



Senate Fiscal Agency
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Senate Bill 692 (Substitute S-1 as passed by the Senate)
Sponsor: Senator Dale W. Zorn
Committee: Local Government

Date Completed: 4-3-20

RATIONALE

Currently, in many municipalities, when the ownership of a rental property is transferred from one entity to another, the property must be reinspected and recertified, and any applicable fees must be paid, even if the same individual controls both entities. As a result, a property owner who transfers a certified and code-compliant property from personal ownership to a limited liability company, individual retirement account, or a trust must have the property reinspected and recertified, at what some say is a considerable cost, even if the property was recently certified. To address this issue, it has been suggested that, for the purposes of the Housing Law of Michigan, a transfer of ownership should not constitute a change of ownership under certain circumstances.

CONTENT

The bill would amend Article 7 (Enforcement) of the Housing Law of Michigan to specify that a transfer of ownership would not constitute a change of ownership if both of the following applied:

- **The transferring party and receiving party were the same or otherwise both under common control.**
- **The property was inspected in accordance with the Law during the two-year period immediately preceding the date of the transfer or a longer period, if previously determined by a local municipality inspection ordinance.**

Under the Law, an enforcing agency may maintain a registry of owners and premises regulated by the Law. If it does so, the owner of multiple dwelling or rooming house containing units that will be offered to let, or to hire, for more than six months of a calendar year, must register the following information with the enforcing agency:

- The owner's name.
- The address of the owner's residence or usual place of business
- The location of the multiple dwelling or rooming house.

If the premises are managed or operated by an agent, the agent's name and place of business must be entered with the name of the owner in the registry.

The bill species that a transfer of ownership to another person would not be a change of ownership if the owner, owners, trustors, grantors, or members of the transferring person were the same as the owner, owners, trustees, grantees, or members of the recipient person, or both the transferring person and recipient person were under common control, and the property to be transferred was inspected in accordance with the Act during a two-year period immediately preceding the date of transfer or a longer period, if previously determined by a local municipality inspection ordinance.

"Person" would mean an individual or corporation, limited liability company, partnership, limited liability limited partnership, trust, individual retirement account, or other legal person recognized in the State.

(Under the Law, "multiple dwelling" means a dwelling occupied otherwise than as a private dwelling or two family dwelling. Multiple dwelling are divided into either class a, which are occupied more or less permanently and in which the rooms allow for cooking, kitchen, and toilet accommodations, such as apartment buildings; or class b, which are occupied, as a rule, transiently, and generally without any attempt to provide cooking or kitchen accommodations, such as hotels or boarding houses. Generally, a "rooming house" means a dwelling occupied in such a manner that certain rooms in excess of those used by the members of the immediate family and occupied as a home or family unit, are leased or rented to individuals outside of the family without an attempt to provide cooking or kitchen accommodations for individuals leasing or renting rooms.)

MCL 125.525

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

The nominal transfer of a certified and code-compliant rental property does not change the property's underlying characteristics, as the owner, tenants, and the property itself remain the same. Nonetheless, some municipalities consider the transfer to be a change of ownership and require fees for reinspection and recertification. This is true even if the inspection and certification process was completed recently (i.e., within the preceding two years). The bill would prohibit municipalities from engaging in this practice, which would protect property owners from redundant fees.

Legislative Analyst: Dana Adams

FISCAL IMPACT

The bill would have no fiscal impact on the State and would have an indeterminate fiscal impact on local governments. The bill's provisions would allow certain local governments to increase the interval between certain inspections, which would allow for fewer total inspections. Local units that chose not to conduct inspections likely would receive less revenue and would incur fewer expenses. Given that the Law requires inspection fees to be reasonable and that they not exceed the actual cost of the inspection, the net impact likely would be approximately zero.

Fiscal Analyst: Ryan Bergan

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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.