1. City Council Regular Meeting Agenda

   Documents: 2-21-12 FINAL AGENDA.PDF

2. City Council Regular Meeting Packet

   Documents: 2-21-12 WEBSITE PACKET.PDF

CITY OF YPSILANTI
COUNCIL MEETING AGENDA
CITY COUNCIL CHAMBERS - ONE SOUTH HURON ST.
YPSILANTI, MI 48197
TUESDAY, February 21, 2012
CLOSED SESSION- 6:00 P.M.
OPEN SESSION- 7:00 P.M.

I. CALL TO ORDER –

II. ROLL CALL –

Council Member Bodary	P A	Council Member Robb	P A
Council Member Jefferson	P A	Council Member Vogt	P A
Council Member Murdock	P A	Mayor Schreiber	P A
Mayor Pro-Tem Richardson	P A		

III. INVOCATION –

IV. PLEDGE OF ALLEGIANCE –

"I pledge allegiance to the flag, of the United States of America, and to the Republic for which it stands, one nation, under God, indivisible, with liberty and justice for all."

V. CLOSED SESSION- (6:00-7:00 p.m.)

Closed Session to discuss union negotiations. (OMA 15.268, Section 8(c)).

VI. INTRODUCTIONS –

VII. AGENDA APPROVAL –

VIII. PRESENTATIONS –

1. Income Tax Feasibility Study- John Kaczor, Municipal Analytics

IX. AUDIENCE PARTICIPATION –

X. REMARKS BY THE MAYOR –

ORDINANCES-SECOND READING

1. Resolution 2012-030 to add Chapter 3, as amended to the Ypsilanti City Code entitled "Uniform Income Tax" (Ordinance# 1169)

XI. MINUTES –

Resolution No. 2012-031 to approve the minutes of January 25th and February 7th, 2012

XII. **RESOLUTIONS/MOTIONS/DISCUSSIONS** –

1. Resolution 2012-027, approving city income tax ballot language. ***(Tabled 2-7-2012)***

2. Resolution 2012-026, approving financing and other related request for Hamilton Crossing Phase II. ***(Tabled 2-7-2012***)

3. Resolution 2012-032, approving the amended 5 Year Financial Plan; FY 2013-FY 2017.

4. Resolution 2012-033, approving the Block Grant Work Plan.

5. Resolution 2012-034, approving the Tax Revocation Policy.

6. Resolution 2012-035 approving Appointments to Boards and Commissions.

XIII. **LIASON REPORTS** -

A. SEMCOG Update
B. Washtenaw Area Transportation Study
C. Washtenaw Metro Alliance
D. Urban Counties
E. Freight House

IXV. **COUNCIL PROPOSED BUSINESS** –

XV. **COMMUNICATIONS FROM THE MAYOR** –

Nominations

Human Relations Commission
Claudia Pettit (new appointment)
945 Sheridan St.
Ypsilanti, Michigan 48197
Expires: 2/6/2013

