# URBAN HOMESTEAD ACT

## Act 127 of 1999

AN ACT 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 entities and local governmental units; and to provide for the disposition of personal and real property.

**History:** 1999, Act 127, Imd. Eff. July 23, 1999
**Popular Name:** Homesteading

*The People of the State of Michigan enact:*

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### 125.2701 Short title.

Sec. 1.

This act shall be known and may be cited as the "urban homestead act".

**History:** 1999, Act 127, Imd. Eff. July 23, 1999
**Popular Name:** Homesteading

### 125.2702 Definitions.

Sec. 2.

As used in this act:

(a) "Administrator" means a local governmental unit, or a nonprofit community organization under contract with a local governmental unit.

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

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

(d) "Nonprofit community organization" means an organization exempt from taxation under section 501(c)(3) of the internal revenue code of 1986 with experience in housing issues and that contracts with a local governmental unit to administer an urban homestead program under this act.

(e) "Qualified buyer" means an applicant who meets the criteria in section 4.

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

**History:** 1999, Act 127, Imd. Eff. July 23, 1999
**Popular Name:** Homesteading

### 125.2703 Urban homestead program; availability of property to qualified buyers; resolution; designation of administrator by local government; appeals process to applicants and buyers.

Sec. 3.

By resolution, a local governmental unit may operate, or may contract with a nonprofit community organization

to operate and administer, an urban homestead program that makes property available to qualified buyers to rent and purchase under this act. In the resolution, the local governmental unit shall designate whether the local governmental unit or the nonprofit community organization shall be the administrator under this act. In the resolution, the local governmental unit shall also provide an appeals process to applicants and qualified buyers who are adversely affected by a decision of the administrator.

**History:** 1999, Act 127, Imd. Eff. July 23, 1999
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**125.2704 Eligibility of applicant to rent and purchase property; criteria; substance abuse testing; verification of school attendance.**

Sec. 4.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**History:** 1999, Act 127, Imd. Eff. July 23, 1999
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**125.2705 Application to rent property; lease agreement; provisions; conditions for deeding property.**

Sec. 5.

(1) A qualified buyer may apply to the administrator to rent certain property in that local governmental unit. The

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application shall be in a form and in a manner provided by the administrator. If the application is approved, the qualified buyer and administrator shall enter into a lease agreement for the premises. Except as provided in subsection (2), the administrator shall determine the terms and conditions of the lease agreement.

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

(3) The administrator shall charge not more than 100% or less than 80% of the fair market rental value for the premises. The administrator has the authority to determine rent based on factors such as income, number of dependents, and condition of the property.

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

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

(6) As a condition of receiving ownership of the property under this section, the qualified buyer shall maintain and regularly fund an escrow account with the administrator for the payment of property taxes and insurance on the property.

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**125.2706 Disposition of rent receipts.**

Sec. 6.

(1) If the local governmental unit acts as the administrator under this act, the rental receipts shall be deposited in a separate fund within the general fund of the local governmental unit. If the local governmental unit contracts with a nonprofit community organization to act as the administrator under this act, the rental receipts shall be deposited in a segregated escrow account in a financial institution located in this state.

(2) Rental receipts deposited under subsection (1) shall be used to make loans to qualified buyers in that local governmental unit for the improvement, repair, or rehabilitation of property in the urban homestead program, pay the costs of the audit under section 8, and, as long as the yearly costs do not exceed 40% of the yearly rental receipts, may pay the costs associated with administrating the provisions of section 4. Loans shall be made for a term not to exceed 10 years and at a rate of interest not to exceed the qualified loan rate. The administrator shall determine the terms and conditions of the loan agreement.

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

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**125.2707 Additional powers.**

Sec. 7.

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

**History:** 1999, Act 127, Imd. Eff. July 23, 1999
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**125.2708 Audit.**

Sec. 8.

Not less than every 2 years, the administrator shall hire an independent auditor to audit the books and accounts of the urban homestead program operated by the administrator. Upon completion, the audit report shall be made available to the public.

**History:** 1999, Act 127, Imd. Eff. July 23, 1999
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**125.2709 Late or delinquent rent.**

Sec. 9.

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

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