

WORKFORCE OWNER-OCCUPIED HOUSING RESTRICTIVE COVENANT

This Workforce Housing Restrictive Covenant (“Restrictive Covenant”) is made by and between the City of Grand Rapids (“City”) and [Owner Name] (“Owner”) and is effective as of [redacted], 20[redacted].

RECITALS:

A. Owner obtained title through a Deed recorded with the Kent County Register of Deeds, for certain real property in the City of Grand Rapids, Kent County, Michigan, and more particularly described by the legal description in Exhibit A (the “Property”), which is attached hereto and incorporated by reference into this Covenant.

B. Owner applied for a property tax exemption and payment in lieu of taxes (the “PILOT”) once a signed Purchase Agreement for the Property had been executed OR within one hundred and eighty (180) days of obtaining title to the Property.

C. The Property was developed OR rehabilitated within the three hundred and sixty-five (365) days prior to Owner’s application for the PILOT. Owner has applied to the City for a workforce housing exemption from *ad valorem* property taxes under Section 15a of the State Housing Development Authority Act, being Public Act 346 of 1966, as amended (the “Act”).

D. Owner’s total household income is at or under 120% of the area median income (AMI) as published by the Michigan State Housing Development Authority (the “Authority”) for the Low Income Housing Tax Credit program, based on United States Department of Housing and Urban Development (HUD) data, adjusted for family size.

E. Owner resides at the Property, and the Property is the Owner’s principal residence. Owner shall not rent out the Property or live elsewhere during the PILOT term.

F. The City agrees to exempt the Property from all *ad valorem* property taxes and to accept the PILOT in lieu thereof in consideration of this Restrictive Covenant.

NOW, THEREFORE, in consideration of the City’s acceptance of payment of the PILOT fee in lieu of all *ad valorem* property taxes and development or rehabilitation of the Property, Owner and the City hereby covenant as follows:

1. **Definitions.** Except as further defined herein, all words and phrases used in this Restrictive Covenant have the same meaning as defined in Article 5 of Chapter 9 of Title I of the Grand Rapids City Code, Ordinance No. 2024 – 43 (the “PILOT Ordinance”).

2. **Eligible Rehabilitation.** Rehabilitation is verified through the City’s building permit process. Eligible rehabilitation is defined as a scope of work that requires at least one of the following three building permit types: Remodel/Renovation, New or Addition, or Re-roof or Re-side. After rehabilitation work is completed, it must receive a final, approved inspection by a City Building Inspector. Rehabilitation work that is not inspected, approved, and finalized does not constitute eligible rehabilitation, and the Property is not eligible for tax exemption and PILOT based on such work.

3. **Term of Exemption.** The exemption from *ad valorem* property taxes approved by the City shall remain in effect in accordance with this Restrictive Covenant for a period of fifteen (15) years as provided in Article 5 of Chapter 9 of Title I of the Grand Rapids City Code, Ordinance No. 2024 – 43 (the “PILOT Ordinance”). The Project shall be exempt from all *ad valorem* property taxes as of December 31 of the year in which all of the following has occurred:

- a) Owner has submitted all required documents to the Authority, and Owner or Authority has provided the *certified notification of exemption* to the City Assessor before November 1 of the year preceding the first tax year the exemption is to be in effect.
- b) **New construction has been completed as documented by the City’s issuance of a Certificate of Use and Occupancy OR Eligible rehabilitation has been completed as documented by a final, approved inspection by a City Building Inspector,** and
- c) Owner has obtained title to the Property in the form of a Deed recorded with the Kent County Register of Deeds, and
- d) This Restrictive Covenant has been signed and recorded with the Kent County Register of Deeds.

The exemption shall automatically terminate at the end of the 15-year term, upon sale of the Property, upon the foreclosure or the giving of a deed in lieu of foreclosure for the Property, upon loss of a homestead principal residence tax exemption, or if Owner’s household income increases over 120% of AMI as described in **Section 7**, whichever occurs first.

4. **PILOT Fee.** The annual payment will consist of a service charge in an amount equal to 10% of *ad valorem* property taxes that would be otherwise payable (the “PILOT fee”).

5. **Additional Amount.** In addition to the PILOT fee paid in lieu of *ad valorem* property taxes, the “additional amount” will be charged if Kent County opts out of the PILOT pursuant to the Act. Additional amount is defined as the amount equal to the difference between the millage rate levied for operating purposes by Kent County multiplied by the current taxable value of the Property less the amount of the PILOT fee paid by Owner that is to be distributed to Kent County.

6. **Owner to Demonstrate Compliance.** Owner agrees to provide an annual household income report in form and substance acceptable to the City, by May 30 of every year, to affirm continued eligibility for the tax exemption. The annual household income report shall include household income information pertaining to the prior calendar year and shall be based on income source documents from every adult in the household age 18 and older. Income source documents include, but are not limited to, federal tax returns, pay stubs, benefits statements, and completed verification of employment forms. The City reserves the right to audit income source documents to ensure annual income calculations and reporting are accurate. Notwithstanding the above, upon request, Owner agrees to provide the City with any additional documentation the City deems necessary to verify compliance with this Restrictive Covenant and its PILOT Ordinance.

