

1. Ordinance amending Sections 1.410 through 1.414 of Chapter 9, Article 5 of Title I of the Grand Rapids City Code entitled "Taxation of Assisted Lower-Income Housing"



Item Number: 1

# CITY OF GRAND RAPIDS AGENDA ACTION REQUEST

**DATE:** December 17, 2024

**TO:** Mark Washington, City Manager

**COMMITTEE:** City Commission Meeting  
**LIAISON:** N/A

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

**SUBJECT:** **Ordinance amending Sections 1.410 through 1.414 of Chapter 9, Article 5 of Title I of the Grand Rapids City Code entitled "Taxation of Assisted Lower-Income Housing"**

Attached is an ordinance to be considered for adoption that would amend Sections 1.410 through 1.414 of Chapter 9, Article 5 of Title I of the Grand Rapids City Code, entitled "Taxation of Assisted Lower-Income Housing." This was presented to the City Commission on December 3, 2024, where it was authorized for publication. The full ordinance was included in the agenda packet and available on the Community Development Department webpage at [www.grcd.info](http://www.grcd.info).

The final language includes the following modifications as directed by the City Commission during their discussion:

- Removed workforce housing project rehabilitation investment thresholds of \$25,000 for rental units and costs equal to or exceeding the assessed value for owner-occupancy units.
- Removed requirement that rental workforce housing projects include at least five (5) units.
- Added that housing projects must comply with City Property Maintenance Code.

The language also includes the following changes suggested by Michigan State Housing Development Authority legal counsel:

- Added definitions for "Mortgage Loan" and "Utilities."
- Added clauses to address "Severability and Inconsistent Ordinances."

CORRECT IN FORM  
  
CITY ATTORNEY

**AN ORDINANCE TO AMEND ARTICLE 5 OF CHAPTER 9 “PROPERTY TAX LEVY  
AND COLLECTION” OF THE GRAND RAPIDS CITY CODE BY AMENDING  
SECTIONS 1.410 – 1.414 THEREOF**

**ORDINANCE NO. 2024 –**

**THE PEOPLE OF THE CITY OF GRAND RAPIDS DO ORDAIN:**

Section 1. That the title to Article 5 of Chapter 9 of Title I of the Grand Rapids City Code be amended to read as follows:

**“ARTICLE 5. – TAXATION OF ASSISTED LOW-INCOME HOUSING AND  
WORKFORCE HOUSING”**

Section 2. That Section 1.410 of Chapter 9 of Title I of the Grand Rapids City Code be amended to read as follows:

**“Sec. 1.410. Definitions.**

Terms not defined herein shall have those definitions contained in Chapter 1 of the State Housing Development Authority Act, Public Act 346 of 1966, as amended (Public Act 346).

- A. “Additional amount” means the amount equal to the difference between the following:
  - (1) The millage rate levied for operating purposes by the county multiplied by the current taxable value of that housing project.
  - (2) The amount of the annual service charge paid by the housing project under Section 1.413.A. that is distributed to the county.
- B. “Annual shelter rent” means the total collections during an agreed annual period paid by or on behalf of all occupants of a housing project representing rent or occupancy charges, less charges for utilities furnished to the occupants and paid by the housing project owner.
- C. “Authority” means the Michigan State Housing Development Authority.
- D. “Homebuyer” means the household that will permanently own and occupy the owner-occupied workforce housing project.
- E. “Household” means an individual or family and all occupants residing in the unit.
- F. “Low-income household” means a household with:
  - (1) Income not greater than 60% of the Area Median Income (AMI) published by the Authority based on United States Department of Housing and Urban Development (HUD) data; or
  - (2) Income at or below 80% of AMI when residing in Low Income Housing Tax Credit (LIHTC) Program units rent restricted at various levels up to 80% of AMI where the average rent restriction of all units is 60% AMI or less.
- G. “Mortgage Loan” means a loan that is Federally-aided (as defined in Section 11

of Public Act 346) or a loan or grant made or to be made by the Authority, for the construction or rehabilitation and/or permanent financing of a housing project, and then secured by a mortgage on the housing project.

- H. "Rehabilitation" means all or part of those repairs and improvements necessary to make residential real property safe, sanitary, or adequate.
- I. "Restrictive Covenant" means an agreement between the owner of the housing project and the City recorded with the Kent County Register of Deeds and running with the land that restricts the use of the housing project to workforce housing as defined in the Ordinance, for a period not to exceed 15 years.
- J. "Workforce housing" means rental or owner-occupied units that are reasonably affordable to, and occupied by, a household whose total household income is not greater than 120% of the Area Median Income (AMI) published by the United States Department of Housing and Urban Development (HUD).
- K. "Utilities" means gas, electric, water and sanitary sewer services provided to a housing unit. Utilities do not include cable, broadband, telephone or similar communications services."

