



Item Number: 11

CITY OF GRAND RAPIDS AGENDA ACTION REQUEST

DATE: December 3, 2024

TO: Mark Washington, City Manager

COMMITTEE: Committee of the Whole

LIAISON: Mark Washington, City Manager

FROM: Connie M. Bohatch, Senior Managing Director of Community Services
Community Development

SUBJECT: **Resolution providing for the publication and setting a date to consider adoption of proposed amendments to Article 5 (Taxation of Assisted Lower-Income Housing) of Chapter 9 of the Grand Rapids City Code**

Attached is a resolution scheduling December 17, 2024, to consider adoption of an ordinance amending Chapter 9, Article 5 of Title I of the Grand Rapids City Code, entitled "Taxation of Assisted Lower-Income Housing." The resolution also authorizes publication of the ordinance.

The ordinance would amend Sections 1.410 through 1.414. Changes include the following:

- Changing the title of Article 5 to "Taxation of Assisted Low-Income and Workforce Housing."
- Adding tax exemption and payment in lieu of taxes (PILOT) for workforce housing projects for both rental and owner-occupancy units and requiring a restrictive covenant with the City specifying terms and conditions of the tax exemption for fifteen (15) years.
- Adding a "Definitions" section to describe key terminology used in the ordinance. This includes defining "workforce housing" as units that are reasonably affordable to, and occupied by, a household whose total income is not greater than 120% of the Area Median Income (AMI).
- Specifying that workforce housing projects for:
 - rental unit development or rehabilitation has at least \$25,000 of cost per unit and at least five (5) units, which can be scattered site, and is intended to support creation and preservation of quality affordable housing.
 - owner-occupancy units developed or rehabilitated at a cost that equals or exceeds assessed value (50% of fair market value), which is intended to create new affordable homeownership opportunities.

- Adding that, for workforce housing projects, a copy of the certified notification of exemption from the Michigan State Housing Development Authority (MSHDA) be provided to the County Treasurer within 5 business days after receipt.
- Setting the service charge for owner-occupancy workforce housing projects at 10% of ad valorem taxes.
- Updating the voluntary Affordable Housing Fund (AHF) contribution option to a 1% service charge and 3% AHF contribution.
- Setting the service charge and voluntary contribution to the AHF for rental workforce housing projects on a tiered scale based on household AMI as below.

Unit Occupant Household Percent of Area Median Income as published by the United States Department of Housing and Urban Development (HUD)	≤ 120%	> 80% - ≤ 100%	> 60% - ≤ 80%	≤ 60% and Low Income Housing Tax Credit (LIHTC) projects with income averaging
Percent of Shelter Rent Collected				
Option 1				
Service Charge	10%	8%	6%	4%
Option 2				
Service Charge	5%	3%	2%	1%
Affordable Housing Fund Contribution	5%	5%	4%	3%

- Changing the conditional approval process to be an administrative function rather than requiring City Commission approval.

Background

The State Housing Development Authority Act (Public Act 346 of 1966) authorizes exemption from ad valorem property taxes and payment of a service charge in lieu of taxes for housing developments that serve lower-income households and have qualifying State or federal financing. The annual service charge for rent restricted units is based on a percentage of shelter rent receipts. The City ordinance, Chapter 9, Article 5 of the City Code, entitled "Taxation of Assisted Lower-Income Housing, allows the City Commission to grant such property tax exemptions and payment in lieu of taxes (PILOT). The ordinance (referred to as the PILOT Ordinance), adopted in 1968 and most recently amended in 2018, is intended to encourage creation and preservation of affordable housing units.

In late 2022, Senate Bill 432 amended the State Housing Development Authority Act to authorize exemption from ad valorem property taxes for workforce housing projects. "Workforce housing" is housing that is reasonably affordable to, and occupied by, a household whose total household income is not greater than 120% of the area median income as published by the United States Department of Housing and Urban Development. The legislative change is intended to encourage increasing the supply of housing.

In response to the new enabling legislation, a proposal was developed to amend the City's PILOT Ordinance to include workforce housing. In doing so, staff reviewed the updated State Housing Development Authority Act, researched approaches to consider, and engaged both internal and external stakeholders. This included:

- Conferring with the Michigan State Housing Development Authority (MSHDA) and reviewing MSHDA's workforce housing ordinance template.
- Reviewing PILOT and workforce housing PILOT ordinances of eleven (11) municipalities and engaging with representatives to gain additional insight.
- Meeting with nine (9) nonprofit and for-profit that expressed interest in the PILOT program.
- Seeking input from internal stakeholders, including the City Assessor, City Attorney, City Treasurer, and the Economic Development Department.

On July 30, 2024, staff presented to the City Commission a proposed approach to include workforce housing in the local ordinance. A subsequent presentation was provided on November 13, 2024, that further outlined the proposal and addressed questions. The City Commission discussed the proposal and provided direction on desired ordinance content. The attached ordinance is consistent with this input.

Your COMMITTEE OF THE WHOLE recommends adoption of the following resolution providing for the publication of and setting a date to consider adoption of proposed amendments to Article 5 "Taxation of Assisted Lower-Income Housing" of Chapter 9 of the Grand Rapids City Code.

RESOLVED:

1. That the attached ordinance amending Article 5 entitled "Taxation of Assisted Lower-Income Housing" of Chapter 9 of the Grand Rapids City Code shall be published as part of the proceedings; and
2. That pursuant to Section 10(b) of Title V of the City Charter, the City Clerk shall publish the attached summary of the proposed ordinance in a newspaper of general circulation in the city; and
3. That the proposed ordinance shall be considered for adoption on December 17, 2024.

CORRECT IN FORM

DEPARTMENT OF LAW