

**SUBSTITUTE FOR
HOUSE BILL NO. 4509**

A bill to create an urban homestead program for multifamily public housing; to provide that certain local governmental units and public housing entities create and administer urban homestead programs for multifamily public housing; to prescribe the powers and duties of certain state and local governmental units and public housing entities; 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) "Applicant" means an individual and the spouse of that
5 individual if that spouse intends to occupy the property with the
6 individual.

1 (b) "Homestead agreement" means a written contract between a
2 resident organization or successor entity and a qualified buyer
3 that contains the terms under which the qualified buyer may
4 acquire the public housing property.

5 (c) "Housing commission" means a housing commission or hous-
6 ing authority as defined under section 3 of the housing coopera-
7 tion law, 1937 PA 293, MCL 125.603.

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

13 (e) "Local governmental unit" means a county, city, village,
14 or township.

15 (f) "Michigan state housing development authority" means the
16 Michigan state housing development authority created under sec-
17 tion 21 of the state housing development authority act of 1966,
18 1966 PA 346, MCL 125.1421.

19 (g) "Multifamily housing" means housing accommodations
20 designed as a residence for more than 1 family.

21 (h) "Nonprofit community organization" means an organization
22 exempt from taxation under section 501(c)(3) of the internal rev-
23 enue code of 1986 with experience in housing issues.

24 (i) "Qualified buyer" means an applicant who meets the cri-
25 teria in section 6.

26 (j) "Qualified loan rate" means an interest rate not to
27 exceed the adjusted prime rate determined in section 23 of 1941

1 PA 122, MCL 205.23, minus 1 percentage point as determined by the
2 department of treasury.

3 (k) "Resident organization" means a group of residents made
4 up of not less than 50% of total residents of the specific hous-
5 ing project who contract with a housing commission to manage that
6 housing project for not less than 5 years with the intent to
7 acquire legal ownership of the housing project under this act.

8 Sec. 3. By resolution, and subject to federal and state
9 law, a local governmental unit may authorize a housing commission
10 within that local governmental unit to operate an urban homestead
11 program in multifamily public housing to administer a homestead-
12 ing program that makes multifamily public housing properties
13 available to resident organizations and qualified buyers to pur-
14 chase under this act. In the resolution, the local governmental
15 unit shall also provide an appeals process to applicants and
16 qualified buyers who are adversely affected by a decision of the
17 housing commission or resident organization.

18 Sec. 4. (1) A resident organization in a housing project
19 that contracts with a housing commission to manage the housing
20 project shall acquire the housing project after not less than 5
21 years if the resident organization successfully manages the hous-
22 ing project and each member of the resident organization meets
23 the criteria in section 6.

24 (2) If a resident organization contracts with a housing com-
25 mission under subsection (1), the housing commission shall pay
26 all management fees and operation subsidies that the housing

1 commission receives for the housing project to the resident
2 organization to manage the property.

3 (3) A resident organization that manages a housing project
4 under contract with a housing commission may apply to the
5 Michigan state housing development authority for grant funds for
6 management training and counseling. Nonprofit community organi-
7 zations and similar organizations are eligible to provide the
8 management training and counseling.

9 Sec. 5. (1) If the resident organization has successfully
10 managed the housing project under this act and each member of the
11 resident organization meets the criteria in section 6, the hous-
12 ing commission shall transfer legal ownership to the resident
13 organization for \$1.00. However, if the housing commission
14 received federal funds for which bonds or notes were issued and
15 those bonds or notes are outstanding for that housing project,
16 the housing commission shall transfer legal ownership to the res-
17 ident organization within 60 days of payment of the bonded debt
18 by the resident organization. The housing commission shall
19 obtain the appropriate releases from the holders of the bonds or
20 notes. The resident organization shall hold legal ownership of
21 the housing project in the form of a cooperative housing corpora-
22 tion or a condominium association.

23 (2) The Michigan state housing development authority may
24 make mortgage loans to resident organizations that qualify under
25 this act to acquire multifamily public housing of up to 95% of
26 the bonded indebtedness of the housing project. The remaining

1 portion of the bonded indebtedness shall be provided by the
2 resident organization from any legal source.

3 Sec. 6. (1) An applicant who meets all the following cri-
4 teria is eligible to enter into a homestead agreement to acquire
5 public housing property as a qualified buyer under this act:

6 (a) The applicant is employed and has been employed for the
7 immediately preceding 1-year period or is otherwise able to meet
8 the financial commitments under this act as determined by the
9 resident organization.

10 (b) The applicant does not meet any of the following
11 criteria:

12 (i) The applicant has been sentenced or imprisoned within
13 the immediately preceding 1-year period for a felony conviction.

14 (ii) The applicant is currently on probation or parole for a
15 felony conviction.

16 (iii) The applicant has been sentenced, imprisoned, on pro-
17 bation, or on parole in the immediately preceding 5-year period
18 for a felony violation of section 7401, 7401a, 7402, 7410, or
19 7410a of the public health code, 1978 PA 368, MCL 333.7401,
20 333.7401a, 333.7402, 333.7410, and 333.7410a.