Section 3. That Section 1.411 of Chapter 9 of Title I of the Grand Rapids City Code be amended to read as follows:

**"Sec. 1.411. Eligible Housing Projects.**

The tax exemption established in subsection (1) of Section 15a of Public Act 346 (MCL 125.1415a) shall apply to housing projects within the boundaries of the City of Grand Rapids that meet either of the following criteria:

- A. Low-income housing projects.
  - (1) Projects that are financed with a Federally-aided or State Housing Development Authority-aided mortgage or with an advance or grant from such Authority, and
  - (2) Projects that serve low-income households, elderly and/or handicapped, and
  - (3) Projects that are owned by a "consumer housing cooperative," "qualified nonprofit housing corporation," or a "limited dividend housing association" as defined in Public Act 346, as amended.
- B. Workforce housing projects. To qualify as a workforce housing project, a housing project must be either:
  - (1) Rental project:
    - a. Projects that are being developed or rehabilitated for workforce housing. Rehabilitation work may not occur prior to applying to the City for tax exemption. All projects other than new construction development are to be considered rehabilitation projects, and
    - b. The rent and utilities paid by or on behalf of the occupants do not exceed the applicable Area Median Income (AMI) rent limit, adjusted by number of bedrooms in the unit, published annually by the Authority based on United

- States Department of Housing and Urban Development (HUD) data, and
- (2) A housing unit that is being developed or rehabilitated for owner-occupied workforce housing.”

Section 4. That Section 1.412 of Chapter 9 of Title I of the Grand Rapids City Code be amended to read as follows:

**“Sec. 1.412. Authorization and Establishment of Property Tax Exemption.**

- A. Owners of eligible housing projects described that qualify under Section 1.411.A. and B.1. may apply to the designated City department, and upon satisfaction of all other requirements in this ordinance, shall be approved,
- B. Owner-occupants of eligible housing projects that qualify under Section 1.411.B.2. may apply to the designated City department, and upon satisfaction of all other requirements in this ordinance, shall be approved. Homebuyers with an executed purchase agreement to purchase a newly developed or rehabilitated workforce housing project are eligible to apply,
- C. The owner of a workforce housing project that qualifies under Section 1.411.B. shall enter into a Restrictive Covenant with the City of Grand Rapids, subject to approval by the City Attorney, that is recorded in Kent County and specifies the terms and conditions of the tax exemption as follows:
  - (1) The Restrictive Covenant shall provide (a) that the Restrictive Covenant may be enforced by the City of Grand Rapids, (b) for the reporting and monitoring of the housing project owner’s compliance with the Restrictive Covenant and this Ordinance, (c) remedies available to the City of Grand Rapids for non-compliance, including termination of the exemption, (d) that ad valorem taxes will be assessed for units with households that have income above 120% of AMI, as reported on annual compliance reports, and that such units will not revert to being tax exempt until a future annual compliance report evidences household income that does not exceed 120% of AMI, and (e) that the Restrictive Covenant cannot be modified except in a written instrument executed by the housing project owner and the City of Grand Rapids and recorded with the Register of Deeds.
  - (2) The Restrictive Covenant for a rental workforce housing project under Section 1.411.B.1. shall stipulate the number of units to be rented to households within the various income brackets. For all units in the rental workforce housing project, rent and utilities shall not exceed the applicable Area Median Income (AMI) rent limit, adjusted by number of bedrooms in the unit, published annually by the Authority, based on United States Department of Housing and Urban Development (HUD) data and household income shall not exceed 120% of Area Median Income.
- D. The owner of the housing project shall submit an affidavit to the Authority in the form required by the Authority for certification by the Authority that the project is eligible for the property tax exemption. The owner or Authority must then file the certified notification of exemption with the City of Grand Rapids Assessor before November 1 of the year preceding the tax year in which the exemption is to be effective.

