

SUMMARY

This ordinance amends Chapter 44 of the 2019 Detroit City Code, *Taxation*, Article IV, *Personal Property Taxes, Real Property Taxes, and Special Assessments*, Division 6, *Payment in Lieu of Taxes for Government-aided, Fast Track, and Workforce Housing Development*, by amending Section 44-4-112, *Definitions*, and by repealing and replacing Section 44-4-113, *Classes of housing projects; when City Council approval is required*, Section 44-4-114, *Establishment of annual service charge*, and Section 44-4-117, *Duration*, and by adding Section 44-4-118, *Director of Housing and Revitalization Department to promulgate administrative rules*, to create fast track and workforce housing provisions for the City and arrange this ordinance to be consistent with state law.

1 **BY COUNCILMEMBER** _____

2 **AN ORDINANCE** to amend Chapter 44 of the 2019 Detroit City Code, *Taxation*, Article
3 *IV, Personal Property Taxes, Real Property Taxes, and Special Assessments*, Division 6, *Payment*
4 *in Lieu of Taxes for Government-aided, Fast Track, and Workforce Housing Development*, by
5 amending Section 44-4-112, *Definitions*, and by repealing and replacing Section 44-4-113, *Classes*
6 *of housing projects; when City Council approval is required*, Section 44-4-114, *Establishment of*
7 *annual service charge*, and Section 44-4-117, *Duration*, and by adding Section 44-4-118, *Director*
8 *of Housing and Revitalization Department to promulgate administrative rules*, to create fast track
9 and workforce housing provisions for the City and arrange this ordinance to be consistent with
10 state law.

11 **IT IS HEREBY ORDAINED BY THE PEOPLE OF THE CITY OF DETROIT**
12 **THAT :**

13 **Section 1.** Chapter 44 of the 2019 Detroit City Code, *Taxation*, be amended by amending
14 Sections 44-4-112, and by repealing and replacing Section 44-4-113, Section 44-4-114, and
15 Section 44-4-117, and by adding Section 44-4-118, to read as follows:

16 **CHAPTER 44. TAXATION**

17 **ARTICLE IV. PERSONAL PROPERTY TAXES, REAL PROPERTY TAXES, AND**
18 **SPECIAL ASSESSMENTS**

19 **DIVISION 6. PAYMENT IN LIEU OF TAXES FOR ~~DEVELOPMENTS FINANCED~~**

20 **~~WITH FEDERALLY AIDED OR AUTHORITY AIDED MORTGAGES~~**

21 **GOVERNMENT-AIDED, FAST TRACK, AND WORKFORCE HOUSING**

22 **DEVELOPMENT**

1 **Sec. 44-4-112. Definitions.**

2 For the purposes of this division, the following words and phrases shall have the meaning
3 respectively ascribed to them by this section:

4 *Act* means the Michigan State Housing Development Authority Act, codified at
5 MCL 125.1401 *et seq.*, as amended.

6 *Additional amount* means that term as defined in Section 15a of the Act, codified in MCL
7 125.1415a.

8 *Administrative rules* means that term as used in Section 2-111 of the City Charter.

9 ~~*Annual net shelter rent* means, as likewise defined in Section 11(m) of the Act, being MCL~~
10 ~~125.1411(m), the total collections from, or in the case of housing assisted under Section 8 of The~~
11 ~~U.S. Housing Act of 1937, as amended, contract rents paid on behalf of, all occupants of a housing~~
12 ~~project representing rents or occupancy charges exclusive of charges for gas, electricity, heat, or~~
13 ~~other utilities furnished to the occupants for the calendar year.~~

14 *Area median income* means that term as defined in Section 59 of the Act, codified at
15 MCL 125.1459.

16 *Authority* means the Michigan State Housing Development Authority.

