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MEMORANDUM

DATE: April 30, 2024

TO: OWOSSO CITY COUNCIL

FROM: Nathan Henne, City Manager

RE: Washington Park Development Project (Corner of N Washington St and Wesley Dr) - PILOT Ordinance – Schedule Public Hearing for May 20, 2024

The Owosso Planning Commission has approved a site plan for 16 townhomes on 2.5 acres at the corner of N Washington St and Wesley Dr. This housing development project is linked via a brownfield plan to the Woodland Trails condominium development – a plan which was approved by the County and the City in early 2024. The Washington Park development has been awarded LIHTC tax credits.

This agenda item will set the public hearing to receive comment on the required Payment in Lieu of Taxes (PILOT) ordinance for the Washington Park Development Project for May 20, 2024 at 7:30 P.M.

Zoning

The property is zoned Residential Multi Family and required site plan approval by the Planning Commission. That approval was granted at their April 2024 meeting.

Payment in Lieu of Taxes (PILOT)

Concerning the PILOT, this is a standard request with housing projects that meet a public need for affordable housing. The project has been approved by the Michigan State Housing Development Authority for low income housing tax credits (LIHTC). These credits are the financial assistance that enable the provision of affordable rents.

This 1% PILOT Ordinance means that the owner will pay the city a sum that is calculated based upon the gross rents less utilities - instead of paying ad-valorem taxes.

The attached Estimated PILOT Calculation gives you an idea of the average tax assessment on a property with an SEV of \$50,000 and gives an example of a possible PILOT on the property with a max schedule of 45 years.

I recommend setting the public hearing for this PILOT ordinance for the Washington Park housing development project for May 20, 2024 at 7:30 P.M.



Master Plan Implementation Goals: 1.2, 1.4, 1.9, 1.11, 2.12, 5.11

Washington Park
 Venture Washington LDHA LP
 16 Townhome Units - Lease to Purchase

Sample Tax Summary in Owosso
\$50,000 Taxable Value (SEV)

		<u>All Taxes</u>	<u>City Portion</u>
		50	
City Operating	12.6919	634.60	634.60
City Debt	2.0646	103.23	103.23
State Education	6.0000	300.00	-
County Operating	5.4220	271.10	-
PA 298	1.0000	50.00	50.00
Admin Fee		13.59	13.59
Shia MCF	1.9679	98.40	-
Seniors	0.5000	25.00	-
Veterans PA 214	0.1000	5.00	5.00
Veterans Voted	0.1956	9.78	9.78
MSU Extension	0.0760	3.80	-
SRES - 3	5.3644	268.22	-
School Oper	18.0000	-	-
School Sinking	1.9588	97.94	
Library	1.1798	58.99	58.99
School Debt	4.7000	235.00	-
Admin Fee	-	8.02	8.02
Total Estimate	<u>61.2210</u>	<u>2,182.66</u>	<u>883.21</u>

City Portion - 40.5%

PILOT Calculation

	<u>Calculation</u>	<u>Non-City</u>	<u>City Portion</u>
Total Gross Rents	165,480		
Less Vacancy	7% (11,584)		
Less Water & Sewer	(14,880)		
Net Collected Rents	<u>139,016</u>		
PILOT Percentage	<u>1%</u>		
PILOT Payment	<u>1,390</u>	<u>828</u>	<u>563</u>

