

CITY OF SALINE
WASHTENAW COUNTY, MICHIGAN
ORDINANCE No. 750

**AN ORDINANCE TO AMEND THE SALINE CITY CODE BY ADDING
CHAPTER 83, TITLED “SERVICE CHARGE IN LIEU OF TAXES,” TO
CREATE A SERVICE CHARGE FOR A QUALIFYING HOUSING PROJECT**

The City of Saline Ordains:

Section 1. Amendment. The City of Saline Code of Ordinances is amended by adding Chapter 83, called “Service Charge in Lieu of Taxes” to read as follows:

**Chapter 83
Service Charge in Lieu of Taxes**

Sec. 83-1. Preamble.

(a) *Proper Public Purpose*

It is acknowledged that it is a proper public purpose for the State of Michigan and its political subdivisions to provide housing for its elderly and low income citizens and to encourage the development of such housing by providing for a service charge in lieu of property taxes in accordance with the State Housing Development Authority Act of 1966 (1966 PA 346, as amended, MCL 125.1401 *e. seq.*) (the “Act”).

(b) *Benefit to the City*

It is further acknowledged that such housing is a public necessity, and, as the city is benefited by such housing, the encouragement of its development by providing a real estate tax exemption is a valid public purpose.

(c) *Authorization to Exclude Certain Classes*

The city is authorized to provide by ordinance that the tax exemption under the Act does or does not apply to certain classes of housing projects within its boundaries.

(d) *Authorization to Establish a Service Charge*

The city is authorized by the Act to establish and change the service charge to be paid in lieu of taxes by all classes of housing exempt from taxation under the Act at an amount established by ordinance not to exceed the taxes it would be paid but for the Act.

Sec. 83-2. Definitions.

(a) *Act* means the State Housing Development Authority Act of 1966, 1966 PA 346, as amended, MCL 125.1401 *et seq.*

(b) *Authority* means the Michigan State Housing Development Authority.

(c) *City* means the City of Saline, Michigan.

(d) *Contract Rents* are as defined by the United States Department of Housing and Urban Development (“HUD”) pursuant to the United States Housing Act of 1937 (42 USC 1437 *et seq.*), as amended by the Housing and Community Development Act of 1974 (42 USC 5301 *et seq.*).

(e) *Elderly* shall have the same meaning as Section 11(o) of the Act.

(f) *Federally Aided Mortgage* means any of the following:

(i) A mortgage insured, purchased, or held by the HUD Secretary or the Secretary for the United State Department of Agriculture – Rural Development (“USDA-RD”);

(ii) A mortgage receiving interest credit reduction payments provided by HUD or USDA-RD;

(iii) A Housing Development to which the Authority allocates low income housing tax credits under Section 22b of the Act; or

(iv) A mortgage receiving special benefits under other federal law designated specifically to develop low and moderate-income housing, consistent with the Act

(g) *Housing Development* means a residential development that contains a significant element of housing supported by Section 8 or other federal or state subsidies for elderly persons and/or persons of low income with elements of other housing, commercial, recreational, industrial, communal and educational facilities that the Authority determines shall improve the quality of the development as it relates to housing for the elderly and/or persons of low income.

(h) *Low Income or Moderate Income Persons* shall have the same meaning as Section 11(g) of the Act.

(i) *Municipal Services Contract* means a contract between the city and a sponsor in which the city agrees to provide certain municipal services to a housing development in exchange for valuable consideration.

(j) *Sponsor* means persons or entities that have applied for federal subsidies that, if granted, would result in the creation of a federally aided mortgage.

(l) *Utilities* means charges for fuel, water, sanitary sewer service, and/or electrical service that are paid by a housing development.

Sec. 83-3. Limited Applicability.

Any tax exemption established under this chapter shall apply only to the housing development and sponsor specifically described in the section establishing the exemption.

Sec. 83-4. Annual Assessment.

The city assessor shall assess the taxable value of all housing developments that are exempt from taxation under this chapter, pursuant to the assessment process described in section 82-5 of this code. The sponsor of a housing development can contest an assessment of taxable value pursuant to section 82-6 of this code.

Sec. 83-5 Effect of Repeal.

If the city council later repeals a section of this chapter that establishes a tax exemption for a particular housing development, the property on which the housing development is located shall be placed back on the ad valorem tax roll on December 31 following the repeal.

Sec. 83-6. Severability.

The various sections and provisions of this chapter shall be deemed to be severable. Should any section or provision of this chapter be declared by any court of competent jurisdiction to be unconstitutional or invalid, the same shall not affect the validity of the chapter as a whole or any section or provision other than the section or provision declared to be unconstitutional or invalid.

Sec. 83-7. Maple Heights Apartments.