- E. Workforce housing projects under Section 1.411.B.1., subject to the recording of the Restrictive Covenant, shall be exempt from all ad valorem property taxes as of December 31 of the year in which development or rehabilitation commences. Work must start within one (1) year of the Authority's certification of exemption or such longer period as specified in the Restrictive Covenant.
- F. Workforce housing projects under Section 1.411.B.2., subject to the recording of the Restrictive Covenant, shall be exempt from all ad valorem property taxes as of December 31 of the year in which work is complete and the homebuyer obtained title to the housing project.
- G. Not later than 5 business days after receipt of the certified notification of exemption for a workforce housing project, the City Assessor shall provide a copy of the certified notification of exemption to the County Treasurer.
- H. Notwithstanding the provisions of MCL 125,1415a(3)(b) and 125,1415a(7) to the contrary, upon City approval of the tax exemption and receipt of a certified notification of exemption from the Authority, a contract shall be deemed effective between the City of Grand Rapids and the owner of the housing project to provide tax exemption and accept service charge payments in lieu of taxes as described in this ordinance.
- I. During the exemption period, units in housing projects that qualify under Section 1.411 shall be in compliance with the City's Property Maintenance Code (Chapter 140), including requirements for Registration of Dwellings and Certificates of Compliance.
- J. Housing projects that qualify under Section 1.411.A. above shall have the tax exemption provided in subsection (1) of Section 15a of Public Act 346, provided the owner of the housing project has complied with Public Act 346, is current with all taxes and assessments on the subject property, and has annually filed before August 1 an audited financial statement for the previous calendar year, as requested, with the City Assessor.
- K. Housing projects that qualify under Section 1.411.B.1. above shall have the tax exemption provided in subsection (1) of Section 15(a) of Public Act 346, provided the owner of the housing project has complied with Public Act 346, is current with all taxes and assessments on the subject property, and has annually filed before August 1 a financial statement for the previous calendar year, as requested, with the City Assessor and has annually submitted by May 30 an annual compliance report for the previous calendar year, as requested.
  - (1) An annual audited financial statement shall be required for all housing projects with twenty (20) or more units.
  - (2) Housing projects with less than 20 units may submit an audited financial statement, or either a third-party prepared or internally-prepared financial statement, certified by the owner, showing the actual annual shelter rent collected for the preceding calendar year.
  - (3) For housing projects that have units occupied by households at various income brackets, or that have units that are both eligible and not eligible for tax exemption under this Ordinance, the owner must report the amount of rent collected for the preceding year by unit.

- L. Housing projects that qualify under Section 1.411.B.2. above shall have the tax exemption provided in subsection (1) of Section 15a of Public Act 346, provided the owner of the housing project has complied with Public Act 346, is current with all taxes and assessments on the subject property, and has annually affirmed to the City continued eligibility for the tax exemption.”

Section 5. That section 1.413 of Chapter 9 of Title I of the Grand Rapids City Code be amended to read as follows:

**“Sec. 1.413. Service Charge in Lieu of Taxes.**

- A. The owner of the housing project exempt from taxation under this Ordinance and Public Act 346 shall pay to the City of Grand Rapids an annual service charge for public services in lieu of all taxes. All of the following apply to the amount that an owner must pay as a service charge. In no case shall the service charge exceed the amount in taxes that an owner would have otherwise paid if the housing project were not tax exempt.
- (1) Low-income housing projects approved for tax exemption under Section 1.411.A. of this Ordinance on or after [Effective Date] shall pay a service charge in the amount equal to four (4) percent of annual shelter rent or may choose to pay a service charge in the amount equal to one (1) percent of annual shelter rent in addition to making an annual contribution to the City of Grand Rapids' Affordable Housing Fund in an amount equal to three (3) percent of the annual shelter rent. If the annual contribution to the Housing Fund is not made by the due date specified by the City, the service charge shall revert to four (4) percent of annual shelter rent.
- (2) Workforce housing projects approved for tax exemption under Section 1.411.B.1. of this Ordinance on or after [Effective Date] shall pay:
- a. For a new construction project:
- i. An amount that is the greater of the ad valorem tax on the property on which the project is located for the tax year proceeding the date on which the construction is commenced, or
- ii. An amount equal to the percent of annual shelter rent specified under Option 1 in the table below or an amount equal to the total percent of annual shelter rent specified under Option 2 in the table below (Service Charge plus Affordable Housing Fund contribution). Under both options, the annual shelter rent used to determine the service charge and Affordable Housing Fund contribution is based on the number of qualifying units specified in the Restrictive Covenant. If the annual contribution to the Housing Fund is not timely made, the service charge shall revert to an amount equal to the percent of annual shelter rent specified under Option 1.
- b. For a rehabilitation project:
- i. An amount that is the lesser of the ad valorem tax on the property on which the project is located for the tax year preceding the date on which

rehabilitation commenced, or

- ii. An amount equal to the percent of annual shelter rent specified under Option 1 in the table below or an amount equal to the total percent of annual shelter rent specified under Option 2 in the table below (Service Charge plus Affordable Housing Fund contribution). Under both options, the annual shelter rent used to determine the service charge and Affordable Housing Fund contribution is based on the number of qualifying units specified in the Restrictive Covenant. If the annual contribution to the Housing Fund is not timely made, the service charge shall revert to an amount equal to the percent of annual shelter rent specified under Option 1.