PILOT Projections

		Projected Rent Increase %	Total PILOT Amount	Non-City Portion	City Portion	Total Payments To Owosso
PILOT Approved						
	2023					
	2024-2025					
PILOT Starts						
Year 1	12/31/2026	n/a	1,390	828	563	563
Year 2	12/31/2027	2.00%	1,418	844	574	1,136
Year 3	12/30/2028	2.00%	1,446	861	585	1,722
Year 4	12/30/2029	2.00%	1,475	878	597	2,319
Year 5	12/31/2030	2.00%	1,505	896	609	2,927
Year 6	12/31/2031	2.00%	1,535	914	621	3,548
Year 7	12/30/2032	2.00%	1,566	932	633	4,182
Year 8	12/30/2033	2.00%	1,597	951	646	4,828
Year 9	12/31/2034	2.00%	1,629	970	659	5,487
Year 10	12/31/2035	2.00%	1,661	989	672	6,159
Year 11	12/30/2036	2.00%	1,695	1,009	686	6,845
Year 12	12/30/2037	2.00%	1,728	1,029	699	7,545
Year 13	12/31/2038	2.00%	1,763	1,050	713	8,258
Year 14	12/31/2039	2.00%	1,798	1,071	728	8,986
Year 15	12/30/2040	2.00%	1,834	1,092	742	9,728
Year 16	12/30/2041	2.00%	1,871	1,114	757	10,485
Year 17	12/31/2042	2.00%	1,908	1,136	772	11,257
Year 18	12/31/2043	2.00%	1,947	1,159	788	12,045
Year 19	12/30/2044	2.00%	1,985	1,182	803	12,848
Year 20	12/30/2045	2.00%	2,025	1,206	819	13,668
Year 21	12/31/2046	2.00%	2,066	1,230	836	14,504
Year 22	12/31/2047	2.00%	2,107	1,254	853	15,356
Year 23	12/30/2048	2.00%	2,149	1,280	870	16,226
Year 24	12/30/2049	2.00%	2,192	1,305	887	17,113
Year 25	12/31/2050	2.00%	2,236	1,331	905	18,018
Year 26	12/31/2051	2.00%	2,281	1,358	923	18,941
Year 27	12/30/2052	2.00%	2,326	1,385	941	19,882
Year 28	12/30/2053	2.00%	2,373	1,413	960	20,842
Year 29	12/31/2054	2.00%	2,420	1,441	979	21,822
Year 30	12/31/2055	2.00%	2,469	1,470	999	22,821
Year 31	12/30/2056	2.00%	2,518	1,499	1,019	23,839
Year 32	12/30/2057	2.00%	2,568	1,529	1,039	24,879
Year 33	12/31/2058	2.00%	2,620	1,560	1,060	25,939
Year 34	12/31/2059	2.00%	2,672	1,591	1,081	27,020
Year 35	12/30/2060	2.00%	2,726	1,623	1,103	28,123
Year 36	12/30/2061	2.00%	2,780	1,655	1,125	29,248
Year 37	12/31/2062	2.00%	2,836	1,688	1,147	30,396
Year 38	12/31/2063	2.00%	2,892	1,722	1,170	31,566
Year 39	12/30/2064	2.00%	2,950	1,756	1,194	32,760
Year 40	12/30/2065	2.00%	3,009	1,792	1,218	33,978
Year 41	12/31/2066	2.00%	3,070	1,827	1,242	35,220
Year 42	12/31/2067	2.00%	3,131	1,864	1,267	36,487
Year 43	12/30/2068	2.00%	3,194	1,901	1,292	37,779
Year 44	12/30/2069	2.00%	3,257	1,939	1,318	39,097
Year 45	12/31/2070	2.00%	3,323	1,978	1,344	40,441

RESOLUTION NO.

AUTHORIZING FIRST READING & SETTING A PUBLIC HEARING FOR THE PROPOSED ADDITION OF DIVISION 3, *WASHINGTON PARK*, TO CHAPTER 32, TAXATION, OF THE CODE OF ORDINANCES TO ESTABLISH A PILOT AGREEMENT FOR THE WASHINGTON PARK DEVELOPMENT

WHEREAS, the Shiawassee County Land Bank Authority has recently agreed to sell the vacant land on North Washington Street to Venture, Inc. of Pontiac, Michigan; and

WHEREAS Venture, Inc. plans to convert the vacant land into a residential development with residential spaces catering to people with low incomes funded in part by low-income housing tax credits; and

WHEREAS, the City of Owosso agrees to forego property tax payments on the property to assist in the financial feasibility of the project; and

WHEREAS, the City of Owosso is authorized to establish a service charge in lieu of property taxes for such developments; and

WHEREAS, said service charges are instituted by the adoption of an ordinance; and

WHEREAS, it is the long-standing practice of the City Council to hold a public hearing to receive citizen comment regarding any and all proposed ordinance amendments.

NOW, THEREFORE, BE IT RESOLVED, THAT THE CITY OF OWOSSO ORDAINS THAT:

SECTION 1. ADDITION. That Division 3, *Washington Park*, be added to Article III, *Service Charge in Lieu of Taxes for Certain Housing Developments*, of Chapter 32, Taxation, of the Code of Ordinances of the City of Owosso as follows:

ARTICLE III. - SERVICE CHARGE IN LIEU OF TAXES FOR CERTAIN HOUSING DEVELOPMENTS

Secs. 32-57—32-59.-Reserved.

DIVISION 3. – WASHINGTON PARK

Sec. 32-60. - 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 citizens of low income and to encourage the development of such housing by providing for a service charge in lieu of property taxes in accordance with the State Housing Development Authority Act of 1966 (1966 PA 346, as amended, MCL 125.1401 et seq.). 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 persons of low income is a public necessity, and as the City will be benefited and improved by such housing, the encouragement of the same by providing certain real estate tax exemption for such housing is a valid public purpose; further, that the continuance of the provisions of this article for tax exemption and the service charge in lieu of taxes during the periods contemplated in this article are essential to the determination of economic feasibility of housing developments which are constructed and financed in reliance on such ordinance and service charge.

The City further acknowledges that Venture, Inc., a nonprofit corporation (a sponsor), has offered subject to receipt of a mortgage loan from the authority, to erect, own and operate a housing development identified as Washington Park on certain property located at (see legal description on file with the City Clerk) in the City to serve persons of low income, and that the sponsor has offered to pay the City on account of the development an annual service charge for public services in lieu of all taxes.

