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SFA BILL ANALYSIS

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Senate Bill 1324 (Substitute S-1)
Senate Bill 1325 (as introduced 9-23-98)
Senate Bill 1326 (Substitute S-1)
Sponsor: Senator Bill Schuette
Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 12-2-98

CONTENT

Senate Bill 1324 (S-1) would create the "Urban Homesteading in Single-Family Public Housing Act", and Senate Bill 1326 (S-1) would create the "Urban Homesteading in Multifamily Public House Act", to authorize a housing commission or a nonprofit community organization to operate an urban homestead program that would make public housing available to qualified buyers and resident organizations. After five years, a qualified buyer or a resident organization could be eligible to acquire the property for $1 or the amount of Federal bonded indebtedness on the property. The Michigan State Housing Development Authority could make loans to qualified buyers and resident organizations.

Senate Bill 1325 would amend Public Act 18 of 1933 (which authorizes cities, villages, townships, and counties to purchase, construct, operate, and maintain housing facilities) to provide that a housing commission created under the Act would have to adopt rules establishing the operation of homesteading programs under the proposed Acts.

A more detailed description of Senate Bills 1324 (S-1) and 1326 (S-1) follows.

Senate Bill 1324 (S-1)

A housing commission or a nonprofit community organization appointed by the commission could, by resolution and subject to Federal and State law, operate an urban homestead program for single-family public housing to administer a homesteading program that made single-family public housing properties available to eligible buyers to purchase under the proposed Act. ("Housing commission" would mean a housing commission or housing authority as defined under the Housing Cooperation Law, which defines "housing commission" as any housing commission created under Public Act 18 of 1933. "Housing authority" means any housing authority organized as a corporate and political body that is created by any State law. "Nonprofit community organization" would mean an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code that contracted with a housing commission to administer an urban homesteading program for single-family public housing under the proposed Act. "Single-family housing" would mean "housing accommodations designed for not more than one family to reside".)

An applicant who met all of the following criteria would be eligible to enter into a homestead agreement:

- The applicant or his or her spouse was employed and had been employed for the immediately preceding 12 months.
- The applicant or his or her spouse had not been convicted of a drug-related felony within the immediately preceding three years.
- All school-age children of the applicant or his or her spouse who would reside in the single-

family public housing property attended school regularly.

-- The applicant and his or her spouse had income below the median for Michigan as determined by the U.S. Department of Housing and Urban Development, for families with the same number of members as the applicant and his or her spouse.

-- The applicant and his or her spouse were drug-free, as determined by the housing commission.

A qualified buyer could apply to the housing commission or nonprofit community organization appointed by the housing commission to acquire the single-family public housing property. If the application were approved, the qualified buyer and the housing commission or appointed organization would have to enter into a homestead agreement for the property. The commission or organization could add additional terms and conditions to the agreement.

The housing commission or nonprofit community organization would have to transfer legal ownership of that single-family public housing property to the qualified buyer for $1 if he or she complied with the agreement for at least five years, or had resided in the single-family public housing property before the commission or organization adopted the urban homesteading program, met the criteria in the agreement, continued to meet the criteria for a qualified buyer, and had otherwise promptly met his or her financial obligations with the commission. If the commission, however, received Federal funds for which bonds or notes were issued and those bonds or notes were outstanding for that housing project, the commission would have to transfer legal ownership to the qualified buyer only upon his or her payment of the pro rata share of the bonded debt on that specific property. The commission would have to obtain the appropriate releases from the holders of the bonds or notes.

The Michigan State Housing Development Authority (MSHDA) could provide loans to qualified buyers who were required to pay the pro rata share of the bonded debt on the single-family public housing. The rate of interest on these loans could not exceed the qualified rate (the rate charged for home improvement loans by the Federal Housing Administration). The loan agreement could contain additional terms and conditions as determined by MSHDA.

Every two years, the housing commission or the nonprofit community organization would have to hire an independent auditor to audit the books and accounts of the urban homestead program operated by the commission or organization. Upon completion, the audit report would have to be made available to the public.

Senate Bill 1326 (S-1)

Under the bill, a housing commission could, by resolution and subject to Federal and State law, operate an urban homestead program for multifamily public housing to administer a homesteading program that would make multifamily public housing properties available to resident organizations and qualified buyers to purchase. ("Housing commission" would mean a housing commission or housing authority as defined under the Housing Cooperation Law. "Resident organization" would mean a group of residents of a specific housing project who contracted with a housing commission to manage that housing project for at least five years with the intent to acquire legal ownership of the project". "Multifamily housing" would mean housing accommodations designed for more than one family to live in.)

