



Legislation Text

File #: 09-1140, **Version:** 1

Resolution to Exempt Eligible Non-Profit Housing Providers from the Collection of Property Taxes for up to Two Years

The Michigan Legislature adopted PA 612 of 2006 (MCL 211.7kk) which authorizes the local governing body of the local tax collecting unit to exempt property taxes for non-profit owned property that will be sold or leased to a low-income household. The Clerk of the local taxing unit must give written notice to the tax assessor of that unit and the legislative body of each taxing unit that levies ad valorem property taxes in that unit. Before acting on the resolution, the governing body must give the assessor and a representative of the affected taxing units an opportunity for a public hearing. The Clerk notified the taxing authorities for this public hearing.

Currently, one local non-profit housing provider meets the Act's eligibility of constructing or renovating residential housing for conveyance to a low-income person as their mission. Habitat for Humanity of Huron Valley develops a total of 2-4 units/year in Ann Arbor. The intent of the Act is to enable non-profit housing providers to purchase vacant land or homes in poor condition, and minimize the holding costs (taxes) while the house is built or rehabbed and then sold or leased to a low-income homeowner. By reducing the taxes for up to two years, the non-profit is either able to sell the house at a lower sales price and/or the non-profit is able to reduce the funding request from the City to develop the unit. A low-income person is defined under the Act, as a family income that is not more than 80% of the State Median Income, which is currently \$68,337.00. Habitat's target household is 30% AMI to 60% AMI which is \$25,550.00 to \$51,100.00 for a family of four.

The exemption takes effect at the issuance of a building permit and remains in effect for two years, or until the property is occupied by a low-income person under a lease agreement or sales agreement. A lease agreement refers to the mechanism utilized by a community land trust where the land trust owns the land and leases it to the homeowner. The homeowner purchases the improvements (house, garage etc.) on the land. This mechanism enables land trusts to place a 99-year lease covenant on the property to keep the housing affordable, similar to the City's covenants at Ashley Mews, Northside Glen and Stone School Townhomes.

The impact of adopting this Act is expected to be about \$2,000.00/year per house. As an example, Habitat will be acquiring a house on Champagne with funds provided by the City through the Neighborhood Stabilization Program. The taxes in 2008 were \$1,858.00. Habitat will rehabilitate the house and sell it to a very low-income homebuyer that has successfully completed a homebuyer education program. If Habitat succeeds in completing the transaction in less than a year, there would be a savings to the project of \$1,858.00, two years would be \$3,346.00. These tax savings are considered a local match for federal purposes.

Prepared by: Jennifer Hall, Housing Manager

Reviewed by: Mary Jo Callan, Community Development Director and Jayne Miller, Community Services Area Administrator

Whereas, Public Act 612 of 2006 (MCL 211.7kk) authorizing the exemption of property taxes for non-profit owned property was effective on January 3, 2007 as an amendment to Public Act 206 of 1893

(General Property Tax Act);

Whereas, MCL 211.7kk authorizes the governing body of a local tax collecting unit to adopt a resolution exempting eligible non-profit housing from the collection of property taxes, effective on the December 31 immediately succeeding the adoption of the resolution by the governing body of the local tax collecting unit or the issuance of a building permit for the eligible non-profit housing property, whichever is later;

Whereas, The property tax exemption provided in MCL 211.7kk shall continue in effect for two years, until the eligible non-profit housing property is occupied by a low income person as their principal residence under a lease agreement, or until there is a transfer of ownership of the eligible non-profit housing property, whichever occurs first;

Whereas, MCL 211.7kk requires the local tax collecting unit to notify in writing the assessor of the local tax collecting unit and the legislative body of each taxing unit that levies ad valorem property taxes in the local tax collecting unit; and

Whereas, MCL 211.7kk requires that before acting on the resolution, the governing body of the local tax collecting unit shall afford the assessor and the representatives of the affected taxing units an opportunity for a hearing, which occurred on December 7, 2009;

RESOLVED, That City Council exempt eligible non-profit housing property owned by a charitable non-profit housing organization in the City of Ann Arbor from taxes collected under Public Act 206 of 1893 (General Property Tax Act), in accordance with section 211.7kk;

RESOLVED, That a copy of this resolution shall be filed with the Michigan State Tax Commission; and

RESOLVED, That the City Administrator, or his designee, be authorized to take necessary administrative actions and to execute any documents necessary to implement this resolution.