17 ~~*Contract rents* means that term as defined by the U.S. Department of Housing and Urban~~
18 ~~Development in regulations promulgated pursuant to Section 8 of the U.S. Housing Act of 1937,~~
19 ~~as amended.~~

20 *Government-aided housing project* means a housing project owned by a nonprofit housing
21 corporation, consumer housing cooperative, limited dividend housing corporation, mobile home
22 park corporation, or mobile home park association that is financed with a federally-aided or

1 authority-aided mortgage or advance or grant from the Authority, pursuant to the definitions of
2 those terms provided by Section 11 of the Act, codified at MCL 125.1411.

3 *Fast track housing project* means a housing project that is either of the following:

4 (1) For persons of low income based on the average affordability of the eligible units
5 to be rented; or

6 (2) A rehabilitation of a vacant structure that is not a Government-aided housing
7 project.

8 ~~*Housing project* means a project which contains a significant element of housing for~~
9 ~~persons of low~~ a residential housing project consisting of the development or rehabilitation of four
10 or more individual living units for persons of low and moderate income, and which can also include
11 such elements of other housing, commercial, recreational, industrial, communal, and educational
12 facilities as the Authority determines to improve the quality or viability of the project as it relates
13 to housing for persons of low and moderate income.

14 ~~*Housing projects financed by the taxable bond program* means these housing projects~~
15 ~~financed by and under the terms of the Authority taxable bond program utilizing low income~~
16 ~~housing tax credits, in which all units are rented to or available for individuals meeting the~~
17 ~~requirements of Section 42 of the Internal Revenue Code, or any successor provision, as defined~~
18 ~~in Section 11(jj) of the Act, codified at MCL 125.1411(jj).~~

19 ~~*HUD* means the Department of Housing and Urban Development of the United States~~
20 ~~government.~~

21 ~~*Mortgage loan* means a loan to be made by the Authority or Farmers Home Administration~~
22 ~~or the Department of Housing and Urban Development to the sponsor for the construction and/or~~
23 ~~permanent financing of the housing project or a mortgage loan insured by HUD.~~

1 Permanent Supportive Housing means permanent housing in which housing assistance,
2 such as long-term leasing or rental assistance, and supportive services are provided to assist
3 households with at least one member, whether adult or child, with a disability in achieving housing
4 stability inclusive of the following:

5 (1) Homeless, as defined in section 103(a) of the McKinney-Vento Homeless

6 Assistance Act;

7 (2) At-risk of homelessness, as defined in section 401(1) of the McKinney-Vento

8 Homeless Assistance Act;

9 (3) Fleeing, or attempting to flee, domestic violence, dating violence, sexual assault,

10 stalking, or human trafficking, as defined by the Secretary;

11 (4) Other populations where providing supportive services or assistance under section

12 212(a) of the National Affordable Housing Act would prevent the family's

13 homelessness or would serve those with the greatest risk of housing instability;

14 (5) Veterans and families that include a veteran family member that meet one of the

15 preceding criteria.

16 Persons of low income means ~~persons and families eligible to move into a housing project~~
17 individual persons, a family, or unrelated persons living together, whose adjusted household
18 income is not more than 80% of the area median income.

19 Persons of moderate income means individual persons, a family, or unrelated persons
20 living together, whose adjusted household income is above 80% but not more than 120% of the
21 area median income.

22 Rehabilitation means a housing project that meets per individual living unit minimum
23 investment thresholds as established annually by the Housing and Revitalization Department.

1 ~~Sponsor means persons or entities which have applied to either the Authority for a~~
2 ~~mortgage loan to finance a housing project or to another governmental entity to receive a federally~~
3 ~~aided loan, as defined by the Act~~ a person or entity that is a developer of a Government-aided, Fast
4 track, or workforce housing project.

5 ~~Utilities means fuel, water, sanitary sewer service and/or electrical service which are paid~~
6 ~~by the housing project.~~

7 ~~Vacant structure means a structure that has been continuously uninhabited for a period of~~
8 60 months or more prior to the submission of an application under this Division.

9 ~~Workforce housing means individual living units that are reasonably affordable to and~~
10 occupied by persons of moderate income.

