



CITY OF GRAND RAPIDS AGENDA ACTION REQUEST

DATE: December 12, 2017

TO: Greg Sundstrom, City Manager

COMMITTEE: Committee of the Whole
LIAISON: Greg Sundstrom, City Manager

FROM: **Jessica Wood, Director of Municipal Legal Affairs**

SUBJECT: **Introduction of an Ordinance to Amend Taxation of Assisted Lower-Income Housing Ordinance – Recommendation #1 of Housing Advisory Committee**

In accordance with the Housing Advisory Committee recommendations, please find attached an Introduction of an Ordinance to Amend Title I Administration, Chapter 9 Property Tax Levy and Collection, Article 5 Taxation of Assisted Lower-Income Housing Ordinance (the Ordinance).

As amended, the Ordinance would give the developer the option of either paying the standard 4% service charge annually (subject to continued eligibility) for the life of the mortgage or of paying a 1% service charge annually while paying the monetary equivalent of a 2% service charge annually (subject to continued eligibility) into the City's Affordable Housing Fund for the life of the mortgage. Also, the Ordinance amendment would clarify that service charges in lieu of property taxes are only applied to rent restricted units within a development actually occupied by low-income individuals consistent with PA 346 of 1966, as amended.

Please place this item on the December 12, 2017 Agenda of the Committee of the Whole. I will be happy to answer any questions. Thank you.

Attachment: Use this Memo and Res FIRST AMENDMENT of PILOT ord (Resolution setting a public hearing for 4 Housing NOW

YOUR COMMITTEE OF THE WHOLE recommends adoption of the following resolution providing for the publication of a proposed ordinance amending Sections 1.410 through 1.414 of Chapter 9 of Title I of the Code of the City of Grand Rapids entitled Property Tax Levy and Collection.

WHEREAS, the City Commission wishes to amend the City ordinance establishing service charges in lieu of taxes (PILOTs or service charges) in a way that provides developers with an option of paying a lower service charge while contributing to the City's Affordable Housing Fund; and

WHEREAS, the City Commission further desires to consider an amendment to the ordinance to clarify that service charges shall only be applied to rent restricted units which are actually occupied by low-income individuals consistent with PA 346 of 1966, as amended; therefore:

RESOLVED that:

- 1. The attached ordinance amending Sections 1.410 through 1.414 of Chapter 9 of Title I entitled Property Tax Levy and Collection of the Code of the City of Grand Rapids shall be published as part of the proceedings; and
- 2. Pursuant to Section 10 of Title V of the City Charter, the City clerk shall publish a summary of the attached ordinance in a newspaper of general circulation in the City; and
- 3. That a public hearing to obtain public comment on the proposed amendments shall be held on January 9, 2018; and
- 4. The proposed ordinance shall be considered for adoption on _____.

Attachment: Use this Memo and Res FIRST AMENDMENT of PILOT ord (Resolution setting a public hearing for 4 Housing NOW

AN ORDINANCE TO AMEND SECTIONS 1.410 THROUGH 1.414 OF CHAPTER 9 OF TITLE I OF THE CODE OF THE CITY OF GRAND RAPIDS ENTITLED PROPERTY TAX LEVY AND COLLECTION.

ORDINANCE NO. _____

THE PEOPLE OF THE CITY OF GRAND RAPIDS DO ORDAIN:

Section 1. That Sections 1.410 through 1.414 of Chapter 9 entitled "Taxation of Assisted Lower-Income Housing" of the Grand Rapids City Code be and is hereby replaced in its entirety to read as follows:

"Sec. 1.410. - Eligible Housing Projects.

The tax exemption established in Subsection (1) of Section 15(a) of Act 346 of 1966 as amended (hereinafter referred to as the "Act"), Section 125.1415(a) shall apply to housing projects within the boundaries of the City of Grand Rapids which meet all of the following criteria, upon approval of the City Commission:

- (1) Projects which are financed with a Federally-aided or State Housing Development Authority-aided mortgage or with an advance or grant from such Authority,
- (2) Projects which serve lower-income families, elderly, and/or handicapped, and
- (3) Projects which are owned by "consumer housing cooperatives," "qualified nonprofit housing corporations," and "limited dividend housing associations" as defined in Act No. 346 of the Public Acts of 1966, as amended.

Sec. 1.411. - Property Tax Exemption.

Housing projects which qualify under Section 1.410 above shall have the tax exemption provided in the above-mentioned subsection (1) of Section 15(a), provided the owner of a housing project has complied with the Act, is current with all taxes and assessments on the subject property, and has annually filed before August 1st an audited financial statement for each previous calendar year, as requested, with the City Assessor.

Sec. 1.412. - Service Charge in Lieu of Taxes.

The service charge in lieu of property taxes shall be paid by the housing project owner as follows:

- (1) Housing projects approved for tax exemption under this ordinance on or before December 31, 1990 shall pay a service charge in the amount equal to ten (10) percent of annual shelter rent, except as provided in 1.412(3) below. Annual shelter rent is defined as the total collections from all occupants of a housing project exclusive of any charges for gas, electricity, heat, or other utilities furnished to the occupants.

- (2) Housing projects approved for tax exemption under this ordinance on or after January 1, 1991 shall pay a service charge in the amount equal to four (4) percent of annual shelter rent or may choose to pay a service charge in the amount equal to one (1) percent of annual shelter rent in addition to making an annual contribution to the City of Grand Rapids' Affordable Housing Fund in an amount equal to two (2) percent of annual shelter rent.
- (3) Housing projects approved for tax exemption under this ordinance between January 1, 1990 and December 31, 1990 may request requalification at the four (4) percent rate. The granting of requalification requests shall require the approval of the City Commission and would be effective the subsequent tax year.
- (4) Housing projects provided with rent assistance under the Section 8 Program of the United States Housing Act of 1937, as amended by the Housing and Community Development Act of 1974 as amended, shall pay a service charge in the amount equal to four (4) percent of the contract rents of the preceding calendar year, exclusive of any charges for gas, electricity, heat, or other utilities furnished to the occupants.
- (5) Housing projects defined as emergency shelters or transitional housing for the homeless shall not be assessed a service charge in lieu of property taxes.
- (6) Service charges shall only be applied to rent restricted units that are actually occupied by low-income individuals consistent with PA 346 of 1966, as amended.

Sec. 1.413. - Duration of Exemptions and Service Charges in Lieu of Taxes.

The exemptions and service charges authorized under this ordinance shall be in effect for the life of the Federally-aided or State-aided mortgage loan or other eligible assistance, not to exceed fifty (50) years.

Sec. 1.414. - Reserved.”

SUMMARY OF ORDINANCE

AN ORDINANCE TO AMEND SECTIONS 1.410 THROUGH 1.414 OF CHAPTER 9 OF TITLE I OF THE CODE OF THE CITY OF GRAND RAPIDS ENTITLED PROPERTY TAX LEVY AND COLLECTION

The proposed amendments to the Ordinance would give the developer the option of either paying the standard 4% service charge annually (subject to continued eligibility) for the life of the mortgage or of paying a 1% service charge annually while paying the monetary equivalent of a 2% service charge annually (subject to continued eligibility) into the City's Affordable Housing Fund for the life of the mortgage. Also, the Ordinance amendment would clarify that service charges in lieu of property taxes are only applied to rent restricted units within a development actually occupied by low-income individuals consistent with PA 346 of 1966, as amended.