

HOUSE 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 otherwise provided in this**  
2 **section, the following are exempt from all ad valorem property**  
3 **taxes imposed by this state or by any political subdivision, public**  
4 **body, or taxing 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,~~

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

(b) A housing project that is being developed or rehabilitated for workforce housing that is located in a municipality and is subject to a municipal ordinance that is adopted by the governing body of that municipality to approve a housing project for tax exemption under this subdivision. The approval or denial of a tax exemption under this subdivision must be in accordance with an ordinance or resolution concerning the selection of workforce housing projects that is adopted by the governing body.

(2) The owner of a housing project eligible for ~~the an~~ exemption ~~shall under subsection (1) must~~ file with the local assessing officer a notification of the exemption. ~~, which shall~~ **The notification must** be in an affidavit form as provided by the authority. The **owner must first submit the** completed affidavit form ~~first shall be submitted to the authority for certification by the~~ authority that the project is eligible for the exemption. The owner **must** then ~~shall~~ file the certified notification of the exemption with the local assessing officer before November 1 of the year preceding the tax year in which the exemption is to begin. **If the housing project is eligible for an exemption under subsection (1)(b), not later than 5 business days after receipt of the certified notification of the exemption, the local assessing officer shall provide a copy of the certified notification of the exemption to the treasurer of the county in which the housing project is located.**

(3) ~~(2)~~ The owner of a housing project exempt from taxation

under this section shall pay to the municipality in which the project is located an annual service charge for public services in lieu of all taxes. ~~Subject to subsection (6), the amount to be paid as a service charge in lieu of taxes shall be for new construction projects the greater of, and for rehabilitation projects the lesser of, the tax on the property on which the project is located for the tax year before the date when construction or rehabilitation of the project was commenced or 10% of the annual shelter rents obtained from the project. A municipality, by ordinance, may establish or change, by any amount it chooses, the service charge to be paid in lieu of taxes by all or any class of housing projects exempt from taxation under this act. However, the service charge shall not exceed the taxes that would be paid but for this act.~~ **All of the following apply to the amount that an owner must pay as a service charge under this subsection:**

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

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

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

(b) Subject to subdivisions (c), (d), and (e), a municipality, by ordinance, may establish or change, by any amount it chooses,

1 the service charge paid under subdivision (a) in lieu of taxes by  
2 all or any class of housing projects exempt from taxation under  
3 this act. However, the service charge must not exceed the amount in  
4 taxes that an owner would have otherwise paid if the housing  
5 project were not tax exempt.

6 (c) Notwithstanding subdivision (a), a service charge paid  
7 each year in lieu of taxes for that part of a housing project that  
8 is tax exempt under subsection (1)(a) and occupied by individuals  
9 or families other than low-income individuals or families must be  
10 equal to the full amount of the taxes that would be paid on that  
11 portion of the housing project if the housing project were not tax  
12 exempt. The owner of the housing project must allocate the benefits  
13 of any tax exemption granted under this section exclusively to low-  
14 income individuals or families or to the maintenance and  
15 preservation of the housing project as a safe, decent, and sanitary  
16 affordable housing.

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

27 (e) The annual service charge under subdivision (a) for a  
28 housing project that is tax exempt under subsection (1)(b) must be  
29 increased by the additional amount if both of the following

1 requirements are met:

2 (i) Not later than 45 days after the treasurer of the county's  
3 receipt of the certified notification of the exemption under  
4 subsection (2), the county board of commissioners for that county  
5 passes a resolution, by majority vote, that provides that the  
6 additional amount must be paid under this subdivision.

7 (ii) The approval of the resolution described in subparagraph  
8 (i) is in accordance with an ordinance or resolution adopted by the  
9 county board of commissioners concerning the factors to be  
10 considered in applying this subdivision.

11 (4) ~~(3)~~—The exemption from taxation granted by ~~this section~~  
12 ~~shall~~ subsection (1) (a), or approved by a governing body under  
13 subsection (1) (b), must remain in effect in accordance with the  
14 following:

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

20 (b) For a housing project described in subsection (1) (b), if  
21 the housing project remains subject to a covenant running with the  
22 land that restricts the use of the housing project to workforce  
23 housing, not to exceed 15 years.