XVI. **COMMUNICATIONS FROM THE CITY MANAGER** –

1. Annual Living Wage Report

2. Fire and Police Retirement minutes for 12-19-2012

3. Sustainability Plan Update Report

XVII. **AUDIENCE PARTICIPATION** -

XVIII. **REMARKS FROM THE MAYOR** –

XIX. **ADJOURNMENT** –

A. Resolution No. 2012-036, adjourning the City Council Meeting.

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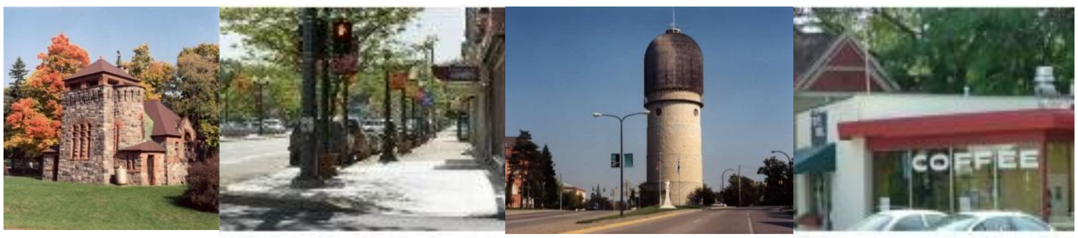
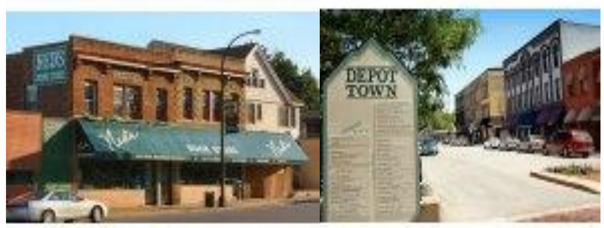
CITY OF YPSILANTI

CITY INCOME TAX FEASIBILITY ANALYSIS





February 17, 2012

Municipal Analytics

4488 Jackson Road, Ann Arbor, MI 48103
734.623.8033

February 17, 2012

Frances McMullan
City Clerk/Interim City Manager
City of Ypsilanti
One South Huron Street
Ypsilanti, MI 48197

Dear Ms. McMullan,

We have completed our feasibility study of a city income tax for the City of Ypsilanti. This final report summarizes the findings of the study, and includes:

- History and summary description of cities with a city income tax in Michigan
- Feasibility of an income tax in Ypsilanti

EXECUTIVE SUMMARY

The Uniform City Income Act:

- 1964 legislation establishing a uniform ordinance for cities to levy and administer a local income tax
- 1% maximum tax rate on residents and corporations; 0.5% maximum rate on non-residents earning income in the City
- $600 minimum personal exemption; additional exemptions allowed for senior citizens and disabled
- Must be approved by City Council and by a majority of voters in the City
- 22 cities have adopted a city income tax ordinance
- All cities levy the maximum allowable tax rate
- Exemption levels vary from $600 to $3,000
- Five cities within 50 miles of Ypsilanti have adopted an income tax ordinance
- The income tax cities most similar to Ypsilanti (population, median income, # jobs, etc.) realize, on average, about $3.1 million in annual revenues

Feasibility of an income tax in Ypsilanti:

- Local income tax revenue potential (net of administration costs) in Ypsilanti is estimated to be $2.7 million for 2012, based on available data (earnings, population, commute patterns, etc.)
- 49% of tax burden could be paid by non-residents working in the City
- Tax burden would be relatively small on senior citizens and college students living in the City, depending on sources of income
- A number of income sources are excluded from taxation

- Implementation would require initial establishment of policies, procedures and guidelines
- Some initial investment required for software, training, paperwork, etc. The City would have to hire 1-2 people to administer the tax.

TOTAL ESTIMATED INCOME TAX COLLECTION		
Estimated income tax collections		*% of total*
Resident total	$ 1,327,156	*44%*
Working in Ypsilanti City	352,398	
Working in non-taxing city	970,874	
Working in Detroit	-	
Working in other income taxing city	3,884	
Non-resident	$ 1,479,045	*49%*
Corporate	$ 202,547	*7%*
TOTAL INCOME TAX COLLECTION		$ 3,008,747
Cost of administration		$ 241,785
TOTAL COLLECTION MINUS ADMINISTRATION COSTS		**$ 2,766,962**

The following pages contain more information and detail related to the subjects presented in this executive summary.

We have enjoyed working with the City on this study, and we trust the information presented in this report will provide a basis for discussion and decision-making on this important subject for the City of Ypsilanti.

Please do not hesitate to contact us with any questions related to the findings and analysis contained in this report.