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				
<b>Option 1</b>				
Service Charge	10%	8%	6%	4%
<b>Option 2</b>				
Service Charge	5%	3%	2%	1%
Affordable Housing Fund Contribution	5%	5%	4%	3%

(3) Workforce housing that is owner-occupied and approved for tax exemption under Section 1.411.B.2. of this ordinance on or after [Effective Date] shall pay a service charge in an amount equal to 10% of ad valorem taxes that would be otherwise payable.

- B. Within 45 days after the Kent County treasurer receives the certified notification of exemption for a workforce housing project from the City Assessor, the county may pass a resolution, by majority vote, that provides that the “additional amount” must be paid to the county. The “additional amount” shall be charged to the workforce housing project in addition to the service charge and the Affordable Housing Fund contribution.
- C. Notwithstanding subsection A.1. above, a service charge paid each year in lieu of taxes for that part of a housing project that is tax exempt under Section 1.411.A. of this ordinance and occupied by households other than low-income households must be equal to the full amount of taxes that would be paid on that portion of the housing project if the housing project were not tax exempt. The owner of the housing project must allocate the benefits of any tax exemption granted under this ordinance exclusively to low-income households or to the maintenance and preservation of the housing project as safe, decent, and sanitary affordable housing.
- D. Notwithstanding subsection A.2. above, a service charge paid each year in lieu of taxes for that part of a housing project that is tax exempt under Section 1.411.B.1.



of this ordinance and not used for workforce housing must be equal to the full amount of taxes that would be paid on that portion of the housing project if the housing project were not tax exempt. The owner of the housing project must allocate the benefits of any tax exemption granted under this ordinance exclusively to workforce housing or to the maintenance and preservation of the housing project as a safe, decent, and sanitary workforce housing.

- E. Housing projects approved for tax exemption under this ordinance on or before December 31, 1990, shall pay a service charge in the amount equal to ten (10) percent of annual shelter rent, except as provided in 1.413.G. below.
- F. Housing projects approved for tax exemption under this ordinance on or after January 1, 1991, but before [Effective Date] shall pay a service charge in the amount equal to four (4) percent of annual shelter rent or may choose to pay a service charge in the amount equal to one (1) percent of annual shelter rent in addition to making an annual contribution to the City of Grand Rapids' Affordable Housing Fund in an amount equal to two (2) percent of annual shelter rent. If the annual contribution to the Housing Fund is not made, the service charge shall revert to four (4) percent of annual shelter rent.
- G. Housing projects approved for tax exemption under this ordinance between January 1, 1990, and December 31, 1990, may request requalification at the four (4) percent rate. The granting of requalification requests shall require the approval of the City Commission and would be effective the subsequent tax year.
- H. Housing projects defined as emergency shelters or transitional housing for the homeless that are not otherwise exempt from ad valorem taxes shall not be assessed a service charge in lieu of property taxes.
- I. Any service charge payment or portion of payment remaining unpaid as of the due date shall bear interest at 1% per month and require payment of a 3% penalty fee. 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.”

Section 6. That Section 1.414 of Chapter 9 of Title I of the Grand Rapids City Code be amended to read as follows:

**“Sec. 1.414. Duration of Exemptions and Service Charges in Lieu of Taxes; Severability and Inconsistent Ordinances.**

- A. The exemptions and service charges authorized under this Ordinance for low-income housing projects that qualify under Section 1.411.A. above shall be in effect so long as the housing project remains subject to a Mortgage Loan, not to exceed fifty (50) years.
- B. The exemptions and service charges authorized under this ordinance for workforce housing projects that qualify under Section 1.411.B. above shall be in effect for a term not to exceed fifteen (15) years.
- C. The various sections and provisions of this Ordinance shall be deemed to be severable and should any section or provision of this Ordinance be declared

unconstitutional or invalid by any court of competent jurisdiction, the same shall not affect the validity of this Ordinance as a whole or any section or provision of this Ordinance, other than the section or provision declared unconstitutional or invalid,

- D. All ordinances or parts of ordinances inconsistent or in conflict with the provisions of this Ordinance are repealed to the extent of such inconsistency or conflict.”