The City further acknowledges that Venture, Inc., a nonprofit corporation, has offered subject to receipt of low income housing tax credits from the authority, to erect, own and operate a housing development to the City's required standards, identified as the Washington Park on certain property located at the southwest corner of Welsey Street and Washington Street in the City, hereinafter referred to as the "Site" and further described as:

COMMENCING 358 NORTH AND 33 FEET WEST OF THE INTERSECTION OF THE SOUTH LINE OF SECTION 12 AND THE CENTERLINE OF NORTH WASHINGTON STREET; THENCE WEST 231 FEET; THENCE NORTH 6 FEET; THENCE WEST 133.7 FEET; THENCE NORTH 279 FEET; THENCE EAST 364.21 FEET; THENCE SOUTH 284 FEET TO THE POINT OF BEGINNING, PART OF THE SOUTHEAST ¼ OF THE SOUTHEAST ¼ OF SECTION 12, T7N-R2E.

Parcel Number: 050-535-000-001-00

to persons of low income, and that the sponsor has offered to pay the City on account of the development an annual service charge for public services in lieu of all taxes.

Sec. 32-61. - Definitions.

[The following words, terms and phrases, when used in this article, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:]

Act means the State Housing Development Authority Act, being Public Act 346 of 1966, of the State of Michigan, as amended.

Annual shelter rents means the total collections during an agreed annual period from all occupants of a housing development representing rents or occupancy charges exclusive of charges for gas, electricity, heat or other utilities furnished to the occupants.

Authority means the Michigan State Housing Development Authority.

Contract rents are 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.

Housing development means a development which contains a significant element of housing for elderly persons of low income or persons of low income and such elements of other housing, commercial, recreational, industrial, communal, and educational facilities as the authority determines improve the quality of the development as it relates to housing for persons of low income.

HUD means the Department of Housing and Urban Development of the United States Government.

Mortgage loan means a loan to be made by the authority or Farmers Home Administration or the Department of Housing and Urban Development to a sponsor for the construction and permanent financing of a housing development or a mortgage loan insured by HUD or a federally aided mortgage

as otherwise defined by the Act.

Persons of low income means persons and families eligible to move into a housing development;

families and persons who cannot afford to pay the amounts at which private enterprise, without federally- aided mortgages or loans from the authority, is providing a substantial supply of decent, safe, and sanitary housing and who fall within income limitations set in this act or by the authority in its rules. Among low income or moderate income persons, preference shall be given to the elderly and those displaced by urban renewal, slum clearance, or other governmental action.

Sponsor means persons or entities which have applied to either the authority for a mortgage loan to finance a housing development or to another governmental entity or is a federally-aided mortgage, as otherwise defined by the Act.

Utilities means fuel, water, sanitary sewer service and/or electrical service which are paid by the housing development.

Sec. 32-62. - Class of housing developments.

It is determined that the class of housing developments to which the tax exemption shall apply and for which a service charge shall be paid in lieu of such taxes shall be multiple dwellings for persons of low income which are financed or assisted by the authority or which have a federally aided mortgage, as defined in the Act. It is determined that Washington Park is of this class.

Sec. 32-63. - Establishment of annual service charge for Washington Park.

The housing development identified as Washington Park and the property on which it shall be constructed shall be exempt from all property taxes from and after the commencement of construction. The City, acknowledging that the sponsor and the authority have established the economic feasibility of the housing development in reliance upon the enactment and continuing effect of this article and the qualification of the housing development for exemption from all property taxes and a payment in lieu of taxes as established herein, and in consideration of the sponsor's offer, subject to receipt of a mortgage loan from the authority, to construct, own and operate the housing development, hereby agrees to accept payment of an annual service charge for public services in lieu of all property taxes. The annual service charges shall be equal to ONE (1) percent of the difference between contract rents actually collected and utilities.

Sec. 32-64. - Payment of service charge.

The service charge in lieu of taxes as determined under this article shall be payable in the same manner as general property taxes are payable to the City except that the annual payment shall be paid on or before March 31 of each year.

Sec. 32-65. - Duration.

The tax exempt status of a housing development approved for such status by the City council shall remain in effect and shall not terminate so long as the mortgage loan for such housing development remains outstanding and unpaid, as long as the property is subject to restrictive rents in compliance with the low income housing tax credit program administered by MSHDA, or for such period as the authority or other governmental entity has any interest in the property; provided, the construction of such housing development commences within two (2) years from the effective date the City council approves the housing development for tax exempt status as provided in this article.

Sec. 32-66. - Contractual effect.

Notwithstanding the provisions of section 15a(5) of the Act (MCL 125.1415a(5)), to the contrary, a contract between the City and the sponsor with the authority as third part beneficiary thereunder, to provide tax exemption and accept payments in lieu thereof as previously described is effected by enactment of this article.

Secs. 32-67 – 32-69. - Reserved

SECTION 2. EFFECTIVE DATE. This amendment shall become effective twenty days after passage.

SECTION 3. AVAILABILITY. This ordinance may be purchased or inspected in the city clerk's office, Monday through Friday between the hours of 9:00 a.m. and 5:00 p.m.