximately 20,000 State and local law enforcement officers, but without knowing the parameters of the affected areas, eligibility and participation rates cannot be calculated.

Second, other than the requirement that participants be employed as law enforcement officers, there would be no other restrictions placed on the zero-interest loan program. Under a similar program called the Single Family Home Mortgage Program, the lower-than-market interest rates available to eligible participants include purchase and income caps. Without the purchase price limits there is no way to calculate the loss of interest payments. It is important to note that there are Federal caps on income and purchase price limits that cannot be exceeded regardless of the state requirements. Additionally, the existing program is funded by the payments on interest, which pays for the debt service on the bonds sold to finance the program. It is estimated that MSHDA would lose a total of \$82,000 in interest payments over the life of a mortgage, on a \$60,000, 30-year fixed rate mortgage at 6.78% interest; similarly, an \$80,000, 30-year fixed-rate mortgage at the same interest rate would reduce revenue to the Authority by \$129,000 over the life of the mortgage. This bill does not indicate funding options for administration of this new program. According to MSHDA this could require an increase in interest rates on other subsidized loan programs available to individuals with low or moderate incomes.

Finally, the local MSHDA offices would need to track these designated areas, which would require the development and updating of some type of an

information sharing system that would assist MSHDA employees in identifying the eligible participants of this program. The cost of this system would vary depending on the size and number of regions designated high-crime area.

Fiscal Analyst: E. Limbs (S.B. 528 & 529)
P. Alderfer (S.B. 528)
M. Tyszkiewicz (S.B. 530)

A9798\S528A

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.