Legislative Analysis

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TRANSFER OF RENTAL PROPERTY

Senate Bill 16 (S-1) as passed by the Senate
Sponsor: Sen. Dale Zorn
House Committee: Local Government and Municipal Finance
Senate Committee: Local Government
Complete to 2-13-21

SUMMARY:

Senate Bill 16 would amend the Housing Law of Michigan to provide that a transfer of rental property between two entities under common ownership or control is not a change of ownership for purposes of the act if the property was inspected within a certain period of time before the transfer.

The Housing Law of Michigan establishes minimal standards for the physical condition of multi-family rental housing units in cities, villages, and townships with a population of 10,000 or more.[1] The act mandates enforcement of these standards and assigns responsibility for enforcement to local governments.

Section 126 of the act provides, among other things, that a local government is not required to inspect rental property unless the local unit gets a complaint from a tenant that the act is being violated. Subject to that provision, a local government must inspect property regulated under the act in accordance with the act and in a manner that is both appropriate to the needs of the community and determined best to secure compliance with the act. This might include (but is not limited to) conducting inspections on one or more of the following bases:

- A complaint basis, where property that is the subject of a complaint of violation is inspected in a reasonable time.
- An area basis, where all the regulated property in a predetermined geographical area is inspected simultaneously or in a short period of time.
- A recurrent violation basis, where property that has a high incidence of recurrent or uncorrected violations is inspected more frequently.
- A compliance basis, where property brought into compliance before expiration of a certificate of compliance or a requested repair order may be issued a certificate of compliance for the maximum renewal certification period authorized by the local government.
- A percentage basis, where a local government establishes a percentage of units in a multiple dwelling (e.g., an apartment building) to be inspected to issue a certificate of compliance for the multiple dwelling.

Both of the following apply if a local unit of government inspects property on an area, recurrent violation, compliance, or percentage basis:

- The maximum period between inspections of a rental property is six years—as long as the property's most recent inspection found no violations of the act and the property

[1] However, the act does not apply to private dwellings and two-family dwellings in a city, village, or township with a population of less than 100,000 unless the local government's legislative body adopts its provisions by resolution.

has not changed ownership during the six-year period. Otherwise, the period between inspections cannot be longer than four years.

- All other dwellings regulated by the act may be inspected at reasonable intervals.

The bill would amend section 125 (which allows local governments to keep ownership registries) to provide that a transfer of ownership to another ***person*** is not a change of ownership for purposes of the act if the property was inspected in accordance with the act in the previous two years (or a longer period specified by ordinance) and either of the following applies:

- The owners, trustors, grantors, or members of the transferring person are the same as the owners, trustees, grantees, or members of the recipient person.
- Both the transferring person and the recipient person are under common control.

Person[2] would mean an individual or a corporation, limited liability company, partnership, limited partnership, limited liability partnership, limited liability limited partnership, trust, individual retirement account, or other legal person recognized in Michigan.

The bill would take effect 90 days after its enactment.

MCL 125.525

BACKGROUND:

Senate Bill 16 is substantively the same as SB 692 of the 2019-20 legislative session. That bill was passed by the legislature and enrolled, but was pocket vetoed on January 4, 2021.[3]

FISCAL IMPACT:

The bill would have an indeterminate, but likely negligible, fiscal impact on local units of government. Fewer inspections would result in less revenue. However, the act requires that the fees charged for an inspection shall not exceed the actual, reasonable cost of providing the inspection. Therefore, while the bill would result in less revenue from inspections, it would also result in a corresponding reduction in costs. The bill would have no fiscal impact on state government.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

[2] Section 2 of the act provides that ***person***, as used in the act, includes a corporation as well as a natural person (i.e., an individual).

[3] If the governor does not sign a bill within 14 days after getting it and the legislature has adjourned for the legislative session, that bill cannot take effect and is said to have been "pocket vetoed." The term dates from the nineteenth century and is based on the metaphor of putting a bill in a pocket rather than either signing it into law or returning it unsigned as a regular veto. Unlike a regular veto, a pocket veto does not oblige the governor to provide the legislature with his or her objections to the bill.