11 ~~Workforce housing project means a housing project that is being developed or rehabilitated~~
12 for workforce housing.

13 ~~Sec. 44-4-113. Class of housing projects.~~

14 ~~It is determined that the class of housing projects to which the tax exemption shall apply~~
15 ~~and for which a service charge shall be paid in lieu of such taxes shall be multiple dwellings for~~
16 ~~persons of low income located in the City, which are financed or assisted by the Authority or are~~
17 ~~federally aided. REPEALED.~~

18 Sec. 44-4-113. Classes of housing projects; when City Council approval is required.

19 (a) Housing projects to which the tax exemption shall apply and for which a service
20 charge may be paid in lieu of such taxes shall include:

21 (1) Government-aided housing projects; and

22 (2) Fast track housing projects.

1 **(b) Eligible housing projects described under Subsection (a) of this section may apply**
2 **to the Housing and Revitalization Department and upon satisfaction of all other requirements in**
3 **this division shall be approved.**

4 **(c) For any housing project to which Subsection (a) of this section applies and which**
5 **receives approval from the Housing and Revitalization Department, the Department shall report**
6 **that approval on its website and notify City Council within seven business days from the date of**
7 **the approval.**

8 **(d) All other housing projects ineligible under Subsection (a) of this section, including**
9 **workforce housing projects that are not rehabilitations of vacant structures, may apply to the**
10 **Housing and Revitalization Department and shall be approved only upon satisfaction of all other**
11 **requirements in this division and by resolution of the City Council.**

12 **~~Sec. 44-4-114. Establishment of annual service charge.~~**

13 ~~Housing projects for persons of low income and the property on which they shall be~~
14 ~~constructed shall be exempt from all property taxes from and after the commencement of~~
15 ~~occupancy. Acknowledging that the sponsor and the Authority, in the case of a sponsor receiving~~
16 ~~a mortgage loan from the Authority, have established the economic feasibility of the housing~~
17 ~~project in reliance upon the enactment and continuing effect of this division and the qualifications~~
18 ~~of the housing projects for exemption from all property taxes and a payment in lieu of taxes as~~
19 ~~established in this division, the City will accept payment of an annual service charge for public~~
20 ~~services in lieu of all property taxes. The annual service charge shall be as follows:~~

21 ~~(1) The service charges for:~~

- 22 ~~a. Authority financed or HUD financed housing projects which are assisted~~
23 ~~under Section 8 of the National Housing Act of 1937; and~~

1 ~~b. Housing projects financed by the taxable bond program after December 1,~~
2 ~~1989 may be authorized at four percent of the net shelter rents subject to~~
3 ~~review and authorized by resolution of the City Council;~~

4 ~~(2) Other Authority financed or HUD financed housing projects financed after the~~
5 ~~effective date of the ordinance amendment, which was November 24, 1993, where~~
6 ~~the owner is awarded low income housing tax credits under Section 42 of the~~
7 ~~Internal Revenue Code may be authorized at four percent of the annual net shelter~~
8 ~~rents from all units rented to or available for individuals meeting the requirements~~
9 ~~of Section 42 of the Internal Revenue Code and ten percent of the annual net shelter~~
10 ~~units for all other units in the housing project;~~

11 ~~(3) The authorization for the four percent service charge is within the discretion of the~~
12 ~~City Council upon receipt of determination of need for same. In the event that a~~
13 ~~project, as defined in Subsections (1) or (2) of this section, is denied the four percent~~
14 ~~service charge, the project shall receive the authorization for a ten percent service~~
15 ~~charge, or such service charge between four and ten percent as the Board of~~
16 ~~Assessors determines is necessary to make the project feasible;~~

17 ~~(4) The service charge or pilot for Authority aided or federally aided housing projects~~
18 ~~other than those described in Subsections (1) or (2) of this section shall be ten~~
19 ~~percent of the annual net shelter rents;~~

