

**SUBSTITUTE FOR
SENATE BILL NO. 432**

A bill to amend 1966 PA 346, entitled
"State housing development authority act of 1966,"
by amending section 15a (MCL 125.1415a), as amended by 1994 PA 363.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 15a. (1) ~~If a~~ **Except as provided in this section, the**
2 **following are exempt from all ad valorem property taxes imposed by**
3 **this state or by any political subdivision, public body, or taxing**
4 **district in which the project is located:**

5 **(a) A** housing project owned by a nonprofit housing
6 corporation, consumer housing cooperative, limited dividend housing
7 corporation, mobile home park corporation, or mobile home park
8 association **that** is financed with a federally-aided or authority-
9 aided mortgage or advance or grant from the authority. ~~then,~~



1 ~~except as provided in this section, the housing project is exempt~~
 2 ~~from all ad valorem property taxes imposed by this state or by any~~
 3 ~~political subdivision, public body, or taxing district in which the~~
 4 ~~project is located.~~

5 (b) A housing project that is being developed for workforce
 6 housing that is located in a municipality and is subject to a
 7 municipal ordinance that is duly adopted by the governing body of
 8 that municipality to approve a housing project for tax exemption
 9 under this subdivision. The approval or denial of a tax exemption
 10 under this subdivision must be in accordance with an ordinance or
 11 resolution concerning the selection of workforce housing projects
 12 that are duly passed by the governing body.

13 (2) The owner of a housing project eligible for ~~the an~~
 14 exemption ~~shall under subsection (1) must~~ file with the local
 15 assessing officer a notification of the exemption. ~~, which shall~~
 16 **The notification must** be in an affidavit form as provided by the
 17 authority. The **owner must first submit the** completed affidavit form
 18 ~~first shall be submitted to the authority for certification by the~~
 19 authority that the project is eligible for the exemption. The owner
 20 **must** then ~~shall~~ file the certified notification of the exemption
 21 with the local assessing officer before November 1 of the year
 22 preceding the tax year in which the exemption is to begin.

23 (3) ~~(2)~~The owner of a housing project exempt from taxation
 24 under this section shall pay to the municipality in which the
 25 project is located an annual service charge for public services in
 26 lieu of all taxes. ~~Subject to subsection (6), the amount to be paid~~
 27 ~~as a service charge in lieu of taxes shall be for new construction~~
 28 ~~projects the greater of, and for rehabilitation projects the lesser~~
 29 ~~of, the tax on the property on which the project is located for the~~



1 ~~tax year before the date when construction or rehabilitation of the~~
 2 ~~project was commenced or 10% of the annual shelter rents obtained~~
 3 ~~from the project. A municipality, by ordinance, may establish or~~
 4 ~~change, by any amount it chooses, the service charge to be paid in~~
 5 ~~lieu of taxes by all or any class of housing projects exempt from~~
 6 ~~taxation under this act. However, the service charge shall not~~
 7 ~~exceed the taxes that would be paid but for this act.~~**All of the**
 8 **following apply to the amount that an owner must pay as a service**
 9 **charge under this subsection:**

10 (a) The owner must pay an annual service charge in accordance
 11 with the following:

12 (i) Subject to subdivisions (c) and (d), for a new construction
 13 project, an amount that is the greater of the tax on the property
 14 on which the project is located for the tax year preceding the date
 15 on which construction is commenced or 10% of the annual shelter
 16 rents obtained from the project.

17 (ii) Subject to subdivisions (c) and (d), for a rehabilitation
 18 project, an amount that is the lesser of the tax on the property on
 19 which the project is located for the tax year preceding the date on
 20 which rehabilitation is commenced or 10% of the annual shelter
 21 rents obtained from the project.

22 (b) A municipality, by ordinance, may establish or change, by
 23 any amount it chooses, the service charge paid in lieu of taxes by
 24 all or any class of housing projects exempt from taxation under
 25 this act. However, the service charge must not exceed the amount in
 26 taxes that an owner would have otherwise paid but for this act.

27 (c) Notwithstanding subdivision (a), a service charge paid
 28 each year in lieu of taxes for that part of a housing project that
 29 is tax exempt under subsection (1)(a) and occupied by individuals



1 or families other than low-income individuals or families must be
 2 equal to the full amount of the taxes that would be paid on that
 3 portion of the housing project if the housing project were not tax
 4 exempt. The owner of the housing project must allocate the benefits
 5 of any tax exemption granted under this section exclusively to low-
 6 income individuals or families or to the maintenance and
 7 preservation of the housing project as a safe, decent, and sanitary
 8 affordable housing.

