

## **ORDINANCE NO. 1807**

### **AN ORDINANCE TO AMEND TITLE XI, TAXES, CHAPTER 140, TAX EXEMPTIONS, OF THE CITY CODE OF SOUTHFIELD BY ADDING NEW SECTIONS 11.41 THROUGH 11.41.8.**

#### **THE CITY OF SOUTHFIELD ORDAINS:**

THE CODE OF THE CITY OF SOUTHFIELD IS HEREBY AMENDED BY ADDING NEW SECTIONS 11.41 THROUGH 11.41.8, TO TITLE XI, TAXES, CHAPTER 140, TAX EXEMPTIONS, OF THE CITY CODE, WHICH SHALL READ AS FOLLOWS:

#### **SECTION 1**

##### **Sec. 11.41 Purpose**

The purpose of this chapter (Sections 11.41 through 11.41.8) is to provide for a complete exemption from ad valorem taxes and to provide for a service charge in lieu of taxes for a housing project for low income persons and families to be financed with a Federally-aided Mortgage, or an Authority-aided Mortgage Loan, or to be regulated pursuant to Section 42 of the Internal Revenue Code, pursuant to the provisions of the State Housing Development Authority Act of 1966 (1966 PA 346, as amended; MCL 125.1401, *et seq.*, (the "Act")).

##### **Sec. 11.41.1 Title**

This Chapter (Sections 11.41 through 11.41.8) shall be known and cited as the "City of Southfield Tax and Service Charge Exemption Ordinance No..6" :

##### **Sec. 11.41.2 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 of Southfield 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 this Act at any amount it chooses, not to exceed the taxes that would be paid but for this Act. It is further acknowledged that such housing for low-income persons and families is a public necessity, and as the City of Southfield 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 Ordinance for tax exemption and the service charge in lieu of all ad valorem taxes during the period contemplated in this Ordinance are essential to the determination of economic feasibility of the housing

projects that is constructed or rehabilitated with financing extended in reliance on such tax exemption.

The City of Southfield acknowledges that the Sponsor (as defined below) has offered, subject to receipt of a Mortgage Loan from the Michigan State Housing Development Authority, to construct/acquire and rehabilitate, to construct/acquire and rehabilitate, own and operate a housing project identified as “Hope Apartments, “ on certain property located at 16400 JL Hudson Drive (more specifically described in Exhibit A) in the City of Southfield to serve low income persons and families, and that the Sponsor has offered to pay the City of Southfield on account of this housing project an annual service charge for public services in lieu of all ad valorem property taxes.

**Sec. 11.41.3 Definitions.**

- A. Authority means the Michigan State Housing Development Authority.
- B. Annual Shelter Rent 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.
- C. LIHTC Program means the Low-Income Housing Tax Credit program administered by the Authority under Section 42 of the Internal Revenue Code of 1986, as amended.
- D. Low Income Persons and Families means persons and families eligible to move into a housing project.
- E. 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.
- F. Sponsor means Hope Apartments 4 Limited Dividend Housing Association Limited Partnership and Hope Apartments 9 Limited Dividend Housing Association Limited Partnership and any entity that receives or assumes a Mortgage Loan.
- G. Utilities means charges for gas, electric, water, sanitary sewer, and other utilities furnished to the occupants that are paid by the housing project.

#### **Sec. 11.41.4 Class of Housing Projects.**

It is determined that the class of housing projects to which the tax exemption shall apply and for which a service charge shall be paid in lieu of such taxes shall be housing projects for Low Income Persons and Families that are financed with a Mortgage Loan. It is further determined that “Hope Apartments” is of this class.

#### **Sec. 11.41.5 Annual Service Charge.**

##### **A. Establishment of Annual Service Charge.**

The housing project identified as “Hope Apartments” and the property on which it is located, 16400 JL Hudson Drive Southfield, Michigan (more specifically described on Exhibit A), shall be exempt from all *ad valorem* property taxes from and after the commencement of construction or rehabilitation. The City of Southfield acknowledges that the Sponsor and the Authority have established the economic feasibility of the housing project in reliance upon the enactment and continuing effect of this Ordinance, 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 Ordinance. Therefore, in consideration of the Sponsor’s offer to construct/rehabilitate and operate the housing project, the City of Southfield agrees to accept payment of an annual service charge for public services in lieu of all *ad valorem* property taxes. Subject to receipt of a Mortgage Loan, the annual service shall be equal to Four (4) % of the Annual Shelter Rents actually collected by the housing project during each operating year.

##### **B. Limitation on the Payment of Annual Service Charge**

Notwithstanding Section 11.41.7, the service charge to be paid each year in lieu of taxes for the part of the housing project that is tax exempt, but which is occupied by other than low-income persons or families shall be equal to the full amount of the taxes which would be paid on that portion of the housing project if the housing project were not tax exempt.

#### **Sec. 11.41.6 Contractual Effect of Ordinance.**

Notwithstanding the provisions of Section 15(a)(5) of the Act to the contrary, a contract between the City of Southfield and the Sponsor with the Authority as third party beneficiary under the contract, to provide tax exemption and accept payments in lieu of taxes, as previously described, is effectuated by enactment of Sections 1141- 1141.8 of this Ordinance.

#### **Sec. 11.41.7 Payment of Service Charge.**

The annual service charge in lieu of taxes as determined under Sections 11.41 - 11.41.8 of this Ordinance shall be payable in the same manner as general property taxes are payable to the City of Southfield and distributed to the several units levying the general property

tax in the same proportion as prevailed with the general property tax in the previous calendar year. The annual payment for each operating year shall be paid on or before July 1<sup>st</sup> 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.*).

**Sec. 11.41.8 Duration.**

The provisions of this Ordinance shall remain in effect and shall not terminate so long as a Mortgage Loan remains in effect and a mortgage encumbers the property.

**SECTION 2.**

Should any section, clause, or paragraph of this Ordinance be declared by a court of competent jurisdiction to be invalid, the same will not affect the validity of the Ordinance as a whole or part thereof other than the part declared to be invalid.

**SECTION 3.**

All ordinances or part of ordinances in conflict herewith are hereby repealed only to the extent necessary to give this Ordinance full force and effect.

**SECTION 4.**

This ordinance shall become effective upon passage and publication.

KENSON J. SIVER, Mayor

JANET JACKSON, City Clerk

Introduced: 02/24/2025

Enacted: 03/17/2025

Published: 04/06/2025