

**ORDINANCE NO. 2025-04**

**CITY OF ROYAL OAK,  
OAKLAND COUNTY, MICHIGAN**

**AMENDMENT TO THE CODE OF ORDINANCES**

An Ordinance to amend the 2008 Ordinance Adopting the Royal Oak Code of Ordinances, codifying and adopting a new Code of the City of Royal Oak to add new Article III, Sections 671-24 through 671-33, of Chapter 671 Taxation of Part II: General Legislation; to provide for a service charge in lieu of taxes for a housing project for affordable and workforce housing financed with federal low income housing tax credits ("LIHTC") pursuant to the provisions of the State Housing Development Authority Act of 1966 (1966 PA 346, as amended; MCL 125.1401, et seq) (The "Act").

**THE CITY OF ROYAL OAK ORDAINS:**

**SECTION 1. AMENDMENT.**

That a new Article III, Sections 671-24 through 671-33, of Chapter 671 Taxation, of Part II General Legislation of the Code of Ordinances, City of Royal Oak, Michigan, is hereby added to the Code of Ordinances to read as follows:

**Article III Exemption for The Civic.**

**§ 671-24 Title.**

This Ordinance shall be known and cited as the "The Civic Tax Exemption Ordinance."

**§ 671-25 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 Royal Oak ("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 project that is constructed or rehabilitated with financing extended in reliance on such tax exemption.

The City acknowledges that 400 E. Third Limited Dividend Housing Association Limited Partnership (the "Sponsor"), subject to receipt of an allocation under the LIHTC Program by the Michigan State Housing Development Authority, plans to acquire, develop, own and operate a housing project identified as "The Civic" on certain property located at the northwest corner of East Third Street & Knowles Street (parcel no. 25-22-104-016) in the City 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.

**§ 671-26 Definitions.**

- (a)** “Act” means the State Housing Development Authority Act, being Michigan Public Act of 1966, as amended.
- (b)** “Annual Shelter Rent” 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.
- (c)** “Authority” means the Michigan State Housing Development Authority.
- (d)** “City” means the City of Royal Oak, a home rule municipality organized pursuant to Public Act 279 of 1909, as amended and located in Oakland County, Michigan.
- (e)** “Housing Development” means the multiple family housing development to be constructed in the City of Royal Oak at the northwest corner of East Third Street & Knowles Street (parcel no. 25-22-104-016), which shall contain up to 59 residential units, of which at least 31 units will be subject to the restrictions of the LIHTC Program and the remaining units shall be reserved for Workforce Housing (as defined by the Act and this Ordinance). The Housing Development shall also consist of such other housing, commercial, recreational, industrial, communal and educational facilities as the Authority has determined improves the quality of the Housing Development as it relates to housing for Low Income Persons and Families.
- (f)** “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.
- (g)** “Low Income Persons and Families” means persons and families eligible to move into the housing development under the provisions of Section 42 of the Internal Revenue Code of 1986, as amended, the units of which shall be rent restricted.
- (h)** “Mortgage Loan” means a loan that is Federally-Aided (as defined in Section 11 of the Act) or a loan or grant made or to be made by the Authority to the Sponsor for the construction, rehabilitation, acquisition and/or permanent financing of a housing project, and secured by a mortgage on the housing project.
- (i)** “Sponsor” means 400 E. Third Limited Dividend Housing Association Limited Partnership person(s) or entities which received a Mortgage Loan to finance a Housing Development or assumed the existing LIHTC Program Regulatory Agreement.
- (j)** “Utilities” mean charges for gas, electric, water, sanitary sewer and other utilities furnished to the occupants that are paid by the housing project.
- (k)** “Workforce Housing” means 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 United States Department of Housing and Urban Development.

#### **§ 671-27 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 LIHTC. It is further determined that the “The Civic” development is a housing development eligible for tax exemption provided by Section 15a of the Act.

#### **§ 671-28 Establishment of Annual Service Charge.**

The housing development identified as "The Civic" and the property on which it shall be constructed shall be exempt from all *ad valorem* property taxes from and after the commencement of construction of the project. 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 develop 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 from and after the completion of construction as evidenced by the issuance of a certificate of occupancy by the City of Royal Oak Building Division. Subject to an award of LIHTC by the Authority to the Sponsor, the annual service charge shall be equal to two (2) percent of the Annual Shelter Rents actually collected by the housing project during each operating year.

Nothing in this Section shall be construed to exempt the housing development and property on which it is constructed from any special assessment for street or other public improvements or as a result of its location within a business improvement district authorized by 1999 Public Act 49, as amended.

#### **§ 671-29 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.

#### **§ 671-30 Limitation on the Payment of Annual Service Charge.**

Notwithstanding Section 671-28, 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 *ad valorem* taxes which would be paid on that portion of the housing project if the housing project were not tax exempt.

#### **§ 671-31 Documentation Supplied.**

On or before April 1 of each year, the Sponsor shall file with the City audited financial statements showing all Annual Shelter Rents of 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 the Housing Development during the annual tax period, exclusive of Utilities. Such audited financial statements shall show revenues and expenses separately for units occupied by Low Income Persons and Families. The City shall determine the applicable service charge in accordance with Section 671-28.

#### **§ 671-32 Payment of Service Charge.**

The annual payment for each operating year shall be payable in the same manner as general property taxes are payable to the City of Royal Oak except that the annual payment shall be paid between July 1 and July 15 of each year, beginning in the year following the year in which the certificate of occupancy is issued to the housing development. Payments in lieu of taxes or portions thereof remaining unpaid after August 1 of the year in which they are due shall accrue

an interest rate of 1% per month. 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).

**§ 671-33 Duration.**

The Ordinance shall remain in effect and shall not terminate so long as the housing project shall remain subject to income and use restrictions under Section 42 of the LIHTC program and a Mortgage Loan remains outstanding and unpaid; provided, however, that the duration of the Ordinance shall, initially, not exceed a term of forty (40) years from and after the first year that the Sponsor avails itself of the tax exemption benefits provided by this article.

It is further the intent of the Parties that in the event the housing project is sold, transferred, or refinanced by the Sponsor or a related entity of the Sponsor, this Ordinance shall remain in full force and effect and without further action by the Sponsor or the City to otherwise change, alter or amend this Ordinance.

**SECTION 2. REPEALER.**

All ordinances, or parts of ordinances, in conflict with this ordinance are repealed only to the extent necessary to give this ordinance full force and effect.

**SECTION 3. SEVERABILITY.**

Should any section, subdivision, clause, or phrase of this ordinance be declared by the courts to be invalid, the validity of the ordinance as a whole, or in part, shall not be affected other than the part invalidated.

**SECTION 4. SAVINGS.**

All proceedings pending and all rights and liabilities existing, acquired or incurred at the time this ordinance takes effect, are saved and may be consummated according to the law in force when they were commenced.

**SECTION 5. EFFECTIVE DATE.**

This ordinance as ordered shall take effect ten (10) days after its adoption after having been published within 7 days after passage.

**SECTION 6. INSPECTION.**

A copy of this ordinance may be inspected or purchased at the city clerk's office between the hours of 8:00 a.m. and 4:30 p.m. on regular business days and between the hours of 8:00 a.m. and 12:00 p.m. on Fridays.

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Michael Fournier, Mayor

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Melanie Halas, City Clerk

Date Adopted:

Date Published:

Effective Date: