

TRANSFER OF RENTAL PROPERTY

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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 2-14-21

Analysis available at
<http://www.legislature.mi.gov>

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 under 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.

Currently, section 126 of the act provides, among other things, that a local government is not required to inspect rental property unless it 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 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 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 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 has not changed ownership during the six-year period. Otherwise, the maximum period between inspections is four years.
- All other dwellings regulated by the act may be inspected at reasonable intervals.

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.

Section 125 of the act allows the local officer or agency that is charged with administering and enforcing the act to keep a registry of owners and properties regulated under the act.

Section 129 requires that a certificate of compliance must be issued by the local enforcing agency before units in a rental property can be occupied and provides that a certificate of compliance may generally be issued only after an inspection of the property.

Section 131 requires an owner to apply for a certificate of compliance upon being entered in the local registry of owners and properties.

The bill would amend section 125 to provide that a transfer of property 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 to end the legislative session, the bill does not 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 one’s pocket instead of 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.