

HOUSING NORTH LEGISLATIVE INITIATIVES

Housing Michigan Coalition

Housing Tools Summary



Below is an overview of the four housing bills that were recently signed by the Governor in December of 2022. These bills were supported and backed by Housing North who sits on the Executive Committee for the Housing Michigan Coalition.

SB 432 – PILOTS for Housing

This bill would allow local governments the ability to develop Payment in Lieu of Taxes (PILOT) policies and enter into PILOT agreements with developers who are building or rehabbing affordable housing units. Currently, many local governments allow PILOTs for developments as part of the developer's process to be awarded low-income housing tax credits through MSHDA. This legislation allows local governments to review PILOT agreements for developments that are not applicants for state or federal tax credits, thus allowing a needed tool for governments and developers/builders to partner together to address local workforce housing needs.

This means the project is exempt from all ad valorem property taxes if the local municipality has opted in are a housing project owned by a nonprofit housing corporation or 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 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. 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.

New Construction: An amount that is the greater of the tax on the property on which the project is located for the tax year preceding date on which construction is commenced or 10% of the annual shelter rents obtained from the project.

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. The service charge must not exceed the amount in taxes that an owner would have otherwise paid if the housing project were not tax-exempt and must be paid in full for units not provided to low-income households.

SB 364 – Neighborhood Enterprise Zone Expansion

Established Neighborhood Enterprise Zones (NEZ) have supported investment in infill revitalization for owner-occupied housing and mixed-use buildings in eligible communities. This bill extends the opportunity to use NEZs to all Michigan cities, villages, and townships. The governing body of a local governmental unit designates a neighborhood enterprise zone that cannot be less than 10 platted parcels of land (unless they are in a downtown revitalization district and total more than 10 facilities). The land must be compact and contiguous. The expansion will let the local government support new (in whole or in part) residential homes and condominiums or new (in whole or in part) mixed-use buildings that include residential units with ground-floor retail, and rehabilitated facilities that meet certain investment criteria.

The NEZ tax rate is equal to ½ the tax rate during the year prior to the investment. Local units subject to the expansion may designate an NEZ only if the project encourages compact development, is adjacent to existing development, and can utilize existing infrastructure.

Creating pathways and partnerships for housing in Northwest Michigan.

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SB 362 – Attainable Housing Facilities Act

A local government can create an “attainable housing district” where property owners can apply for partial tax exemptions if they meet specific affordability criteria determined by the local government. This tool will reduce real property taxes by 50% of the statewide commercial, industrial, and utility average for up to 12 years if they meet certain affordability criteria determined by the local government. This tool will enable local governments to support and encourage investment in rehabilitating attainable housing in Michigan communities. Below are the criteria:

- Providing units at a price point that does not exceed 120% of the county-wide median income threshold for at least 30% of units in a multi-unit development.
- Local governments have the flexibility to negotiate at or above that 30% to align with their goals. Local governments have the ability to negotiate the number of units and affordability requirements up to 120% AMI.
- This tool can only be used for 4 or fewer rental units and a minimum of \$5,000 investment is required. (For 5 or more rental units, see Residential Facilities Exemption below).

SB 422 – Residential Facilities Exemption

The creation of a Residential Facilities Exemption would allow a temporary tax abatement on qualified new housing development in districts established by local units of government for developments of five or more units and a minimum investment of \$50,000. Local governments would have the ability to establish residential facility districts used to provide tax abatements for qualified residential facilities.

This abatement supports both the renovation and expansion of aging residential units and as well as the construction of new residential units in these districts.

Qualified new housing developments may include multifamily or single-family homes that are targeted toward populations earning below 120% of the area median income, with assurances that the units are occupied as principal residence (year-round) to eligible households.

Background:

Housing North works to deliver a collective voice of influence from rural Northwest Michigan to identify and advocate for state policies that support diverse housing solutions. Since 2019, Housing North has been working with Borealis Strategic to advocate for policies that consider the specific context of our communities and provide tools to address specific local needs. In addition, housing North works to create pathways and partnerships for housing in Northwest Michigan. To this end, in 2020, Housing North supported the launch of the Housing Michigan Coalition and a joint legislative agenda.

The Coalition focuses on creating and expanding tools for local governments to support the development or rehabilitation of housing supply that is attainable to more Michigan citizens. Housing North is part of the Coalition’s Executive Committee and has joined the business, communities, and government organizations that seek to increase the housing supply and affordability across the state.

The goal of these bills was to expand existing tools to all units of government related to housing up to a certain % of the Area’s Median Income. We will be working with our partners to provide technical support to our units of government on how to implement these tools.

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