URBAN HOMESTEADING IN MULTIFAMILY PUBLIC HOUSING ACT

Act 84 of 1999

AN ACT 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.

History: 1999, Act 84, Imd. Eff. June 28, 1999

The People of the State of Michigan enact:

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125.2721 Short title.

Sec. 1.

This act shall be known and may be cited as the "urban homesteading in multifamily public housing act".

History: 1999, Act 84, Imd. Eff. June 28, 1999

125.2722 Definitions.

Sec. 2.

As used in this act:

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

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

(c) "Housing commission" means a housing commission or housing authority as defined under section 3 of the housing cooperation law, 1937 PA 293, MCL 125.603.

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

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

(f) "Michigan state housing development authority" means the Michigan state housing development authority created under section 21 of the state housing development authority act of 1966, 1966 PA 346, MCL 125.1421.

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

(h) "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.

(i) "Qualified buyer" means an applicant who meets the criteria in section 6.

(j) "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.

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

History: 1999, Act 84, Imd. Eff. June 28, 1999

125.2723 Urban homestead program in multifamily public housing; availability of property to qualified buyers; resolution; appeals process to applicants and buyers.

Sec. 3.

By resolution, and subject to federal and state law, a local governmental unit may authorize a housing commission within that local governmental unit to operate an urban homestead program in multifamily public housing to administer a homesteading program that makes multifamily public housing properties available to resident organizations and qualified buyers to purchase 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 housing commission or resident organization.

History: 1999, Act 84, Imd. Eff. June 28, 1999

125.2724 Acquisition of housing project by resident organization; conditions; payment of fees and operation subsidies; management training and counseling; application for grant funds.

Sec. 4.

(1) A resident organization in a housing project that contracts with a housing commission to manage the housing project shall acquire the housing project after not less than 5 years if the resident organization successfully manages the housing project and each member of the resident organization meets the criteria in section 6.

(2) If a resident organization contracts with a housing commission under subsection (1), the housing commission shall pay all management fees and operation subsidies that the housing commission receives for the housing project to the resident organization to manage the property.

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

History: 1999, Act 84, Imd. Eff. June 28, 1999

125.2725 Transfer of legal ownership.

Sec. 5.

(1) If the resident organization has successfully managed the housing project under this act and each member of the resident organization meets the criteria in section 6, the housing

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commission shall transfer legal ownership to the resident organization for $1.00. However, if the housing commission received federal funds for which bonds or notes were issued and those bonds or notes are outstanding for that housing project, the housing commission shall transfer legal ownership to the resident organization within 60 days of payment of the bonded debt by the resident organization. The housing commission shall obtain the appropriate releases from the holders of the bonds or notes. The resident organization shall hold legal ownership of the housing project in the form of a cooperative housing corporation or a condominium association.

(2) The Michigan state housing development authority may make mortgage loans to resident organizations that qualify under this act to acquire multifamily public housing of up to 95% of the bonded indebtedness of the housing project. The remaining portion of the bonded indebtedness shall be provided by the resident organization from any legal source.

History: 1999, Act 84, Imd. Eff. June 28, 1999

125.2726 Acquisition of public housing property; eligibility to enter homestead agreement; substance abuse testing; verification of school attendance.

Sec. 6.

(1) An applicant who meets all the following criteria is eligible to enter into a homestead agreement to acquire public housing 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 resident organization.

(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 multifamily public housing 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 resident organization.

(f) 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 housing commission operating the program.

(2) The housing commission may require substance abuse testing of an applicant as a condition of entering into a homestead agreement. If the applicant tests positive for substance

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abuse, then that individual shall enter into a substance abuse treatment program, as determined by the housing commission. The continuing substance abuse treatment and successful completion shall be part of the homestead agreement. The housing commission 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 84, Imd. Eff. June 28, 1999

125.2727 Acquisition of public housing unit in which qualified buyer resides; application; felony as automatic termination; conditions for transfer of legal ownership; escrow account.

Sec. 7.

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

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

(3) If the qualified buyer is in substantial compliance with the terms of the homestead agreement and has lived in the property for not less than 5 years, or if the qualified buyer has resided in the multifamily public housing property before the resident organization or successor entity takes ownership under this act, resides in that property for not less than 5 years, meets the criteria in the homestead agreement, continues to meet the criteria in section 6(1)(a), (b), (c), (e), (f), and (g), and has otherwise substantially met its financial obligations with the resident organization or successor entity, the resident organization or successor entity shall transfer legal ownership to that public housing unit occupied by the qualified buyer to the qualified buyer for $1.00. However, if the housing commission received federal funds for which bonds or notes were issued and those bonds or notes were paid off by the resident organization when it acquired legal ownership, the resident organization shall transfer legal ownership to the qualified buyer within 60 days of payment of the pro rata share of the bonded debt on that specific property by the qualified buyer.

(4) 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 resident organization for the payment of property taxes and insurance on the property.

History: 1999, Act 84, Imd. Eff. June 28, 1999

125.2728 Mortgage loans.

Sec. 8.

The Michigan state housing development authority may provide mortgage loans to qualified buyers who are required to pay for their unit in the multifamily public housing.

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Loans provided under this section shall be made at a rate of interest not to exceed the qualified rate. The Michigan state housing development authority shall determine the terms and conditions of the loan agreement. Loans made by the Michigan state housing development authority may be prepaid or paid off at any time without penalty.

History: 1999, Act 84, Imd. Eff. June 28, 1999

125.2729 Right of first refusal.

Sec. 9.

For 5 years after a qualified buyer takes ownership of a unit under this act, the resident organization or successor entity has a right of first refusal if the qualified buyer desires to sell his or her unit acquired under this act. During the 5-year period, the resident organization or successor entity may repurchase the unit at the fair market price if the qualified buyer sells the unit. During the 5-year period, the qualified buyer shall not rent out or lease his or her unit or allow any other nonfamily member to reside in the unit.

History: 1999, Act 84, Imd. Eff. June 28, 1999

125.2730 Legal ownership by resident organization or successor entity; effect on residents who do not become owners.

Sec. 10.

(1) Residents of the housing project who resided in the housing project before the resident organization or successor entity took legal ownership may continue to reside in the premises under the same terms and conditions as when the property was owned by the housing commission.

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

History: 1999, Act 84, Imd. Eff. June 28, 1999

125.2731 Federal waivers.

Sec. 11.

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

History: 1999, Act 84, Imd. Eff. June 28, 1999

125.2732 Additional powers.

Sec. 12.

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 84, Imd. Eff. June 28, 1999

125.2733 Audit.

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Sec. 13.

(1) Not less than every 2 years, the housing commission shall hire an independent auditor to audit the books and accounts of a resident organization under a management contract to a housing commission.

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

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

History: 1999, Act 84, Imd. Eff. June 28, 1999

125.2734 Late or delinquent rent.

Sec. 14.

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.

History: 1999, Act 84, Imd. Eff. June 28, 1999

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