

ORDINANCE NO. ORD-23-06

First Reading: February 6, 2023  
Public Hearing: February 21, 2023

Approved: February 21, 2023  
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Effective: March 2, 2023

CHAPTER 19  
(TAX EXEMPTIONS FOR HOUSING PROJECTS )

AN ORDINANCE TO AMEND CHAPTER 19 (TAX EXEMPTIONS FOR HOUSING PROJECTS) OF TITLE I OF THE CODE OF THE CITY OF ANN ARBOR BY REPEALING SECTION 1:651 AND ADDING NEW SECTIONS 1:651 – 1:659.

The City of Ann Arbor ordains:

Section 1. That Section 1:651 of Chapter 19 (TAX EXEMPTIONS FOR HOUSING PROJECTS) of Title I of the Code of the City of Ann Arbor is repealed and replaced with the following:

1:651. Purpose

This chapter is to provide for a service charge in lieu of taxes for housing projects for Low Income Persons and Families financed with a federally-aided or Authority-aided Mortgage Loan or an advance or grant from the Authority pursuant to the provisions of the Act.

1:652. Preamble.

It is acknowledged that it is a proper public purpose of the State of Michigan and its political subdivisions to provide housing for its Low Income Persons and Families and to encourage the development of such housing by providing for a service charge in lieu of property taxes in accordance with the Act. The City is authorized by the Act to establish or change the service charge to be paid in lieu of taxes by any or all classes of housing exempt from taxation under the Act at any amount it chooses, not to exceed the taxes that would be paid but for the Act. It is further acknowledged that such housing for Low Income Persons and Families is a public necessity, and as the City will be benefited and improved by such housing, the encouragement of the same by providing real estate tax exemption for such housing is a valid public purpose. It is further acknowledged that the continuance of the provisions of this chapter for tax exemption and the service charge in lieu of all ad valorem property taxes during the periods contemplated in this chapter are essential to the determination of economic feasibility of housing projects that are constructed or rehabilitated with financing extended in reliance on such tax exemption.

1:653. Definitions.

- (1) *Act* means the State Housing Development Authority Act of 1966 (1966 PA 346, as amended; MCL 125.1401, et seq.
- (2) *Authority* means the Michigan State Housing Development Authority.
- (3) *AMI* means the Ann Arbor Metropolitan Statistical Area Median Income, or any successor metric that is used by HUD or the Authority for purposes of determining income eligibility for Low Income Persons or Families.
- (4) *Annual Service Charge* means the annual service charge for public services to be paid in lieu of taxes for eligible housing projects under this chapter, consistent with the Act.
- (5) *Annual Shelter Rents* means the total collections during an agreed annual period from or paid on behalf of all occupants of a housing project representing rent or occupancy charges, exclusive of Utilities, for housing projects that do not receive project-based Section 8 rental subsidy.
- (6) *Contract Rents* means the total Contract Rents (as defined by the U.S. Department of Housing and Urban Development in regulations promulgated pursuant to Section 8 of the U.S. Housing Act of 1937, as amended) received in connection with the operation of a housing project during an agreed annual period, exclusive of Utilities, for housing projects that received project-based Section 8 rental subsidy.
- (7) *HUD* means the U.S. Department of Housing and Urban Development.
- (8) *Low Income Persons and/or Families* means:
  - (a) persons or families whose household income does not exceed 60% of AMI; or
  - (b) persons or families whose household income does not exceed 80% of AMI and who live in a housing project where the average household income of all income-restricted persons and families does not exceed 60% of AMI, as determined by HUD.
- (9) *Mortgage Loan* means a loan that is federally-aided (as defined in Section 11 of the Act) or a loan or grant made or to be made by the Authority, for the construction, rehabilitation, acquisition and/or permanent financing of a housing project, and secured by a mortgage on the housing project.
- (10) *Sponsor* means one or more persons or entities that receive or assume a Mortgage Loan.
- (11) *Utilities* means charges for gas, electric, water, sanitary sewer, and other utilities furnished to the occupants that are paid by a housing project.

#### 1:654. Classes of Eligible of Housing Projects.

The classes of housing projects to which the tax exemption shall apply and for which an Annual Service Charge shall be paid are housing projects financed with a Mortgage

Loan and in which at least 20% of the housing units are restricted to Low Income Persons or Families.

1:655. Establishment of Annual Service Charge.

A housing project within an eligible class set forth in Section 1:654 above and the property on which the project is or will be located shall be exempt from all ad valorem property taxes from and after the commencement of construction or rehabilitation of the housing project. The City acknowledges that the Sponsor and the Authority, in the case of a Sponsor receiving an Authority-financed Mortgage Loan, or the Sponsor and the mortgage lender, in the case of a Sponsor receiving a federally-aided Mortgage Loan, have established the economic feasibility of a housing project in reliance upon the enactment and continuing effect of this chapter, and the qualification of the housing project for exemption from all ad valorem property taxes and a payment in lieu of taxes as established in this chapter. Therefore, the City will accept payment of an Annual Service Charge in lieu of all ad valorem property taxes for housing projects that are eligible under Section 1:654.

1:656. Resolution.

A resolution of the City Council granting tax exempt status and establishing the Annual Service Charge shall be adopted for each housing project that is eligible under Section 1:654.

1:657. Calculation of Annual Service Charge.

- (1) The Annual Service Charge for each eligible housing project under this chapter shall be the sum of the following:
  - (a) For that portion of the housing project that is restricted to Low Income Persons or Families and actually occupied by Low Income Persons or Families, the Annual Service Charge shall be either \$1.00 per housing unit or a percentage of the Annual Shelter Rents or Contract Rents actually collected by the housing project for those housing units during each operating year, as established by City Council resolution; and
  - (b) For that portion of the housing project that is not restricted to occupancy by Low Income Persons or Families or which is occupied by other than Low Income Persons or Families, the Annual Service Charge shall be equal to the full amount of the ad valorem taxes which would be paid on that portion of the housing project if the housing project were not tax exempt.
- (2) A Low Income Person or Family whose household income qualifies a housing unit for tax exemption under this chapter at initial move-in shall continue to qualify the unit for tax exemption if the income of the household changes while living in the unit, as long as the household income does not exceed the

applicable income limits of the Authority or federally-aided Mortgage Loan financing the housing project.

1:658. Payment of Annual Service Charge.

The Annual Service Charge shall be payable in the same manner as general property taxes are payable to the City and distributed to the several units levying the general property tax in the same proportion as the general property tax in the previous calendar year. The Annual Service Charge for each operating year shall be paid on or before September 1 of the following year. Collection procedures shall be in accordance with the provisions of the General Property Tax Act (1893 PA 206, as amended; MCL 211.1, et seq).

1:659. Duration.

As stated in Section 1:652, City Council acknowledges that financing for housing projects for Low Income Persons and Families is often extended in reliance upon the tax exempt status of the housing project. Therefore, the tax exempt status of a housing project approved by resolution of the City Council shall remain in effect as long as a Mortgage Loan for such housing project remains outstanding and unpaid.

Section 2. Effective Date.

This ordinance shall take effect immediately upon legal publication.

**CERTIFICATION**

I hereby certify that the foregoing ordinance was adopted by the Council of the City of Ann Arbor, Michigan, at its regular session of February 21, 2023.

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(Date)

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Stephen Gerhart, Ann Arbor Chief Deputy City Clerk

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Christopher Taylor, Mayor of the City of Ann Arbor

I hereby certify that the foregoing ordinance received legal publication on the City Clerk's webpage on March 2, 2023.

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Stephen Gerhart, Ann Arbor Chief Deputy City Clerk