21 (iv) The applicant has been convicted of a violation or
22 attempted violation of section 520b, 520c, 520d, or 520g of the
23 Michigan penal code, 1931 PA 328, MCL 750.520b, 750.520c,
24 750.520d, and 750.520g.

25 (c) All school age children of the applicant who will reside
26 in the multifamily public housing property attend school
27 regularly. A child who has more than 10 unexcused absences per

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1 semester as determined by the local school or appropriate
2 governing body is not considered to be attending school
3 regularly.

4 (d) The applicant has income below the median for the state
5 of Michigan as determined by the United States department of
6 housing and urban development, for families with the same number
7 of family members of the applicant.

8 (e) The applicant is drug free as determined by the resident
9 organization.

10 (f) The applicant agrees to file an affidavit each year cer-
11 tifying that they meet the criteria described in this act,
12 excluding subdivision (d).

13 (g) The applicant meets all other criteria as determined by
14 the housing commission operating the program.

[(h) That all occupants of the premises meet the criteria under
this subsection.]

15 (2) The housing commission may require substance abuse test-
16 ing of an applicant as a condition of entering into a homestead
17 agreement. If the applicant tests positive for substance abuse,
18 then that individual shall enter into a substance abuse treatment
19 program, as determined by the housing commission. The continuing
20 substance abuse treatment and successful completion shall be part
21 of the homestead agreement. The housing commission may contract
22 with and seek assistance from the local governmental unit, this
23 state, the department of community health, or any other entity to
24 implement this subsection.

25 (3) An applicant who has 1 or more school age children
26 described in subsection (1)(c), shall provide verification of
27 school attendance each semester.

1 Sec. 7. (1) A qualified buyer may apply to the resident
2 organization or successor entity to acquire the public housing
3 unit in which the qualified buyer resides. The application shall
4 be in a form and in a manner provided by the resident organiza-
5 tion or successor entity. If the application is approved, the
6 qualified buyer and the resident organization or successor entity
7 shall enter into a homestead agreement for the public housing
8 property. Except as provided in subsection (2), the resident
9 organization or successor entity shall determine the terms and
10 conditions of the homestead agreement.

11 (2) The lease agreement shall provide that if the qualified
12 buyer is convicted of a felony during the term of the homestead
13 agreement, then the homestead agreement is automatically termi-
14 nated 60 days after the conviction.

15 (3) If the qualified buyer is in substantial compliance with
16 the terms of the homestead agreement and has lived in the prop-
17 erty for not less than 5 years, or if the qualified buyer has
18 resided in the multifamily public housing property before the
19 resident organization or successor entity takes ownership under
20 this act, resides in that property for not less than 5 years,
21 meets the criteria in the homestead agreement, continues to meet
22 the criteria in section 6(1)(a), (b), (c), (e), (f), and (g), and
23 has otherwise substantially met its financial obligations with
24 the resident organization or successor entity, the resident
25 organization or successor entity shall transfer legal ownership
26 to that public housing unit occupied by the qualified buyer to
27 the qualified buyer for \$1.00. However, if the housing

1 commission received federal funds for which bonds or notes were
2 issued and those bonds or notes were paid off by the resident
3 organization when it acquired legal ownership, the resident
4 organization shall transfer legal ownership to the qualified
5 buyer within 60 days of payment of the pro rata share of the
6 bonded debt on that specific property by the qualified buyer.

7 (4) As a condition of receiving ownership of the property
8 under this section, the qualified buyer shall maintain and regu-
9 larly fund an escrow account with the resident organization for
10 the payment of property taxes and insurance on the property.

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

20 Sec. 9. For 5 years after a qualified buyer takes ownership
21 of a unit under this act, the resident organization or successor
22 entity has a right of first refusal if the qualified buyer
23 desires to sell his or her unit acquired under this act. During
24 the 5-year period, the resident organization or successor entity
25 may repurchase the unit at the fair market price if the qualified
26 buyer sells the unit. During the 5-year period, the qualified

1 buyer shall not rent out or lease his or her unit or allow any
2 other nonfamily member to reside in the unit.

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

8 (2) The Michigan state housing development authority may
9 request the federal government to provide housing vouchers for
10 residents who do not become owners.

11 Sec. 11. If a waiver of federal law, rule, or policy is
12 needed to implement this act, the housing commission, the
13 Michigan state housing development authority, and the resident
14 organization may work together to obtain the appropriate waivers
15 from the appropriate federal authorities.

16 Sec. 12. The powers of a local governmental unit prescribed
17 in this act are in addition to any other powers provided by law
18 or charter.

19 Sec. 13. (1) Not less than every 2 years, the housing com-
20 mission shall hire an independent auditor to audit the books and
21 accounts of a resident organization under a management contract
22 to a housing commission.

23 (2) Not less than every 2 years, a resident organization
24 that has taken legal ownership of a housing project or property
25 that previously was a housing project shall hire an independent
26 auditor to audit the books and accounts of the resident
27 organization.

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

3 Sec. 14. A qualified buyer eligible for and participating
4 in the urban homestead program shall be allowed the opportunity
5 to make up any late or delinquent rent due. The administrator
6 shall notify the individual of the arrearage and determine a pay-
7 ment schedule to make up past due rent.