


CITY COMMISSION POLICY

 GRAND RAPIDS MICHIGAN	NUMBER: 900-50	HISTORY FILE # DATE
	DATE: March 4, 2008	
	FILE NUMBER: 77056	
	DEPARTMENT: Community Development	

SUBJECT: PROPERTY TAX EXEMPTION FOR NONPROFIT HOUSING ORGANIZATIONS

PURPOSE: To allow the City Commission the authority to exempt eligible nonprofit housing property owned by a charitable nonprofit housing organization and intended for sale to low income persons from the collection of property taxes for a maximum of two years, pursuant to Public Act 612 of 2006.

POLICY:

A. Background

Public Act 612 of 2006 (“Act”) amends the General Property Tax Act to allow a local governing body to exempt certain nonprofit-owned single family dwellings or duplexes from property taxes for a maximum of two years.

Specifically, the governing body of a local tax collecting unit may adopt a resolution to exempt eligible nonprofit housing property from the tax collected under the Public Act 206 of 1893. The clerk of the local tax collecting 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 hearing. A copy of the resolution must be filed with the State Tax Commission. The exemption will take effect on the December 31 immediately after the adoption of the resolution or the issuance of a building permit for the eligible nonprofit housing property, whichever is later.

The exemption will remain in effect for two years or until ownership of the property is transferred to a low-income person, whichever comes first.

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Nonprofit housing organizations provide affordable housing opportunities for City residents who otherwise would be unable to afford to purchase their own home. Nonprofit housing organizations typically operate on limited development budgets. The payment of property taxes can be a significant carrying cost, particularly in a slow real estate market. Under the Act, residential property owned by a non-profit housing organization may be taken off the property tax roll for up to two years. The property tax exemption provides an incentive to undertake affordable housing development activities by making it more affordable for nonprofit housing organizations to hold property. Eventually, the Act also may lead to increased property tax revenue when the new owners begin paying taxes on the improved home. Since most of the property that is acquired by nonprofit housing organizations for improvement is either dilapidated or abandoned, or a vacant parcel, there is little tax revenue generated from the property before it is improved.

B. Definitions

The following definitions shall be used in this Policy:

1. Charitable nonprofit housing organization: An organization that meets the definition of a Community Housing Development Organization (CHDO) as provided for in the HOME Investment Partnerships Program (HOME) regulations contained in 24 CFR 92.2.
2. Low-income person: A person or household whose annual gross income is at or below 80% of area median income for the City of Grand Rapids as defined by the U. S. Department of Housing and Urban Development (HUD).
3. Eligible nonprofit housing property: A single family dwelling or duplex owned by a charitable nonprofit housing organization, which the organization intends to transfer to a low-income person for use as their principal residence after construction or rehabilitation of the dwelling is completed.

C. Goals

The City's goals in granting the tax exemption to eligible properties owned by charitable nonprofit housing organizations are as follows:

1. Increase home ownership among low-income residents and increase the availability of affordable housing.
2. Increase property tax revenue when the new owners begin paying taxes on the improved home.
3. Improve dilapidated or abandoned homes, and redevelop housing stock.

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D. Requirements for Exemption

A request for a tax exemption pursuant to this Policy shall be initiated by a charitable nonprofit housing organization. A written request for tax exemption shall be submitted to the Community Development Department no later than October 15 of each year. Properties approved for tax exemption shall comply with the following criteria:

1. Property owned by a charitable nonprofit housing organization and intended for sale to low-income persons shall be eligible for exemption. Leased property will not be eligible for exemption.
2. Only houses in which ownership is transferred under a recorded Warranty Deed or Quit Claim Deed shall be eligible for tax exemption.

Property tax exemptions approved by the City Commission shall be implemented and administered in accordance with the provisions of Public Act 612 of 2006.

E. Other Programs

This program shall not be used in conjunction with other existing incentives programs, such as Payment in Lieu of Taxes (PILOT), Neighborhood Enterprise Zones (NEZ) or Renaissance Zones.

F. Exceptions

The City reserves the right to grant or deny a request for exemption.

G. Administration of the Policy

Implementation and administration of this Policy shall be the responsibility of the Community Development Department.