Very truly yours,

John Kaczor
Principal

CITY OF YPSILANTI
CITY INCOME TAX FEASIBILITY STUDY

TABLE OF CONTENTS

CITY INCOME TAXES IN MICHIGAN

Enabling Legislation

Michigan cities are authorized to establish a local income tax under the provisions of the Uniform City Income Tax Act (UCITA; PA 284 of 1964, as amended). Appendix A contains a link to the full text of the legislation, as well as some excerpts from the legislation. The Act permits a tax on resident income and non-resident earnings within the jurisdiction. Specific provisions of the Act include:

- A maximum tax rate of 1% on residents and corporations/ partnerships; non-residents are taxed at 50% of the resident tax rate
- Cities must establish a personal exemption of not less than $600 for taxpayers and their dependents
- Additional exemptions are permitted for people who are elderly, disabled, blind or deaf
- City income taxes must be approved by voters of the city
- Employers in the City are required to withhold city income tax from employees and submit withholdings to the city on a regular basis.

Figure 1: Michigan Cities with Local Income Tax

The Act clearly defines the types of income that may be taxed on residents, non-residents and corporations and partnerships. (Appendix B includes a somewhat dated, but very well-written and informative article, summarizing the city income tax in Michigan.) Additionally, the Act outlines a number of administrative requirements that the City would have to follow, should it adopt an income tax ordinance.

Before implementation of a city income tax, 2 legal actions must take place:

1. The elected body of the city must vote to approve a city income tax ordinance. The entirety of UCITA is adopted by reference in the ordinance. The local ordinance also stipulates the tax rates and the type and level of exemptions allowed.
2. Voters of the city must approve a ballot measure authorizing adoption of the city income tax ordinance.

Participating Cities

Currently, 22 Michigan cities have an income tax (see Figure 1). These cities vary considerably in size, composition, location and wealth. Cities utilize income tax revenue for different purposes, but most consider income taxes to be part of the General Fund revenue pool.

The characteristics of “income tax cities” are summarized in Table 2. Highlighted values represented the closest values to Ypsilanti on the various measurements. A primary characteristic of most cities with an income tax is their role as county or regional centers of commerce. Similar to Ypsilanti, 10 of the 22 cities are not county seats, and 5 are host to a residential college or university campus.

Table 2: Demographic Comparison of Current Income Tax Cities

City	2010 Population	County Seat?	College Town?	Estimated Jobs in City*	2009 Median HH Income	Percent of Population in Labor Force	Land Area
Albion	8,616	No	Yes	1,934	$ 30,245	64.50	4.2
Battle Creek	52,347	No	No	25,368	$ 39,052	60.60	42.8
Big Rapids	10,601	Yes	Yes	6,439	$ 20,192	64.70	5.9
Detroit	713,777	Yes	Yes	234,561	$ 29,423	54.70	138.7
Flint	102,434	Yes	Yes	40,442	$ 28,584	52.00	33.8
Grand Rapids	188,040	Yes	Yes	114,841	$ 39,269	68.00	44.3
Grayling	1,884	Yes	No	1,588	$ 24,250	57.00	2.0
Hamtramck	22,423	No	No	3,329	$ 25,035	50.90	2.1
Highland Park	11,776	No	No	2,870	$ 17,737	46.20	3.0
Hudson	2,307	No	No	424	$ 41,122	64.00	2.1
Ionia	11,394	Yes	No	3,927	$ 38,289	35.70	2.8
Jackson	33,534	Yes	No	26,575	$ 34,271	61.10	11.0
Lansing	116,266	No	No	95,652	$ 37,894	66.00	33.9
Lapeer	8,841	Yes	No	8,293	$ 35,526	54.90	5.5
Muskegon	38,401	Yes	No	18,323	$ 27,241	51.10	14.4
Muskegon Hts.	10,856	No	No	2,227	$ 21,778	55.50	3.2
Pontiac	59,515	Yes	No	28,917	$ 32,370	62.00	20.0
Port Huron	30,184	Yes	No	15,980	$ 32,929	64.30	8.0
Portland	3,883	No	No	5,621	$ 45,456	70.80	2.4
Saginaw	51,508	Yes	No	23,272	$ 27,066	50.50	17.4
Springfield	5,260	No	No	962	$ 29,790	61.00	3.8
Walker	23,537	No	No	16,865	$ 50,780	72.90	25.2
Ypsilanti	19,435	No	Yes	10,477	$ 31,322	70.52	11.3

**Estimated number of jobs provided by US Census Bureau, for 2009.*

History and Performance of City Income Taxes

Detroit and Hamtramck, in 1962, were the first Michigan cities to adopt an income tax. Two years later, UCITA was enacted by the State. The new law replaced the existing ordinances and established a uniform basis for the tax across all cities that choose to adopt this revenue option. In its early years, there were a number of cities that adopted the city income tax. As indicated in Table 3, 17 of the current 22 cities with an income tax adopted the tax between 1964 and 1972. The remaining five cities adopted the tax between 1988 and 1994.