20 ~~(5) Affidavits for certification of tax exemption and for pilot payments must be made~~
21 ~~to the Board of Assessors pursuant to Section 15a(1) of the Act, being MCL~~
22 ~~125.1415a(1), prior to a housing project being eligible for tax exemption in the first~~
23 ~~instance. The Board of Assessors shall review and certify the housing project for~~

1 such tax exemptions and pilot payment prior to any reduction or assumed
2 reductions of property taxes which would be otherwise paid;

3 ~~(6) Upon transmittal of the certification of the Board of Assessors, City Council shall~~
4 ~~grant tax exempt status by adoption of a resolution to each qualified housing project~~
5 ~~as defined in Section 44-4-112 of this Code;~~

6 ~~(7) The resolution by City Council effectuating tax exemption and placement on the~~
7 ~~pilot program shall be effective on adoption, with the tax exemption and pilot~~
8 ~~payment to occur only upon bona fide use and physical occupancy by persons~~
9 ~~eligible to move into the project, in accordance with the Act, which must occur as~~
10 ~~of December 31st of the year preceding the tax year in which the exemption is to~~
11 ~~begin;~~

12 ~~(8) The service charge in lieu of taxes as determined under this division shall be~~
13 ~~payable in the same manner as general property taxes are payable to the City.~~

14 REPEALED.

15 **Sec. 44-4-114. Establishment of annual service charge.**

16 (a) Eligible housing projects for persons of low and moderate income and the property
17 on which they shall be constructed shall be exempt from all property taxes from and after the
18 commencement of occupancy. The City will accept payment of an annual service charge for public
19 services in lieu of all property taxes as set forth in this section.

20 (b) The service charge to be paid each year in lieu of taxes for a Government-aided
21 housing project or a Fast track housing project shall be in the amount set forth below, based on the
22 average affordability of the eligible units to be rented and with a reduced rate for rehabilitation of
23 vacant structures. The service charge will be equal to the service charge rate in the table below

1 multiplied by the annual rental revenue, as defined by the Housing and Revitalization Department,
 2 from non-permanent supportive housing units in addition to a one dollar service charge for each
 3 permanent supportive housing unit.

<u>Average affordability</u>	<u>Standard service charge rate</u>	<u>Service charge rate for rehabilitations of vacant structures</u>
<u>Between 81-120% of Area Median Income</u>	<u>N/A</u>	<u>3.5%</u>
<u>Between 61-80% of Area Median Income</u>	<u>4%</u>	<u>2%</u>
<u>Up to 60% of Area Median Income</u>	<u>1%</u>	<u>0.5%</u>

4

5 (c) For housing projects proposed under Section 44-4-113(d) of this Code, City
 6 Council may grant tax exempt status with a service charge that does not align to this section by
 7 adoption of a resolution to each qualified housing project.

8 (d) To be eligible to apply for and to continue to receive certification of tax exemption
 9 and for pilot payments for a Government-aided housing project, the Government-aided housing
 10 project must meet the following requirements:

11 (1) Comply with the standards and requirements of the property maintenance code for
 12 rental property as provided in Section 8-15-81 through Section 8-15-87 of this Code
 13 and any successor provisions, as certified by the Building, Safety Engineering, and
 14 Environmental Department; and

15 (2) Be subject to and in compliance with a written agreement to maintain affordability
 16 levels for not less than the length of the pilot, and upon terms and conditions

1 consistent with the policies and requirements of the Housing and Revitalization
2 Department. Except as otherwise provided by law, the agreement may provide that
3 the owner of the housing project must pay fees or penalties for violations of the
4 agreement so long as said fees and penalties are paid into the Detroit Affordable
5 Housing and Preservation Fund established under Section 22-3-7 of this Code.

