



PAYMENT IN LIEU OF TAXES

WHY?

This legislation would allow local governments the discretion to allow Payments in Lieu of Taxes or 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.

WHAT?

ENROLLED SENATE BILL No. 432 AN ACT to amend 1966 PA 346 which now provides the ability for any unit of government to adopt a Payment in Lieu of Taxes or PILOT ordinance for a housing project owned by a nonprofit housing 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. Or a housing project that is being developed or rehabilitated for workforce housing.

HOW

Once the PILOT ordinance is adopted. The local unit of government would work with developers to determine the details of the contract with the specific developer/property owner), including the agreement length, amount, target Area Median Income (AMI), project type, etc. 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.

WORKFORCE HOUSING

“Rental units or other housing options that are reasonably affordable to, and occupied by, a household whose total household income is not greater than 120% of the area median income and published by the US Department of Housing and Urban Development.”

CRITERIA

The following are exempt from all ad valorem property taxes:

- A. A housing project owned by a nonprofit housing 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.



- B. 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 for tax exemption under this subdivision.

PROCESS

- The Unit of Government creates an ordinance or resolution concerning the selection of workforce housing projects that is adopted by the governing body.
- The owner of a housing project eligible for an exemption under subsection (1) must file an affidavit form with the local assessing officer a notification of the exemption.
- The owner must then 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.
- If eligible, the local assessing unit will provide a copy of the exemption not later than 5 business days after receipt of the certified notification to the treasurer of the county in which the housing project is located.
- Within 45 days of notice to the County Treasurer, the county board of commissioners may pass a resolution that provides the "additional amount" (county portion) must be paid.
 - a. "Additional amount" is defined as the difference between:
 - I. "The millage rate levied for operating purposes by the county in which the housing project is located multiplied by the current taxable value of that housing project," and,
 - II. "The amount of the annual service charge paid by the housing project under subsection (3)(a) that is distributed to the county in which the housing project is located under subsection (5)."
- 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.
- 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.
- A service charge paid each year in lieu of taxes for that part of a housing project that is tax exempt under subsection (1)(a) and occupied by individuals or families other than low-income individuals or families must be equal to the full amount of the taxes that would be paid on that portion of the housing project if the housing project were not tax exempt.



- The owner of the housing project must allocate the benefits of any tax exemption granted under this section exclusively to low-income individuals or families or to the maintenance and preservation of the housing project as a safe, decent, and sanitary affordable housing.
- The owner of the housing project must allocate the benefits of any tax exemption granted under this section exclusively to workforce housing or to the maintenance and preservation of the housing project as a safe, decent, and sanitary workforce housing.
- The county board of commissioners for that county passes a resolution, by majority vote.
- The municipality may establish by ordinance that restricts the use of the housing project to workforce housing, not to exceed 15 years.
- A municipality that has adopted an ordinance described in this subsection may repeal that ordinance, and the repeal is effective on the date designated in the repealing ordinance.

ANNUAL SERVICE CHARGE

New Construction:

- Amount greater than pre-construction taxes, or
- 10% of annual shelter rents

Rehabilitation Project:

- Amount less than the tax amount preceding the start of the rehabilitation, or
- 10% of annual shelter rents