Over the years, a number of other cities have explored the income tax option (e.g., Ann Arbor, Alma, Adrian, Mt. Pleasant, Sault Ste. Marie, Hillsdale, Wyoming, Greenville, Three Rivers); however, no city has adopted a local income tax since 1994. Ypsilanti did put the income tax question on the ballot in 2005, but voters at that time rejected the initiative. The current economic challenges faced by municipalities in Michigan have resulted in a swelling of interest in the city income tax. (The author's firm has been approached by at least 6 cities in the past 3 years, inquiring about the income tax option.)

Table 3: City Income Tax Cities: Adoption, Rates, Exemptions and Collections

City	Year of Adoption	Resident Tax Rate	Non-Resident Tax Rate	Corporate Tax Rate	Exemption	2009 Net Income Tax Collections*
Albion	1972	1.00	0.50	1.00	$ 600	$ 973,740
Battle Creek	1967	1.00	0.50	1.00	$ 750	$ 11,605,677
Big Rapids	1970	1.00	0.50	1.00	$ 600	$ 1,717,415
Detroit	1962	2.50	1.25	1.00	$ 600	$ 227,769,918
Flint	1965	1.00	0.50	1.00	$ 600	$ 14,512,261
Grand Rapids	1967	1.50	0.75	1.50	$ 600	$ 51,279,277
Grayling	1972	1.00	0.50	1.00	$ 3,000	$ 331,443
Hamtramck	1962	1.00	0.50	1.00	$ 600	$ 2,189,141
Highland Park	1966	2.00	1.00	2.00	$ 600	$ 2,019,423
Hudson	1971	1.00	0.50	1.00	$ 1,000	$ 128,492
Ionia	1994	1.00	0.50	1.00	$ 700	$ 1,325,260
Jackson	1970	1.00	0.50	1.00	$ 600	$ 6,942,669
Lansing	1968	1.00	0.50	1.00	$ 600	$ 28,743,034
Lapeer	1967	1.00	0.50	1.00	$ 600	$ 2,267,701
Muskegon	1993	1.00	0.50	1.00	$ 600	$ 6,654,659
Muskegon Hts.	1990	1.00	0.50	1.00	$ 600	$ 720,000
Pontiac	1968	1.00	0.50	1.00	$ 600	$ 9,624,237
Port Huron	1969	1.00	0.50	1.00	$ 600	$ 5,508,396
Portland	1969	1.00	0.50	1.00	$ 1,000	$ 739,449
Saginaw	1965	1.50	0.75	1.50	$ 750	$ 12,174,977
Springfield	1989	1.00	0.50	1.00	$ 1,500	$ 673,814
Walker	1988	1.00	0.50	1.00	$ 600	$ 7,551,285

