

TAX EXEMPTION ORDINANCE NO. 1011

AN ORDINANCE TO PROVIDE FOR A SERVICE CHARGE IN LIEU OF TAXES FOR A HOUSING PROJECT FOR LOW INCOME PERSONS AND FAMILIES TO BE FINANCED OR ASSISTED PURSUANT TO THE PROVISIONS OF THE STATE HOUSING DEVELOPMENT AUTHORITY ACT OF 1966, AS AMENDED

It is hereby ordained by the people of the City of Mount Pleasant:

SECTION 1. This Ordinance shall be known and cited as the City of Mt. Pleasant Chase Run Apartments Tax Exemption Ordinance.

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 low income persons and families 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* 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 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 rehabilitate, own and operate a housing project identified as Chase Run Apartments, consisting of the two properties currently known as Chase Run Apartments I & II as more particularly described on the attached **Exhibit A**, to serve low income persons and families, and that the Sponsor has offered to pay the City 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. Act means the State Housing Development Authority Act, being Public Act 346 of 1966, of the State of Michigan, as amended.

B. Authority means the Michigan State Housing Development Authority.

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. LIHTC Program means the Low Income Housing Tax Credit program administered by the Authority under Section 42 of the Internal Revenue Code of 1866, as amended.

E. Low Income Persons and Families means persons and families eligible to move into a housing project.

F. Mortgage Loan means a loan that is Federally-Aided (as defined in the Act) or a loan or grant made or to be made by the Authority, for the construction, rehabilitation, acquisition and/or permanent financing of a housing project, and secured by a mortgage on the housing project.

G. Sponsor means Chase Run 3 / MHT Limited Dividend Housing Association, LLC and any successor in interest that assumes a Mortgage Loan for the Chase Run Apartments.

H. 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 the Chase Run Apartments housing project is of this class.

SECTION 5. Establishment of Annual Service Charge.

The housing project identified as Chase Run Apartments and the property on which it is located shall be exempt from *ad valorem* property taxes while this Ordinance is in effect. 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 rehabilitate 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 10% 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 15(a)(5) 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 July 31.

SECTION 9. Duration.

This Ordinance shall terminate on August 1, 2038, or on the first date when there is no longer an outstanding Mortgage Loan on the housing project and the housing project is no longer subject to income and rent restrictions under the LIHTC Program, whichever occurs first.

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, including but not limited to the entirety of Ordinance Numbers 796, 831, 832, and 840, are repealed to the extent of such inconsistency or conflict as of the effective date of this Ordinance.

SECTION 12. Effective Date.

The City Clerk shall cause to be published a notice of adoption of this Ordinance within 10 days of its approval by the City Commission. This Ordinance shall take effect when the Sponsor receives a new Mortgage Loan and begins rehabilitating the housing project in the manner described in its application for the Mortgage Loan. All existing ordinances pertaining to the Chase Run Apartments shall remain in effect until rehabilitation begins.

Kathleen Ling, Mayor

Jeremy Howard, City Clerk

Introduced: July 11, 2016
Adopted: July 25, 2016
Published: July 29, 2016
Terminates: August 1, 2038

**EXHIBIT A
PROPERTY LEGAL DESCRIPTIONS**

Chase Run Apartments I:

Part of the E 1/2 of the SE 1/4 of Section 23, T14N-R4W, described as beginning at a point which is S 89°-54'-30" W, 500.00 feet and S 00°-18'-02" E 550.00 feet from the E 1/4 corner, thence continuing S 00°-18'-02" E 913.00 feet, thence N 89°-54'-30" E 450.34 feet to a point which is 50.00 feet west of the east line of said Section 23; thence N 00°-18'-50" W, parallel with said east line of Section 23, 913.00 feet; thence S 89°-54'-30" W 450.13 feet to the point of beginning. Containing 9.44 acres more or less, subject to restrictions, reservations, rights-of-way and easements of record.

Chase Run Apartments II:

A PARCEL OF LAND LOCATED IN SECTION 23, T.14N.-R.4W., CITY OF MT. PLEASANT, ISABELLA COUNTY, MICHIGAN, DESCRIBED AS COMMENCING AT THE SE CORNER OF SECTION 23, THENCE N 00°-18'-50" W ALONG THE E. SECTION LINE 873.93 FEET, THENCE S 89°-54'-30" W 50.11 FEET TO THE POINT OF BEGINNING ON THE WEST LINE OF ISABELLA ROAD, THENCE CONTINUING S 89°-54'-30" W 550.00 FEET, THENCE N 00°-18'-50" W PARALLEL WITH THE E. SECTION LINE 309.97 FEET TO THE SOUTH LINE OF PHASE 1 OF CHASE RUN APARTMENTS EXTENDED, THENCE N 89°-54'-30" E ALONG THE SOUTH LINE OF PHASE 1 OF CHASE RUN APARTMENTS 550.00 FEET TO THE WEST LINE OF ISABELLA ROAD, THENCE S 00°-18'-50" E ALONG THE WEST LINE OF ISABELLA ROAD 309.97 FEET TO THE POINT OF BEGINNING. PARCEL CONTAINS 3.92 ACRES AND IS SUBJECT TO ALL EASEMENTS, RESTRICTIONS, RESERVATIONS AND RIGHTS OF WAY OF RECORD.

TOTAL AREA OF SITE = 3.92 ACRES
ACREAGE OUTSIDE OF RIGHT OF WAY = 3.56 ACRES
ACREAGE INSIDE OF RIGHT OF WAY = 0.36 ACRES

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