6 (e) To be eligible to apply for and to continue to receive certification of tax exemption
7 and for pilot payments for a Fast track or workforce housing project, the owner of that housing
8 project and that housing project must meet the following requirements:

9 (1) Comply with the standards and requirements of the property maintenance code for
10 rental property as provided in Section 8-15-81 through Section 8-15-87 of this Code
11 and any successor provisions, as certified by the Building, Safety Engineering, and
12 Environmental Department;

13 (2) Be subject to and in compliance with a written agreement to maintain affordability
14 levels for not less than the length of the pilot, and upon terms and conditions
15 consistent with the policies and requirements of the Housing and Revitalization
16 Department. Except as otherwise provided by law, the agreement may provide that
17 the owner of the housing project must pay fees or penalties for violations of the
18 agreement so long as said fees and penalties are paid into the Detroit Affordable
19 Housing and Preservation Fund established under Section 22-3-7 of this Code; and

20 (3) Submit to initial and annual review of compliance and enforcement by the Housing
21 and Revitalization Department, including for any Certificate of Compliance
22 required, final assessor certification, and affordability requirements. The owner of
23 the housing project shall submit all records and information deemed necessary for

1 the Housing and Revitalization Department to discharge its duties under this
2 division, including to initially verify tenant income for restricted units and to
3 annually certify rental rates. If at any time a housing project is found to be out of
4 compliance with the applicable affordability requirements, the owner of the housing
5 project shall come into compliance by providing for greater affordability on
6 subsequent vacancies and provide reporting on more frequent intervals, as
7 established by the Housing and Revitalization Department. If at any time a
8 Certificate of Compliance is not maintained as required, the owner of the housing
9 project shall come into compliance or enter into a corrective action plan with the
10 Building, Safety, Engineering, and Environmental Department within 60 days of
11 receiving notice of that violation.

12 (f) A service charge paid each year in lieu of taxes for that part of a Government-aided
13 housing project that is tax exempt under Section 44-4-113 of this Code, and occupied by persons
14 other than persons of low-income, must be equal to the full amount of the taxes that would be paid
15 on that portion of the housing project if the housing project were not tax exempt. The owner of the
16 housing project must allocate the benefits of any tax exemption granted under this section
17 exclusively to persons of low-income or to the maintenance and preservation of the housing project
18 as safe, decent, and sanitary Government-aided housing.

19 (g) A service charge paid each year in lieu of taxes for that part of any Fast track or
20 workforce housing project that is tax exempt under Section 44-4-113 of this Code, and not used
21 for Fast track or workforce housing, as applicable, must be equal to the full amount of the taxes
22 that would be paid on that portion of the housing project if the housing project were not tax exempt.
23 The owner of the housing project must allocate the benefits of any tax exemption granted under

1 this section exclusively to Fast track or workforce housing, as applicable, or to the maintenance
2 and preservation of the housing project as safe, decent, and sanitary Fast track or workforce
3 housing.

4 (h) The owner of the housing project eligible for the exemption must submit affidavits,
5 on a form provided by the Authority, for certification of tax exemption.

6 (i) Affidavits for certification of tax exemption and for payment in-lieu of taxes
7 payments must be made to the Board of Assessors before November 1 of the year preceding the
8 tax year in which the exemption is to begin. If the housing project is a workforce housing project,
9 then not later than five business days after receipt of the certified notification of the exemption,
10 the Board of Assessors shall provide a copy of the certified notification of the exemption to the
11 Wayne County Treasurer, pursuant to Section 15a(1) of the Act, being MCL 125.1415a(1), prior
12 to a housing project being eligible for tax exemption in the first instance. The Board of Assessors
13 shall review and certify the housing project for such tax exemptions and pilot payment prior to any
14 reduction or assumed reductions of property taxes which would be otherwise paid.

15 (j) The approval effectuating tax exemption and placement on the pilot program shall
16 be effective on adoption, with the tax exemption and pilot payment to occur only upon *bona*
17 *fide* use and physical occupancy pursuant to a certificate of compliance by persons eligible to move
18 into the project, in accordance with the Act, which must occur as of December 31st of the year
19 preceding the tax year in which the exemption is to begin.

20 (k) The service charge in lieu of taxes as determined under this division shall be
21 payable in the same manner as general property taxes are payable to the City.

