

AN ORDINANCE TO ENACT A NEW CHAPTER 135 THAT PROVIDES FOR PAYMENT IN LIEU OF TAXES (PILOT) FOR A HOUSING PROJECT FOR LOW-INCOME PERSONS AND FAMILIES TO BE FINANCED WITH A FEDERALLY-AIDED MORTGAGE LOAN PURSUANT TO THE PROVISIONS OF THE STATE HOUSING DEVELOPMENT AUTHORITY ACT OF 1966 (1966 PA 346, AS AMENDED; MCL 125.1401, ET SEQ)

City of Cheboygan

CHAPTER NO. 135

TAX EXEMPTION ORDINANCE

ADOPTED: September 30th, 2024

THE CITY OF CHEBOYGAN ORDAINS:

SECTION 1. This Ordinance shall be known and cited as the "City of Cheboygan Tax Exemption Ordinance – Miikana.

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

The City of Cheboygan acknowledges that the Sponsor (as defined below) has offered, subject to receipt of an allocation under the LIHTC Program by the Michigan State Housing Development Authority, to construct, own and operate a housing project identified as Miikana on certain properties known as Parcel #s 055-006-100-001-06, 055-006-100-001-04, 055-006-300-001-06 and 055-006-300-001-05, in the City of Cheboygan to serve low income persons and families, and that the Sponsor has offered to pay the City of Cheboygan on account of this housing project an annual service charge for public services in lieu of all *ad valorem* property taxes.

SECTION 3. Definitions.

- A. Authority means the Michigan State Housing Development Authority.
- B. Act: Act means the State Housing Development Authority Act of 1966 (1966 PA 346, as amended; MCL 125.1401 et esq.)
- C. Annual Shelter Rent means the total collections during an agreed annual period from or paid on behalf of all occupants of a housing project representing rent or occupancy charges, exclusive of utilities.
- D. Contract 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.
- E. 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.
- F. Low Income Persons and Families means persons and families eligible to move into a housing project.
- G. Mortgage Loan means a Federally-Aided Mortgage (as defined in Section 11 of the Act) made or to be made by the Authority to the Sponsor for the acquisition, construction and/or permanent financing of a housing project, and secured by the housing project.
- H. Sponsor means Miikana and any entity that receives or assumes a Mortgage Loan.
- I. 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 Miikana is of this class.

SECTION 5. Establishment of Annual Service Charge.

The housing project identified as Miikana and the properties on which it is/or will be located, Parcel #055-006-100-001-06, 055-006-100-001-04, 055-006-300-001-06 and 055-006-300-001-05, in the City of Cheboygan, shall be exempt from all *ad valorem* property taxes from

and after the commencement of the construction. The City of Cheboygan 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 acquire, construct, and operate the housing project, the City of Cheboygan agrees to accept payment of an annual service charge for public services in lieu of all *ad valorem* property taxes. Subject to receipt of Low-Income Housing Tax Credits, the annual service charge shall be equal to 8 % of the Annual Shelter Rents/Contract Rents actually collected by the housing project during each operating year for sixteen (16) years. From seventeen (17) year through the forty-fifth year (45), the annual service charge shall be equal to 9% of the Annual Shelter Rents/Contract Rents.

SECTION 6. Contractual Effect of Ordinance.

Notwithstanding the provisions of Section 15(a)(5) of the Act to the contrary, a contract between the City of Cheboygan 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 of Cheboygan 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 May 1st 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.

This Ordinance shall remain in effect and shall not terminate so long as a Mortgage Loan remains outstanding and unpaid, and the housing project remains subject to income and rent restrictions under the LIHTC Program. The payment of service charges in lieu of *ad valorem* property taxes shall be less than 10% for the first forty-five (45) years after the start of the construction (See Section 5 for Annual Service Charge percentages). If property is sold or purchased by an executed Sheriff's Deed, the property tax exemption outlined in the State Housing Development Authority Act of 1966 (Act 346 of 1966) and this ordinance shall be terminated immediately and the property owner shall pay *ad valorem* property taxes.

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 take effect twenty (20) days from and after its passage.

Made and passed by the City Council of the City of Cheboygan, Cheboygan County, Michigan, on this 30th day of September 2024, by a vote of 6 ayes and 0 nays.


Date of Publication: September 20th, 2024

Date of Adoption by City Council: September 30th, 2024

Date Ordinance Shall Take Effect: October 20th, 2024

Clerk's Certificate

The City Clerk for the City of Cheboygan does hereby certify that the foregoing Amendment to Ordinance was adopted at a special meeting of the City Council of the City of Cheboygan on the 30th day of September 2024 and notice thereof was caused to be published in the Cheboygan Tribune on the 20th day of September 2024.


Alyssa Singles, City Clerk