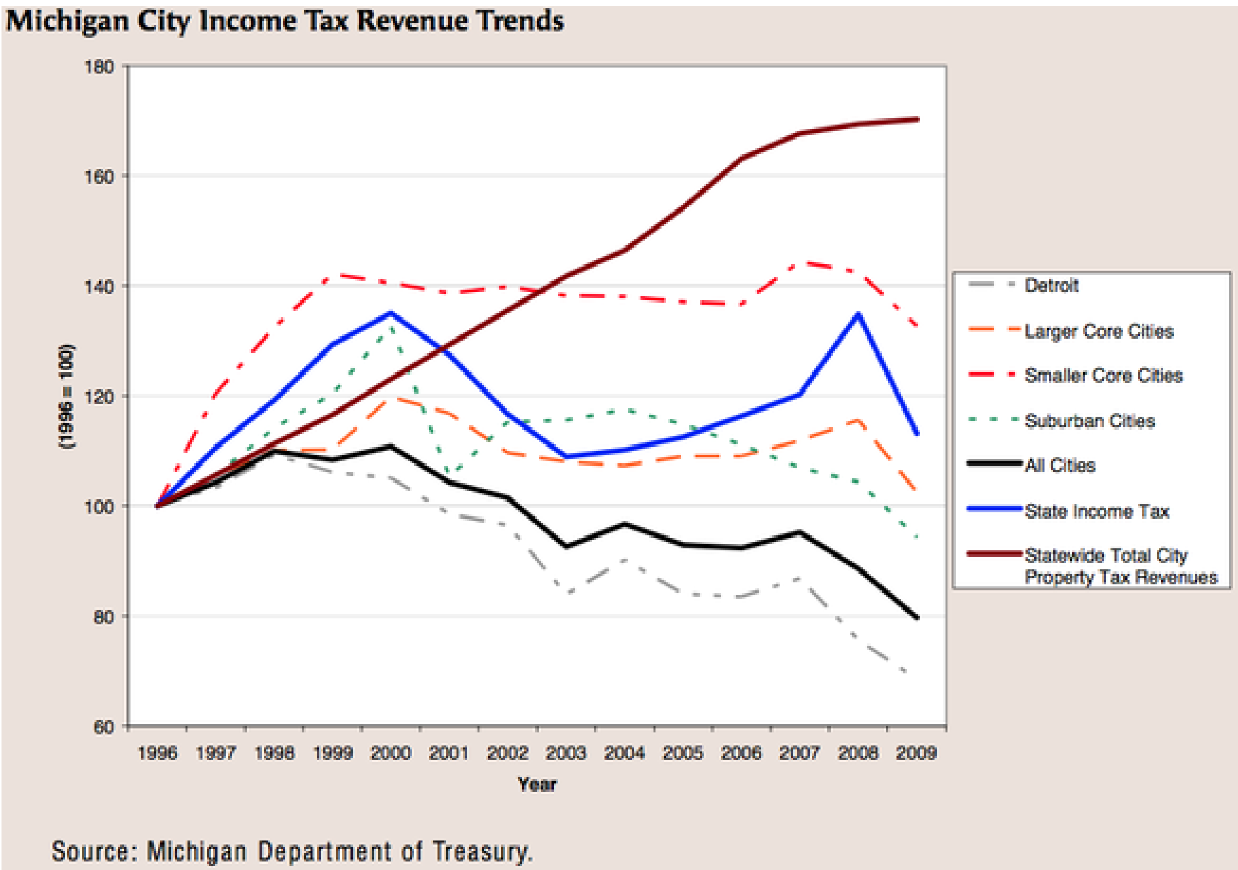
**Most recent, comprehensive compilation of city income tax collections (Source: Citizen's Research Council).*

As seen in Table 3, all cities have chosen to apply the highest tax rate allowable, and most have adopted the lowest exemption level permitted under the provisions of UCITA. Several cities have qualified for special provisions in the legislation, which allow for a higher tax rate. Ypsilanti would be capped at the 1% level.

With respect to revenues generated by the income tax, there is considerable variability in receipts amongst the 22 cities with an income tax. This is to be expected, given the diverse ranges of populations, jobs and income in the communities. A more important consideration might be the stability of income tax revenues for communities. Figure 2 illustrates the experience of different classes of cities over a 14-year period. Of all of the groups shown, smaller core cities have clearly had the most stable experience over this time period. Ypsilanti is considered a suburban city, as defined by the Citizen's Research Council. This group of cities with an income tax has seen considerable swings in income tax receipts, with steady declines over the 2005-2009 period.

In general, the performance of the local income tax has been more volatile and less certain, compared to property taxes. However, the burden of the property tax is much greater on city residents than an income tax.