(a) *Plan for Substantial Renovations*

The city acknowledges that the PK Maple Heights Limited Dividend Housing Association (the "Maple Heights Association") is a sponsor that has offered, subject to an allocation of low income housing tax credits from the Authority, to own, operate, and substantially renovate a

housing development identified as the "Maple Heights Apartments", on property located in the City of Saline, Washtenaw County, Michigan, as more accurately described as follows:

Commencing at the South $\frac{1}{4}$ Corner, Section 31, T3S, R6E, City of Saline, Washtenaw County, Michigan; thence N88°37'05" W 1320.00 feet along the South line of said section; thence N 1°34'55" E 1180.55 feet along the east line of the West $\frac{1}{2}$ of the SW Fractional $\frac{1}{4}$ of said section for a PLACE OF BEGINNING; thence N88°31'50" W 469.14 feet; thence N 2°21' E 62.85 feet; thence N 87°39' W 190.50 feet; thence N 2°21' E 254.06 feet along the centerline of Maple Road; thence S 89°21'50" E 655.46 feet; thence S 1°34'55" W 329.34 feet along the east line of the West $\frac{1}{2}$ of the SW Fractional $\frac{1}{4}$ of said section to the Place of Beginning, being a part of the SW Fractional $\frac{1}{4}$ of said Section 31.

The Maple Heights Association plans to invest approximately \$1,500,000 in the Maple Heights Apartments and utilize low income housing tax credits provided by HUD to serve the Elderly and Low Income Persons. The Maple Heights Association has further offered to pay the city an annual service charge for public services in lieu of all taxes with respect to the Maple Heights Apartments. The Maple Heights Association's ability to secure an allocation of low income housing tax credits from the Authority and is contingent upon the enactment of this section.

(b) *Establishment of the Exemption and Service Charge*

(1) The Maple Heights Apartments and the property on which they are located (the "Maple Heights Property") shall be removed from the ad valorem tax roll as of December 31 after the Maple Heights Association acquires the Maple Heights Property, satisfies the requirements in subsection (b)(2), and completes the certification process in section 15a(1) of the Act by November 1. The Maple Heights Property shall not be exempt from property taxes until all these events have occurred.

(2) Before filing a completed affidavit of exemption to the Authority as required by section 15a(1) of the Act, the Maple Heights Association shall first secure an allocation of low income housing tax credits from the Authority and enter into a municipal services contract that specifies a requisite level of investment in the Maple Heights Apartments.

(3) In any year in which the Maple Heights Property is exempt from property taxes, the Maple Heights Association shall pay an annual service charge on or before the first business day of September. The service charge shall equal ten (10%) percent of the difference between the contract rents collected and the utilities paid during the prior year. The annual service charge is payable in the same manner as general property taxes and is subject to the same penalties and interest charges if not paid in a timely manner. The city treasurer shall distribute the service charge in the same proportions as would apply to ad valorem property taxes.

(c) *Term*

Except as otherwise provided in this subsection, the tax exemption established under this section shall remain in effect and shall not terminate as long as the Maple Heights Association has a federally aided mortgage that remains outstanding and unpaid or as long as the Authority, HUD, or USDA-RD has any interest in the housing development, including, but not limited to, an interest pursuant to a regulatory agreement, as insurer of the sponsor's federally aided mortgage, or as a provider of federal subsidies. The City may repeal this section and revoke the tax exemption for any reason expressly provided in the municipal services contract required under subsection (b)(2).

(d) *Contractual Effect of Ordinance*

A contract between the city and the Maple Heights Association to provide a tax exemption and to accept payments in lieu of property taxes as previously described is effected by enactment of this section. The Authority, HUD, and/or another lender shall serve as a third party beneficiary to such contract.

Section 2. Repeal. Section 82-1 of the City of Saline Code of Ordinances is repealed.

Section 3. Effective Date. This ordinance shall become effective 20 days after its adoption or upon its publication, whichever occurs later.

MOVED by Councilmember Girbach SECONDED by Councilmember Rhoads that the foregoing Ordinance No. 750 be adopted.

YEAS: Roth, Girbach, Rhoads, Marl, TerHaar, Bourgoin, Peters

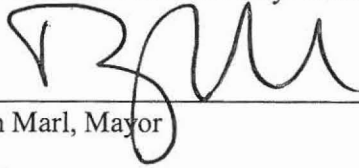
NAYS: _____

ABSTAIN: _____

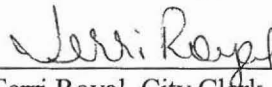
ABSENT: _____

CERTIFICATION

Ordinance No. 750 declared adopted at a Regular Meeting of the Saline City Council held on September 30, 2013, subject to the receipt of written acceptance of the Grantee filed with the City Clerk.



Brian Marl, Mayor



Terri Royal, City Clerk

Introduced: September 30, 2013

Adopted: September 30, 2013

Published: October 10, 2013

Effective: October 30, 2013