24 (5) ~~(4)~~—Except as otherwise provided in this subsection **and**  
25 **subsection (6)**, any payments for public services received by a  
26 municipality in lieu of taxes under this section ~~shall~~ **must** be  
27 distributed by the municipality to the several units levying the  
28 general property tax in the same proportion as prevailed with the  
29 general property tax in the previous calendar year. For payments in

1 lieu of taxes collected after June 30, 1994, the distribution to  
 2 the several units ~~shall~~**must** be made as if the number of mills  
 3 levied for local school district operating purposes were equal to  
 4 the number of mills levied for those purposes in 1993 minus the  
 5 number of mills levied under the state education tax act, ~~Act No.~~  
 6 ~~331 of the Public Acts of 1993, being sections 211.901 to 211.906~~  
 7 ~~of the Michigan Compiled Laws,~~ **1993 PA 331, MCL 211.901 to 211.906,**  
 8 for the year for which the distribution is calculated. For tax  
 9 years after 1993, the amount of payments in lieu of taxes to be  
 10 distributed to a local school district for operating purposes under  
 11 this subsection ~~shall~~**must** not be distributed to the local school  
 12 district but instead ~~shall~~**must** be paid to the state treasury and  
 13 credited to the state school aid fund established by section 11 of  
 14 article IX of the state constitution of 1963.

15 **(6) An additional amount received under subsection (3)(e) must**  
 16 **be distributed to the county in which the housing project is**  
 17 **located.**

18 **(7)** ~~(5)~~ Notwithstanding subsection ~~(1)~~, **(1)(a)**, a municipality  
 19 may provide by ordinance that the tax exemption established in  
 20 subsection (1) ~~shall~~**does** not apply to all or any class of housing  
 21 projects within its boundaries to which subsection ~~(1)~~ **(1)(a)**  
 22 applies. If the municipality makes that provision, the tax  
 23 exemption established in subsection ~~(1)~~ **(1)(a)** **does** not apply  
 24 to the class of housing projects designated in the ordinance. If  
 25 the ordinance so provides, the ordinance ~~shall be~~**is** effective with  
 26 respect to housing projects for which an exemption has already been  
 27 granted on December 31 of the year in which the ordinance is  
 28 adopted, but not before. A municipality that has adopted an  
 29 ordinance described in this subsection may repeal that ordinance,

1 and the repeal ~~shall become~~ **is** effective on the date designated in  
2 the repealing ordinance.

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

12 **(8)** ~~(7)~~ For purposes of this section only, ~~"low income persons~~  
13 ~~and families"~~ **"low-income individuals or families"** means, with  
14 respect to any housing project that is tax exempt, ~~persons~~  
15 **individuals** and families eligible to move into that project, **as**  
16 **defined by the authority under its rules or a municipality by**  
17 **ordinance.** For purposes of this subsection, the authority may  
18 promulgate rules to redefine ~~low income persons~~ **low-income**  
19 **individuals** or families **or a municipality may by ordinance redefine**  
20 **low-income individuals or families** for each municipality on the  
21 basis of conditions existing in that municipality.

22 **(9)** ~~(8)~~ This state shall not reimburse any unit of government  
23 for a tax exemption granted to any housing project under this  
24 section.

25 **(10) As used in this section:**

26 **(a) "Additional amount" means an amount equal to the**  
27 **difference between the following:**

28 **(i) The millage rate levied for operating purposes by the**  
29 **county in which the housing project is located multiplied by the**

1 current taxable value of that housing project.

2 (ii) The amount of the annual service charge paid by the  
3 housing project under subsection (3)(a) that is distributed to the  
4 county in which the housing project is located under subsection  
5 (5).

6 (b) "Area median income" means that term as defined in section  
7 59.

8 (c) "Taxable value" means taxable value as calculated under  
9 section 27a of the general property tax act, 1893 PA 206, MCL  
10 211.27a.

11 (d) "Workforce housing" means rental units or other housing  
12 options that are reasonably affordable to, and occupied by, a  
13 household whose total household income is not greater than 120% of  
14 the area median income and published by the United States  
15 Department of Housing and Urban Development.