Figure 2: Performance of City Income Taxes as a Revenue Stream



As illustrated by this graphic prepared by the Citizen's Research Council, suburban cities, such as Ypsilanti, have had mixed results with a local income tax. (When comparing income taxes to property taxes on this chart, one must recognize that property tax rates in some communities have increased as valuations have decreased, resulting in the appearance of more stable funding.)

Comparability to Ypsilanti

Of the 22 current cities with an income tax, the 3 that are most similar to Ypsilanti appear to be Big Rapids, Hamtramck and Port Huron. These cities have an average population of 21,069 and had average net income tax collections in 2009 of $3,138,317. Since that time, most income tax cities have experienced some declines in income tax collections.

ESTIMATED INCOME TAX COLLECTIONS IN YPSILANTI

The primary purpose of this study has been to determine the revenue potential of a city income tax in Ypsilanti. The potential for generating revenue from an income tax has been calculated using a number of data sources and assumptions. The analysis undertaken to determine possible revenues has been in-depth, thorough and carefully reviewed to ensure the most accurate estimate possible, given the data available. Every effort has been made to identify meaningful and accurate data. When information has been limited, or two separate data sources pointed to different possible data points, the consultants intentionally chose the more conservative information or used more conservative assumptions. This strategy is intended to provide the City with an uninflated estimate of tax revenues. To the extent circumstances may change from the time the data was collected to the eventual imposition of an income tax (if approved by City officials and voters); the estimates provided below may be different from what is actually realized.

The calculations supporting the following estimates are included in Appendix C of this report. In summary, depending on the exemption level used, **Ypsilanti could realize net income tax revenues of approximately $2,700,000**. These estimates assume a 1% resident and corporate tax rate, 0.5% non-resident tax rate, and approximately $110,000 cost for administration of the tax. The range is similar to what comparable cities currently realize from the income tax.

Appendix C contains the estimations of tax revenues and administrative costs using different data sets and calculation approaches, to arrive at an average estimated income. Alternative calculation approaches provide an opportunity to validate estimates, and ensures estimates are not weighted disproportionately to a single source of information. Resident, non-resident and corporate tax revenues are presented separately, and each calculation method used is separately displayed. The greatest weakness in available data related to corporate taxable income. This is highlighted by the sigular approach utilized to estimate corporate income tax collections. Project consultants explored dozens of possible data sources for useful information, but were unable to identify anything specific to the City of Ypsilanti. Because corporate taxes are such a small portion of the estimated revenues, and the legal guidelines for this group of taxpayers is very complex, we will focus the discussion of potential revenues and impacts on resident and non-resident taxpayer groups.

Comparison with 2005 Feasibility Study

The City of Ypsilanti has seen significant changes in population and employment over the past decade, particularly in the past five years. For this reason, a number of data points and assumptions used in the 2005 study of an income tax in the City are no longer valid. Some major changes in demographics and economics over the past 5-10 years include:

- Population declined 12.5% between 2000 and 2010
- There are approximately 3,000 fewer jobs in Ypsilanti than there were in 2005. This reflects a 22% decline in jobs in the City
- Average earnings in the Ypsilanti area are down slightly over the past seven years, falling from about $45,100 to $43,900

- Unemployment in the City has doubled since the early 2000s
- Total payroll from employment in Ypsilanti has declined about 27% since the 2005 study. This is due to the changes in total jobs and average earnings estimates

Using the 27% loss in earnings as a proxy for the change in taxable income since 2005 (estimated at $4 million), the estimated tax revenues in 2010 would have been $2.9 million. This rough estimate is similar to our more detailed analysis presented in Appendix C.

Key assumptions utilized in the 2005 study and the current study are presented in Appendix D.

Tax Burden

An important consideration when contemplating a new tax is the increased burden taxpayers will incur as a result of the tax. It is impossible for us to know the exact impact on an individual, but we are able to estimate impacts based on general categories and ranges of income and exemptions.

