

City of Highland Park

ORDINANCE NO. _____

TAX EXEMPTION ORDINANCE

ADOPTED: [insert date of adoption]

An Ordinance to provide for a service charge in lieu of taxes for housing projects for low income persons and families to be financed with a federally-aided or Authority-aided Mortgage Loan or an advance or grant from the Authority 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").

THE CITY OF HIGHLAND PARK ORDAINS:

SECTION 1. This Ordinance shall be known and cited as the "City of Highland Park Tax Exemption Ordinance-Highland Manor Apartments."

SECTION 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 is authorized by this 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 persons and families of low income is a public necessity, and as the City 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* property taxes during the period contemplated in this Ordinance are essential to the determination of economic feasibility of the housing projects that are constructed or rehabilitated with financing extended in reliance on such tax exemption.

The City acknowledges that the Sponsor (as defined below), subject to receipt of an allocation under the LIHTC Program by the Michigan State Housing Development Authority, plans to develop, own and operate a housing project identified as Highland Manor Apartments on certain properties (see below) principally located at 20 Sears Street in the City of Highland Park to serve persons and families of low income and that the Sponsor has offered to pay the City on account of this housing project an annual service charge for public services in lieu of all *ad valorem* property

taxes.

The properties located in the City of Highland Park, Wayne County, MI, are described for tax purposes as follows:

PARCEL I:

Lots 8 through 12 and part of Lots 7 and 13 of "Assessor's Highland Park Plat No. 1", as recorded in Liber 66, Page 24 of Plats, Wayne County Records, being more particularly described as: Beginning at a point being the intersection of the East line of Second Avenue and the South line of Bartlett Avenue, said point being the Northwest corner of said Lot 8; thence North 63 degrees 59 minutes 42 seconds East 355.33 feet along the South line of said Bartlett Avenue; thence South 26 degrees 05 minutes 40 seconds East 175.00 feet; thence South 63 degrees 59 minutes 42 seconds West 150.00 feet; thence South 26 degrees 05 minutes 40 seconds East 163.08 feet to the North line of Sears Avenue; thence North 88 degrees 06 minutes 50 seconds West 81.21 feet along the North line of Sears Avenue; thence South 64 degrees 00 minutes 00 seconds West 132.00 feet along the North line of Sears Avenue to a point on the East line of Second Avenue, said point also being the Southwest corner of said Lot 8; thence North 26 degrees 23 minutes 50 seconds West 300.08 feet along said line to the point of beginning.

PARCEL II:

Lots 14 and 15 and part of Lots 7, 13 and 16, of "Assessor's Highland Park Plat No. 1", as recorded in Liber 66, Page 24 of Plats, being more particularly described as: Commencing at a point being the intersection of the East line of Second Avenue and the South line of Bartlett Avenue, said point being the Northwest corner of Lot 8; thence North 63 degrees 59 minutes 42 seconds East 355.33 feet along the South line of Bartlett Avenue to the point of beginning; thence continuing North 63 degrees 59 minutes 42 seconds East along the South line of Bartlett Avenue 172.00 feet; thence South 26 degrees 05 minutes 40 seconds East 416.24 feet to a point on the North line of Sears Avenue; thence the following six courses being along the said North line (1) South 64 degrees 00 minutes 00 seconds West 67.14 feet and (2) South 69 degrees 01 minutes 30 seconds West 60.26 feet and (3) South 76 degrees 14 minutes 00 seconds West 61.48 feet und (4) South 83 degrees 50 minutes 00 seconds West 63.93 feet and (5) South 89 degrees 56 minutes 50 seconds West 36.83 feet and (6) North 88 degrees 06 minutes 50 seconds West 47.09 feet; thence North 26 degrees 05 minutes 40 seconds West 163.08 feet; thence North 63 degrees 59 minutes 42 seconds East 150.00 feet; thence North 26 degrees 05 minutes 40 seconds West 175.00 feet to the point of beginning on the South line of Bartlett Avenue.
Parcel Number: 43-006-01-0007-305

SECTION 3. Definitions.

- A. Authority means the Michigan State Housing Development Authority.

B. Annual Shelter Rents means the total Contract Rents (as defined by the U.S. Department of Housing and Urban Development in regulations promulgated pursuant to Section 8 of the U.S. Housing Act of 1937, as amended) received in connection with the operation of a housing project during an agreed annual period, 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. Persons and Families of Low Income 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 to the Sponsor 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 Highland Manor 2026 MHT Limited Dividend Housing Association, LLC 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.

SECTION 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 Highland Manor is within the eligible class of housing projects set forth in this Section 4.

SECTION 5. Establishment of Annual Service Charge.

The housing project identified as Highland Manor and the properties on which it is or will be located shall be exempt from all *ad valorem* property taxes from and after the commencement of construction or rehabilitation. The City 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 develop and operate the housing project, the City agrees to accept payment of an annual service charge for public services in lieu of all *ad valorem* property taxes. The annual service charge shall be equal to 6% of the Annual Shelter Rents actually collected by the housing project during each operating year.

SECTION 6. Contractual Effect of Ordinance.

Notwithstanding the provisions of section 15a(7) of the Act to the contrary, a contract between the City 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 this Ordinance.

SECTION 7. Limitation on the Payment of Annual Service Charge.

Notwithstanding Section 5, 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.

SECTION 8. Payment of Service Charge.

The annual service charge in lieu of taxes as determined under this Ordinance shall be payable in the same manner as general property taxes are payable to the City 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 ~~in the same manner and at the same time as general property taxes are payable to the City on or before _____ 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*).

SECTION 9. Duration.

So long as the housing project remains subject to income and use restrictions under Section 42 of the LIHTC program and a Mortgage Loan remains outstanding and unpaid, this Ordinance shall remain in effect and shall not terminate, ~~initially~~ for a term of twenty (20) years, ~~and then renewing automatically for additional periods of twenty (20) years.~~

It is further the intent of the Parties that in the event the housing project is sold, transferred, or refinanced by the Sponsor or a related entity of the Sponsor, this Ordinance shall remain in full force and effect and without further action by the Sponsor or the City to otherwise change, alter or amend this Ordinance.

SECTION 10. Severability.

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 by any court of competent jurisdiction to be unconstitutional or invalid 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 so declared

to be unconstitutional or invalid.

SECTION 11. Inconsistent Ordinances.

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.

Section 12. Effective Date.

This Ordinance shall become effective on [insert effective date], as provided in the City Charter.

CITY CLERK