A resident organization in a housing project that contracted with a housing commission to manage the housing project would be eligible to acquire the housing project after not less than five years, if the organization could demonstrate to the commission a successful record of management of the project, as determined by the commission. The commission would have to pay all management fees and operation subsidies that it received for the project to the resident organization to manage the property. The organization could apply to MSHDA for grant funds of up to $250,000 for management training and counseling, which could be provided by nonprofit community organizations and similar organizations.

If the housing commission determined that the resident organization had successfully managed the housing project, the commission would have to transfer legal ownership to the organization for $1. If the housing commission, however, received Federal funds for which bonds or notes were issued and those bonds or notes were outstanding for that housing project, the commission could transfer legal ownership to the resident organization only upon its payment of the bonded debt. The commission would have to obtain the appropriate releases from the holders of the bonds or notes. The organization would have to hold legal ownership of the project in the form of a cooperative housing corporation or a condominium association.

The Michigan State Housing Development Authority could make a mortgage loan to the resident organization of up to 95% of the bonded indebtedness of the housing project. The organization would have to provide the remaining portion of the bonded indebtedness from any legal source.

An applicant who met all of the following criteria would be eligible to enter into a homestead agreement to acquire public housing property as a qualified buyer:

-- The applicant or his or her spouse was employed and had been employed for the immediately preceding 12 months.
-- The applicant or his or her spouse had not been convicted of a drug-related felony within the immediately preceding three years.
-- All school-age children of the applicant or his or her spouse who would reside in the multifamily public housing property attended school regularly.
-- The applicant and his or her spouse had income below the median for Michigan as determined by the U.S. Department of Housing and Urban Development, for families with the same number of family members.
-- The applicant and his or her spouse were drug-free, as determined by the resident organization.

A qualified buyer could apply to the resident organization or successor organization to acquire the public housing property. If the application were approved, the qualified buyer and the organization would have to enter into a homestead agreement for the property. The organization could add terms and conditions to the agreement.

The resident organization would have to transfer legal ownership to the public housing property occupied by the qualified buyer to him or her for $1, if the buyer complied with the agreement and had lived in the property for at least five years, or had resided in the multifamily public housing property before the organization took ownership, resided in the property for at least five years, met the criteria in the agreement, continued to meet the criteria for a qualified buyer, and had otherwise promptly met its financial obligations with the organization. If the housing commission, however, received Federal funds for which bonds or notes were issued and those bonds or notes were paid off by the resident organization when it acquired legal ownership, the organization could transfer legal ownership to the qualified buyer only upon his or her payment of the pro rata share of the bonded debt on that specific property.

The Michigan State Housing Development Authority could provide mortgage loans to qualified buyers who purchased their unit in the multifamily public housing. The interest rate could not exceed the qualified rate, and the loan agreement could contain additional terms and conditions as determined by MSHDA.

For five years after a qualified buyer took ownership of a unit, the resident organization would have a right of first refusal if the buyer wanted to sell his or her property. During this period, the organization could repurchase the property at fair market price if the buyer sold the property.

Housing project residents who resided in the project before the resident organization took legal ownership could continue to reside in the premises under the same terms and conditions as when the property was owned by the housing commission. The Michigan State Housing Development

Authority would have to request the Federal government to provide housing vouchers for residents who did not become owners.

Every two years, the housing commission would have to hire an independent auditor to audit the books and accounts of a resident organization under a management contract to a housing commission. Every two years, a resident organization that had taken legal ownership of a housing project or property that previously was a housing project, would have to hire an independent auditor to audit the books and accounts of the resident organization. Upon completion, the audit reports would have to be made available to the public.

MCL 125.694b (S.B. 1325) Legislative Analyst: S. Lowe

FISCAL IMPACT

Senate Bill 1324 (S-1)

Local units that participated in urban homesteading would incur costs.

Senate Bill 1325

The bill would have no fiscal impact on State or local government.

Senate Bill 1326 (S-1)

The bill would have a fiscal impact on the Michigan State Housing Development Authority. First, the bill would create a new grant program under which grants up to $250,000 could be provided to resident organizations, contracting to manage a housing project, for management training and counseling. As there is no additional funding being made available for these grants, existing resources would have to be used. Also, the bill would require MSHDA to request housing vouchers from the Federal government for residents who did not become owners. This could result in the administration of a separate voucher system for individuals residing in these units. Local units that participated in urban homesteading would incur costs.

Fiscal Analyst: R. Ross
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