The following table summarize the burden of an income tax based on the following conditions:

- 1% resident tax rate
- Exemption level of $1000
- Approximate taxable income, in increments of $5,000

Non-resident tax obligations would be 50% of the amounts in the following tables

Table 4: Estimated City Income Tax: Resident, $1,000 Exemption Level

Exemption		Number of Personal Exemptions									
$1,000		1	2	3	4	5	6	7	8	9	10
Taxable Income	$ 5,000	$ 40	$ 30	$ 20	$ 10	$ -	$ -	$ -	$ -	$ -	$ -
	$ 10,000	$ 90	$ 80	$ 70	$ 60	$ 50	$ 40	$ 30	$ 20	$ 10	$ -
	$ 15,000	$ 140	$ 130	$ 120	$ 110	$ 100	$ 90	$ 80	$ 70	$ 60	$ 50
	$ 20,000	$ 190	$ 180	$ 170	$ 160	$ 150	$ 140	$ 130	$ 120	$ 110	$ 100
	$ 25,000	$ 240	$ 230	$ 220	$ 210	$ 200	$ 190	$ 180	$ 170	$ 160	$ 150
	$ 30,000	$ 290	$ 280	$ 270	$ 260	$ 250	$ 240	$ 230	$ 220	$ 210	$ 200
	$ 35,000	$ 340	$ 330	$ 320	$ 310	$ 300	$ 290	$ 280	$ 270	$ 260	$ 250
	$ 40,000	$ 390	$ 380	$ 370	$ 360	$ 350	$ 340	$ 330	$ 320	$ 310	$ 300
	$ 45,000	$ 440	$ 430	$ 420	$ 410	$ 400	$ 390	$ 380	$ 370	$ 360	$ 350
	$ 50,000	$ 490	$ 480	$ 470	$ 460	$ 450	$ 440	$ 430	$ 420	$ 410	$ 400
	$ 55,000	$ 540	$ 530	$ 520	$ 510	$ 500	$ 490	$ 480	$ 470	$ 460	$ 450
	$ 60,000	$ 590	$ 580	$ 570	$ 560	$ 550	$ 540	$ 530	$ 520	$ 510	$ 500
	$ 65,000	$ 640	$ 630	$ 620	$ 610	$ 600	$ 590	$ 580	$ 570	$ 560	$ 550
	$ 70,000	$ 690	$ 680	$ 670	$ 660	$ 650	$ 640	$ 630	$ 620	$ 610	$ 600
	$ 75,000	$ 740	$ 730	$ 720	$ 710	$ 700	$ 690	$ 680	$ 670	$ 660	$ 650
	$ 80,000	$ 790	$ 780	$ 770	$ 760	$ 750	$ 740	$ 730	$ 720	$ 710	$ 700
	$ 85,000	$ 840	$ 830	$ 820	$ 810	$ 800	$ 790	$ 780	$ 770	$ 760	$ 750
	$ 90,000	$ 890	$ 880	$ 870	$ 860	$ 850	$ 840	$ 830	$ 820	$ 810	$ 800
	$ 95,000	$ 940	$ 930	$ 920	$ 910	$ 900	$ 890	$ 880	$ 870	$ 860	$ 850
	$ 100,000	$ 990	$ 980	$ 970	$ 960	$ 950	$ 940	$ 930	$ 920	$ 910	$ 900

A significant question for some individuals relates to the types of income subject to the tax. Appendix A contains information related to the specific types of income subject to and excluded from city income tax. In general terms, residents pay the tax on income from most sources, similar to their taxable income on their federal tax return. Excluded from this (depending on the federal form used) are:

- Taxable refunds
- IRA distributions (if older than 59.5 years of age)
- Pension distributions (unless the distribution is premature
- Unemployment compensation
- Social Security benefits
- Self-employed SEP, SIMPLE, and qualified plans
- IRA deductions

Non-residents earning income in the city would be subject to the tax only on their income earned in the city.

The impact of the income tax on **senior citizens** with ordinary retirement income would be negligible. As noted above, most retirement income is excluded from taxation.

Residents who earn income as a member of the **US armed forces** would not pay tax on those earnings, but would be subject to taxation of other incomes to the same degree as other taxpayers.