7. **No Violation.** Owner agrees that it will not knowingly take or permit any action that would result in a violation of the requirements of this Restrictive Covenant or the PILOT Ordinance which is

incorporated herein as if it were a part of this Restrictive Covenant. Further, Owner agrees to take any required action, including the amendment of this Restrictive Covenant, as may be necessary, in the determination of the City or the Authority, to comply with the PILOT Ordinance and the Act. If the City determines that the Property is not in compliance with the requirements of this Restrictive Covenant, Owner shall be in default, and the City shall notify Owner in writing. Default status lasting thirty (30) days or more may result in termination of the exemption which would subject the Property to immediate *ad valorem* taxation. Owner shall be in default if the home is not used as a primary residence or if the home is converted into rental property. If Owner's total household income exceeds 120% of AMI, as documented by an annual household income report or other source documentation, the PILOT will terminate and the Property will be subject to immediate *ad valorem* taxation.

8. **Failure to Pay.** Any PILOT fee payment or portion of payment remaining unpaid as of the due date shall bear interest at 1% per month and shall require payment of a 3% penalty fee. Failure to pay the full balance by December 31 of the year in which the invoice was issued will result in termination of the exemption and will subject the property to immediate *ad valorem* taxation for the tax year in which the PILOT fee was fully or partially unpaid and for all future tax years. The collection of past due payments shall otherwise be in accordance with the provisions of Chapter 211 of the General Property Tax Act, Act 206 of 1893, as amended; MCL 211.44 et seq.

9. **Transfer of Ownership.** Owner will, prior to a sale or other voluntary transfer of ownership of the Property or any part thereof, notify the City in writing. The PILOT is not transferable to the new owner. If Owner chooses to sell, the Property will revert back to the *ad valorem* property tax roll upon date of sale. The City will discharge the Restrictive Covenant within 45 days of receiving evidence of the completed sale. At the City's discretion, the PILOT may transfer to a household member who, upon Owner's death, acquires title to the home as long as the household remains income qualified at or under 120% of AMI and adheres to all other aspects of this Restrictive Covenant and the PILOT Ordinance.

10. **Enforceability.** This Restrictive Covenant is enforceable by the City in any court in the State of Michigan having jurisdiction thereof.

11. **Covenant Running with the Land; Binding Effect.** This Restrictive Covenant shall constitute and be enforced as a covenant running with the land under Michigan law and shall be binding on all successors or assigns of Owner or the City and any future owner or operator of the Property for the full 15-year exemption period unless terminated due to sale of the Property to any party other than Owner, foreclosure or the giving of a deed in lieu of foreclosure, upon loss of the homestead principal residence tax exemption, or if Owner's household income increases over 120% of AMI.

12. **Miscellaneous.** In the event of any conflict between the terms of this Restrictive Covenant and the requirements of the PILOT Ordinance, the requirements of the PILOT Ordinance shall prevail. This Restrictive Covenant may only be amended, modified, or discharged if done in writing signed by both Owner and the City and recorded with the Register of Deeds or by operation of law. The invalidity of any clause or provision of this Restrictive Covenant shall not affect the validity of the remaining portions thereof.

13. **Statement of Authenticity.** Owner hereby affirms that they will comply with all aspects of this Restrictive Covenant, the PILOT Ordinance, and the Act and that all information reported in connection with the PILOT is accurate and truthful to the best knowledge of Owner. Submission of knowingly fraudulent information within the PILOT application or within any annual household income report constitutes violation of the City's PILOT Ordinance and may result in termination of the tax exemption.

IN WITNESS WHEREOF, Owner has executed this Restrictive Covenant as of the date first written above.

[Signature Page To Follow]

DRAFT

CITY OF GRAND RAPIDS, a Michigan municipal corporation,

By: _____

Connie M. Bohatch

Its: Senior Managing Director of Community Services

STATE OF MICHIGAN)
) ss
COUNTY OF KENT)

The foregoing instrument was acknowledged before me this ____ day of _____, _____ by Connie M. Bohatch, Senior Managing Director of Community Services at the City of Grand Rapids, a Michigan municipal corporation.

Notary Public, Kent County, MI
Acting in Kent County, MI
My Commission Expires: _____

OWNER

[Owner Name]

By: _____

Its:

STATE OF _____)
) ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____, _____ by _____ of _____, a _____.

Notary Public, _____ County, _____
Acting in _____ County, _____

My

Commission Expires: _____

DRAFT

DRAFTED BY AND RETURN TO:

Community Development Department
City of Grand Rapids, City Hall
300 Monroe Avenue NW Suite 460
Grand Rapids, Michigan 49503

EXHIBIT A

Legal Description, Parcel Number, Common Address of Property

DRAFT