

SENATE BILL NO. 432

May 11, 2021, Introduced by Senators SCHMIDT, HORN, MOSS, VICTORY, BRINKS, BAYER, LASATA and VANDERWALL and referred to the Committee on Economic and Small Business Development.

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

corporation, mobile home park corporation, or mobile home park association **that** is financed with a federally-aided or authority-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 for workforce housing that is located in a municipality and is subject to a municipal ordinance that is duly 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 are duly passed by the governing body.

(2) The owner of a housing project eligible for ~~the an~~ exemption **under subsection (1)** ~~shall~~**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.

(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~~

1 ~~as a service charge in lieu of taxes shall be for new construction~~
 2 ~~projects the greater of, and for rehabilitation projects the lesser~~
 3 ~~of, the tax on the property on which the project is located for the~~
 4 ~~tax year before the date when construction or rehabilitation of the~~
 5 ~~project was commenced or 10% of the annual shelter rents obtained~~
 6 ~~from the project.~~ A municipality, by ordinance, may establish or
 7 change, by any amount it chooses, the service charge ~~to be paid in~~
 8 lieu of taxes by all or any class of housing projects exempt from
 9 taxation under this act. However, the service charge ~~shall~~ **must** not
 10 exceed the **amount in** taxes that **an owner** would ~~be~~ **have otherwise**
 11 paid but for this act. **Subject to subsection (7), the owner must**
 12 **pay an annual service charge in accordance with the following:**

13 (a) For a new construction project, an amount that is the
 14 greater of the tax on the property on which the project is located
 15 for the tax year preceding the date on which construction is
 16 commenced or 10% of the annual shelter rents obtained from the
 17 project.

18 (b) For a rehabilitation project, an amount that is the lesser
 19 of the tax on the property on which the project is located for the
 20 tax year preceding the date on which rehabilitation is commenced or
 21 10% of the annual shelter rents obtained from the project.

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

26 (a) For a housing project described under subsection (1)(a),
 27 for as long as the federally-aided or authority-aided mortgage or
 28 advance or grant from the authority is outstanding, but not more
 29 than 50 years. The municipality may establish by ordinance a

different period of time for the exemption to remain in effect.

(b) For a housing project described in subsection (1) (b), as determined by the governing body of the municipality.

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

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

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

9 (7) ~~(6)~~ Notwithstanding subsection ~~(2)~~, ~~the~~ ~~(3)~~, a service
 10 charge ~~to be paid~~ each year in lieu of taxes for that part of a
 11 housing project that is tax exempt under subsection ~~(1)~~ ~~(1) (b)~~ and
 12 ~~that is occupied by~~**used for other purposes** other than ~~low income~~
 13 ~~persons or families shall~~**workforce housing must** be equal to the
 14 full amount of the taxes that would be paid on that portion of the
 15 project if the project were not tax exempt. The **owner of the**
 16 **housing project must allocate the** benefits of any tax exemption
 17 granted under this section ~~shall be allocated by the owner of the~~
 18 ~~housing project exclusively to low income persons or families in~~
 19 ~~the form of reduced housing charges.~~**benefit workforce housing or to**
 20 **maintain and preserve the housing project as a safe, decent, and**
 21 **affordable housing.**

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

28 (8) This state shall not reimburse any unit of government for
 29 a tax exemption granted to any housing project under this section.

1 (9) As used in this section:

2 (a) "Area median income" means that term as defined in section
3 59.

4 (b) "Workforce housing" means rental units or other housing
5 options that are reasonably affordable to, and occupied by, a
6 household whose total household income is not greater than 150% of
7 the area median income adjusted for family size and published by
8 the United States Department of Housing and Urban Development.