9 (d) Notwithstanding subdivision (a), a service charge paid
 10 each year in lieu of taxes for that part of a housing project that
 11 is tax exempt under subsection (1) (b) and not used for workforce
 12 housing must be equal to the full amount of the taxes that would be
 13 paid on that portion of the housing project if the housing project
 14 were not tax exempt. The owner of the housing project must allocate
 15 the benefits of any tax exemption granted under this section
 16 exclusively to workforce housing or to the maintenance and
 17 preservation of the housing project as a safe, decent, and sanitary
 18 workforce housing.

19 (4) ~~(3)~~—The exemption from taxation granted by ~~this section~~
 20 ~~shall~~ subsection (1) (a), or approved by a governing body under
 21 subsection (1) (b) must remain in effect in accordance with the
 22 following:

23 (a) For a housing project described under subsection (1) (a),
 24 for as long as the federally-aided or authority-aided mortgage or
 25 advance or grant from the authority is outstanding, but not more
 26 than 50 years. The municipality may establish by ordinance a
 27 different period of time for the exemption to remain in effect.

28 (b) For a housing project described in subsection (1) (b), if
 29 the housing project remains subject to a covenant running with the



1 land that restricts the use of the housing project to workforce
2 housing, not to exceed 15 years.

3 (5) ~~(4)~~ Except as otherwise provided in this subsection, any
4 payments for public services received by a municipality in lieu of
5 taxes under this section ~~shall~~ **must** be distributed by the
6 municipality to the several units levying the general property tax
7 in the same proportion as prevailed with the general property tax
8 in the previous calendar year. For payments in lieu of taxes
9 collected after June 30, 1994, the distribution to the several
10 units ~~shall~~ **must** be made as if the number of mills levied for local
11 school district operating purposes were equal to the number of
12 mills levied for those purposes in 1993 minus the number of mills
13 levied under the state education tax act, ~~Act No. 331 of the Public~~
14 ~~Acts of 1993, being sections 211.901 to 211.906 of the Michigan~~
15 ~~Compiled Laws, 1993 PA 331, MCL 211.901 to 211.906~~, for the year
16 for which the distribution is calculated. For tax years after 1993,
17 the amount of payments in lieu of taxes to be distributed to a
18 local school district for operating purposes under this subsection
19 ~~shall~~ **must** not be distributed to the local school district but
20 instead ~~shall~~ **must** be paid to the state treasury and credited to
21 the state school aid fund established by section 11 of article IX
22 of the state constitution of 1963.

23 (6) ~~(5)~~ Notwithstanding subsection ~~(1)~~, **(1) (a)**, a municipality
24 may provide by ordinance that the tax exemption established in
25 subsection (1) ~~shall~~ **does** not apply to all or any class of housing
26 projects within its boundaries to which subsection ~~(1)~~ **(1) (a)**
27 applies. If the municipality makes that provision, the tax
28 exemption established in subsection ~~(1)~~ **(1) (a) does** not apply
29 to the class of housing projects designated in the ordinance. If



1 the ordinance so provides, the ordinance ~~shall be~~**is** effective with
 2 respect to housing projects for which an exemption has already been
 3 granted on December 31 of the year in which the ordinance is
 4 adopted, but not before. A municipality that has adopted an
 5 ordinance described in this subsection may repeal that ordinance,
 6 and the repeal ~~shall become~~**is** effective on the date designated in
 7 the repealing ordinance.

8 ~~(6) Notwithstanding subsection (2), the service charge to be~~
 9 ~~paid each year in lieu of taxes for that part of a housing project~~
 10 ~~that is tax exempt under subsection (1) and that is occupied by~~
 11 ~~other than low income persons or families shall be equal to the~~
 12 ~~full amount of the taxes that would be paid on that portion of the~~
 13 ~~project if the project were not tax exempt. The benefits of any tax~~
 14 ~~exemption granted under this section shall be allocated by the~~
 15 ~~owner of the housing project exclusively to low income persons or~~
 16 ~~families in the form of reduced housing charges.~~

17 ~~(7) For purposes of this section only, "low income persons and~~
 18 ~~families" means, with respect to any housing project that is tax~~
 19 ~~exempt, persons and families eligible to move into that project.~~
 20 ~~For purposes of this subsection, the authority may promulgate rules~~
 21 ~~to redefine low income persons or families for each municipality on~~
 22 ~~the basis of conditions existing in that municipality.~~

23 ~~(7) (8)~~—This state shall not reimburse any unit of government
 24 for a tax exemption granted to any housing project under this
 25 section.

26 **(8) As used in this section:**

27 **(a) "Area median income" means that term as defined in section**
 28 **59.**

29 **(b) "Workforce housing" means rental units or other housing**



1 options that are reasonably affordable to, and occupied by, a
2 household whose total household income is not greater than 120% of
3 the area median income and published by the United States
4 Department of Housing and Urban Development.

