



Legislation Text

File #: 23-0314, **Version:** 1

Resolution to Approve a Tax Exemption for the Ann Arbor Housing Development Corporation's Affordable Housing Project at 121 E Catherine and Payment of a Service Charge in Lieu of Taxes The Ann Arbor Housing Commission (AAHC), through its 501(c)(3), the Ann Arbor Housing Development Corporation (AAHDC), is developing the City-owned parcel at 121 E. Catherine as affordable housing. The AAHC selected Avalon Housing as a co-developer, and on-site tenant services provider. The project includes a ~64,000 square foot L-shaped, 6-story mixed-use building that includes approximately 62 1-bedroom apartments and 1 2-bedroom apartment with tenant community space, staff offices, and shared laundry. All the residential units will be affordable to households with incomes at or below 60% of Area Median Income (AMI). Half of the apartments (32) will be targeted as supportive housing for households with incomes at or below 50% AMI.

The primary source of funding for affordable housing development is the Low-Income Housing Tax Credit (LIHTC) Program. The Internal Revenue Service (IRS) requires the AAHDC to form a limited partnership or limited liability company with an equity investor to finance the development of these properties with LIHTC. The AAHDC has requested that City Council approve the transfer of ownership of this property to the AAHDC under a separate resolution. The AAHDC will own the land and the AAHDC will execute a long-term ground lease with the limited partnership or limited liability company for the improvements (buildings).

The AAHDC or an affiliated entity is applying for LIHTC from the Michigan State Housing Development Authority (MSHDA). The property is currently tax-exempt as a publicly-owned property. The City's Tax Exemption for Housing Projects' ordinance (Chapter 19, Section 1:651 of Ann Arbor City Code) applies to all affordable housing projects that meet the requirements of the ordinance. MSHDA requires the adoption of a separate resolution specific to the tax credit project. The AAHDC is requesting approval of a service charge of \$1/unit/year in lieu of taxes for all residential units for the term of the LIHTC commitment of 45 years. The property will have a permanent deed restriction to ensure that the property permanently provides affordable housing for households at 60% AMI or less.

Prepared By: Jennifer Hall, Executive Director, Ann Arbor Housing Commission

Reviewed By: Kevin McDonald, Chief Deputy City Attorney

Approved By: Milton Dohoney Jr., City Administrator

Whereas, The Ann Arbor Housing Commission, through its 501(c)(3), the Ann Arbor Housing Development Corporation, is co-developing the City-owned property at 121 E. Catherine with Avalon Housing;

Whereas, The apartments will be rent and income-restricted to households with incomes at or below 60% of the Area Median Income (AMI) and all 63 of the units will be eligible for the \$1 per unit per year service fee in lieu of property taxes; and

Whereas, The Ann Arbor City Council determines that the property at 121 E. Catherine will be eligible for eligible for the \$1 per unit per year service fee in lieu of property taxes, also known as a Payment

in Lieu of Taxes (PILOT), as provided in the State Housing Development Authority Act and pursuant to Chapter 19, Section 1:651 of Ann Arbor City Code;

RESOLVED, That pursuant to Section 15(a) of the State Housing Development Authority Act and Chapter 19, Section 1:651 of Ann Arbor City Code, the City Council hereby approves an exemption from all property taxes for the Ann Arbor Housing Development Corporation or an affiliated entity, not to exceed forty-five years, subject to the Michigan State Housing Development Authority's approval of the project and receipt of the "Notification to Local Assessor of Exemption" from the Michigan State Housing Development Authority for said parcels;

RESOLVED, That notwithstanding the provisions of Section 15(a) of the State Housing Development Authority Act to the contrary, a contract to provide tax exemption and accept payment in lieu of taxes, as previously described, between the City of Ann Arbor and the Ann Arbor Housing Development Corporation or an affiliated entity and its successors and assigns, with the Michigan State Housing Development Authority as third party beneficiary under this contract, is effectuated by adoption of this resolution, on the following parcels of property:

Lot 27, Assessor's Plat No. 29, as recorded in Liber 29 of Plats, Page 20
Washtenaw County Records

Tax I.D. No. 09-09-29-135-001

Commonly known as: 121 E. Catherine

RESOLVED, That pursuant to Chapter 19, Section 1:651 of Ann Arbor City Code, the project shall pay a service charge equal to One Dollar (\$1.00) for the assisted units as provided for by the Michigan State Housing Development Authority Act; and

RESOLVED, That the City Administrator is authorized to take the necessary administrative actions to implement this resolution.