

**HOUSE SUBSTITUTE FOR
SENATE BILL NO. 343**

A bill to create an urban homestead program; to permit certain local governmental units or nonprofit community organizations to create and administer urban homestead programs; to prescribe the powers and duties of certain state entitles and local governmental units; 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 homestead act".

3 Sec. 2. As used in this act:

4 (a) "Administrator" means a local governmental unit, or a
5 nonprofit community organization under contract with a local gov-
6 ernmental unit.

1 (b) "Applicant" means an individual and the spouse of that
2 individual if that spouse intends to occupy the property with the
3 individual.

4 (c) "Local governmental unit" means a county, city, village,
5 or township.

6 (d) "Nonprofit community organization" means an organization
7 exempt from taxation under section 501(c)(3) of the internal rev-
8 enue code of 1986 with experience in housing issues and that con-
9 tracts with a local governmental unit to administer an urban
10 homestead program under this act.

11 (e) "Qualified buyer" means an applicant who meets the cri-
12 teria in section 4.

13 (f) "Qualified loan rate" means an interest rate not to
14 exceed the adjusted prime rate determined in section 23 of 1941
15 PA 122, MCL 205.23, minus 1 percentage point as determined by the
16 department of treasury.

17 Sec. 3. By resolution, a local governmental unit may oper-
18 ate, or may contract with a nonprofit community organization to
19 operate and administer, an urban homestead program that makes
20 property available to qualified buyers to rent and purchase under
21 this act. In the resolution, the local governmental unit shall
22 designate whether the local governmental unit or the nonprofit
23 community organization shall be the administrator under this
24 act. In the resolution, the local governmental unit shall also
25 provide an appeals process to applicants and qualified buyers who
26 are adversely affected by a decision of the administrator.

1 Sec. 4. (1) An applicant that meets all the following
2 criteria is eligible to rent and purchase property as a qualified
3 buyer under this act:

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

8 (b) The applicant does not meet any of the following
9 criteria:

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

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

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

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

23 (c) All school age children of the applicant who will reside
24 in the property attend school regularly. A child who has more
25 than 10 unexcused absences per semester as determined by the
26 local school or appropriate governing body is not considered to
27 be attending school regularly.

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

5 (e) The applicant is drug free as determined by the
6 administrator.

7 (f) That the applicant agrees to file an affidavit each year
8 certifying that they meet the criteria described in this act,
9 excluding subdivision (d).

10 (g) The applicant meets all other criteria as determined by
11 the administrator.

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

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

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

25 Sec. 5. (1) A qualified buyer may apply to the administra-
26 tor to rent certain property in that local governmental unit.
27 The application shall be in a form and in a manner provided by

1 the administrator. If the application is approved, the qualified
2 buyer and administrator shall enter into a lease agreement for
3 the premises. Except as provided in subsection (2), the adminis-
4 trator shall determine the terms and conditions of the lease
5 agreement.

6 (2) The lease agreement shall provide that if the applicant
7 is convicted of a felony during the term of the lease agreement,
8 then the lease agreement is automatically terminated 60 days
9 after the conviction.

10 (3) The administrator shall charge not more than 90% of the
11 fair market rental value for the premises. The administrator has
12 the authority to determine rent based on factors such as income,
13 number of dependents, and condition of the property.

14 (4) The qualified buyer who is renting the property is
15 responsible for all utilities and costs of improvements to the
16 premises.

17 (5) If the qualified buyer is in substantial compliance with
18 the terms of the lease for not less than 5 years and continues to
19 meet the criteria in section 4(1)(a), (b), (c), (e), (f), and
20 (g), and the premises substantially comply with all building and
21 housing codes, the administrator shall deed or cause to be deeded
22 that property to the qualified buyer for \$1.00.

23 (6) As a condition of receiving ownership of the property
24 under this section, the qualified buyer shall maintain and regu-
25 larly fund an escrow account with the administrator for the pay-
26 ment of property taxes and insurance on the property.

1 Sec. 6. (1) If the local governmental unit acts as the
2 administrator under this act, the rental receipts shall be
3 deposited in a separate fund within the general fund of the local
4 governmental unit. If the local governmental unit contracts with
5 a nonprofit community organization to act as the administrator
6 under this act, the rental receipts shall be deposited in a seg-
7 regated escrow account in a financial institution located in this
8 state.

9 (2) Rental receipts deposited under subsection (1) shall be
10 used to make loans to qualified buyers in that local governmental
11 unit for the improvement, repair, or rehabilitation of property
12 in the urban homestead program, pay the costs of the audit under
13 section 8, and may pay the costs associated with administering
14 the provisions of section 4. Loans shall be made for a term not
15 to exceed 10 years and at a rate of interest not to exceed the
16 qualified loan rate. The administrator shall determine the terms
17 and conditions of the loan agreement.

18 (3) The administrator may solicit funds from any and all
19 sources, both public and private, for deposit into the accounts
20 and funds described in subsection (1).

21 Sec. 7. The powers of a local governmental unit prescribed
22 in this act are in addition to any other powers provided by law
23 or charter.

24 Sec. 8. Not less than every 2 years, the administrator
25 shall hire an independent auditor to audit the books and accounts
26 of the urban homestead program operated by the administrator.

SB0343, As Passed House, June 1, 1999

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1 Upon completion, the audit report shall be made available to the
2 public.

3 Sec. 9. A qualified buyer eligible for and participating in
4 the urban homestead program shall be allowed the opportunity to
5 make up any late or delinquent rent due. The administrator shall
6 notify the individual of the arrearage and determine a payment
7 schedule to make up past due rent.