22 (l) Except as otherwise provided in this section, any payments for public services
23 received by the City in lieu of taxes under this section shall be distributed to the several units

1 levying the general property tax in the same proportion as prevailed with the general property tax
2 in the previous calendar year. For payments in lieu of taxes collected after June 30, 1994, the
3 distribution to the several units must be made as if the number of mills levied for local school
4 district operating purposes were equal to the number of mills levied for those purposes in 1993
5 minus the number of mills levied under the state education tax act, 1993 PA 331, MCL 211.901 to
6 211.906, for the year for which the distribution is calculated. For tax years after 1993, the amount
7 of payments in lieu of taxes to be distributed to a local school district for operating purposes under
8 this subsection will not be distributed to the local school district but instead will be paid to the state
9 treasury and credited to the state school aid fund established by section 11 of Article IX of the
10 State Constitution of 1963.

11 (m) The annual service charge for a workforce housing project must be increased by the
12 additional amount if both of the following requirements are met:

13 (1) Not later than 45 days after the treasurer of the county's receipt of the certified
14 notification of the exemption under Subsection (i) of this section, the Wayne
15 County Board of Commissioners passes a resolution, by majority vote, that
16 provides that the additional amount must be paid under this subdivision; and

17 (2) The approval of the resolution of the Wayne County Board of Commissioners is in
18 accordance with an ordinance or resolution adopted by the Wayne County Board
19 of Commissioners concerning the factors to be considered in applying this
20 subdivision.

21 (n) An additional amount received under subsection (m) will be distributed to Wayne
22 County.

1 ~~Sec. 44-4-117. Duration.~~

2 ~~The tax exempt status of a housing project approved for such status by resolution of the~~
3 ~~City Council shall remain in effect and shall not terminate so long as the mortgage loan for such~~
4 ~~housing project remains outstanding and unpaid, or for such period as the Authority or other~~
5 ~~governmental entity has any interest in the property.~~

6 Sec. 44-4-117. Duration.

7 The exemption from taxation granted by Section 44-4-113 of this Code must remain in
8 effect in accordance with the following:

- 9 (1) For a Government-aided housing project, for as long as the federally-aided or
10 authority-aided mortgage or advance or grant from the Authority is outstanding,
11 but not more than 50 years. City Council may approve by resolution a different
12 period of time for the exemption to remain in effect.
- 13 (2) For a Fast track or workforce housing project, for up to 15 years so long as the
14 housing project maintains eligibility and remains subject to a covenant running with
15 the land that restricts the use of the housing project to Fast track or workforce
16 housing. If that housing project maintains eligibility and continues to be subject to
17 said covenant after that period, the housing project will be eligible for by-right
18 renewal of the pilot for up to 15 years while eligibility is maintained and the
19 covenant remains, except as otherwise provided by law.

1 **Sec. 44-4-118. Director of Housing and Revitalization Department to promulgate**
2 **administrative rules.**

3 In accordance with Section 2-111 of the Charter, the Director of Housing Revitalization
4 and Development may promulgate administrative rules for carrying into effect the provisions of
5 this division.

6 **Secs. 44-4-119—44-4-130. Reserved.**

7 **Section 2.** This ordinance is hereby declared necessary to preserve the public peace,
8 health, safety and welfare of the People of the City of Detroit.

9 **Section 3.** All ordinances, or parts of ordinances, that conflict with this ordinance are
10 repealed.

11 **Section 4.** In the event this ordinance is passed by two-thirds (2/3) majority of City
12 Council Members serving, it shall be given immediate effect and become effective upon
13 publication in accordance with Section 4-118 of the 2012 Detroit City Charter. Where this
14 ordinance is passed by less than a two-thirds (2/3) majority of City Council Members serving, it
15 shall become effective on the thirtieth (30) day after enactment in accordance with Section 4-118
16 of the 2012 Detroit City Charter.

Approved as to form:



Conrad L. Mallett
Corporation Counsel