

City of Highland Park

ORDINANCE NO: 2024-01

TAX EXEMPTION ORDINANCE

ADOPTED: August 19, 2024

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-HPHC Redevelopment."

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 HPHC Redevelopment on certain properties (see below) principally located at 13725 John R 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 accmmt 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:

1. East 390 Ft, of Lot 110, Birthplace of Mass Production Urban Renewal Plat as recorded in Liber 87, Page 44 of Plats, Wayne County records and all of the vacated public alley between the North line of the East 390 feet of said Lot 110 and the South line of the East 390Feet of Lot 69 (AKA 13725 John R Street)

2. Southerly 27.40 ft. of Lot 246 and all of Lots 247 & 248 Tuxedo Park Subdivision Of the S'yly53.33 acres oftheN. ½of¼Sec. 25, 10,000A.T., Greenfield Twp., Now City of Highland Park. Wayne County MI (As recorded in Liber 15ofPlats, Page 37, Wayne County Records). (AKA 257 Tuxedo)
3. Lots 147, 148 and 149 - Wright and Strassburg's Addition to Highland Park in 10,000 A.T. in T.1.8,R.11 E. City of Highland Park, Wayne County MI (As recorded in Liber 17, page 63 of Plats Wayne County Records) (NPD #1-22-21/22/23) AND S.33. Ft of Lot 54, Wright and Strassburg's Additionto Highland Park, in 10,000 AT. T. 1 S. R. 11 E City of Highland Park, Wayne County, MI (As recorded in Liber, 17, Page 63 of Plats, Wayne County Records (NPD #1-21-19) (AKA 12810 Trumbull)
4. Lots 49 and W. 30 ft of 48, Blk 1 Grand Avenue Subdivision, being a Resubdivision of W.H. Davidson's Subdivision of Park Lot 2 in South part of¼Section 5, Ten Thousand Acre Tract, Greenfield Township, Wayne County Michigan, according to platthereofas recorded in Liber 21 page 66 of Plats, Wayne County Records (AKA 260 W. Grand)
5. Lots 17, 18, 19, 20,21 and 22ofCuny's Subdivision of Pallister's Subdivision of part of the quarter Section 4, Ten Thousand Acre Tract, Highland Park, Wayne County, Michigan, as recorded in Liber 24 Page 19 of Plats, Wayne County Records (AKA 37-53 E. Grand)
6. West 10 ft of Lot 48 and all of Lot 49, Block 2, Grand Avenue Subdivision, being a Resubdivision ofW.H. Davidson's Subdivision of Park Lot 2 in South part of ¼ Section 5, Ten Thousand Acre Tract, Greenfield, Wayne County Michigan, according to the plat thereof as recorded in Liber 21 Page 66 of Plats, Wayne County Records. (AKA 13552-13558 Hamilton)
7. Lots21 and22 Ford's Sub No. 2 being the N. Part of Park Lot 4, ¼ Sec 5, 10,000 A Highland Park, Wayne County, Michigan, Liber27, Page 11, Wayne County Record (NPD #2-15-41). (AKA 13905, 13907, 13909, 13911 Second Avenue)
8. Lots 26 and 27, Ford's Subdivision No. 2 being the N. Part of Park Lot 4, ¼ Sect.5, 10,000 A.T. Highland Park, Wayne County, Michigan Liber 27, Page 11, Wayne County Record. (AKA 13904, 13906, 13908, 13910 Third Avenue)

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 Park Housing Community 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 HPHC Redevelopment 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 HPHC Redevelopment 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 5% 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 on or before [insert date service charge is payable] 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.

The Ordinance shall remain in effect and shall not terminate so long as the housing project shall remain subject to income and use restrictions under Section 42 of the LIHTC program and a Mortgage Loan remains outstanding and unpaid; provided, however, that the duration of the Ordinance shall, initially, not exceed a term 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 _____, as provided in the City Charter.