Most **college students** would likely be considered non-residents for purposes of the city income tax. As such, students would pay a tax on their income earned in the City of Ypsilanti. The tax would not apply to income earned outside of the City, unless the student has declared Ypsilanti to be their permanent city of residence, and they are not declared a dependent on their parents' Federal tax return.

Partial year residents would be taxed on the income earned while living in the City.

To assist individuals with evaluating the potential impact of the proposed city income tax on their tax liability, we prepared a simple calculation tool, which the City will make available to the public on its website (see Figure 3). Anyone interested in understanding the approximate tax they would pay is encouraged to utilize the tool. The information required can be found on taxpayers' most recent Federal Form 1040, 1040A or 1040EZ.

<u>Data Sources</u>

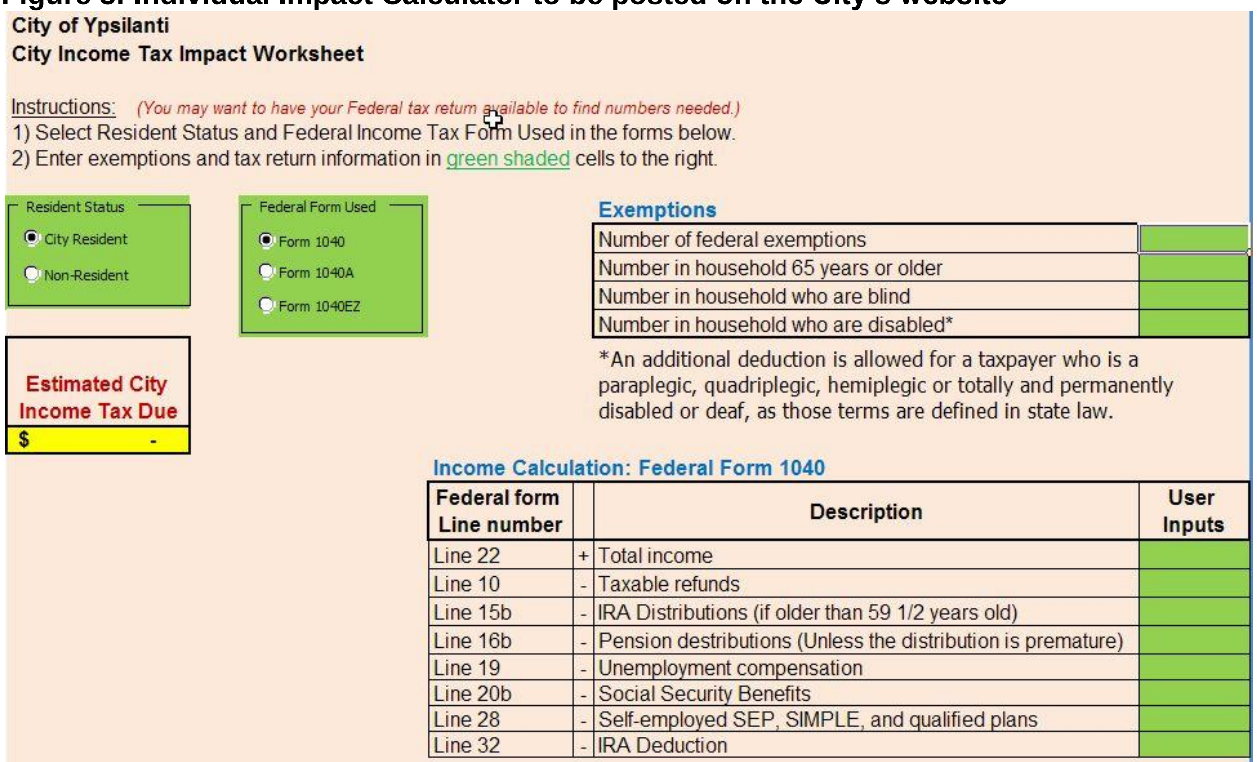
In undertaking this analysis, a number of data sources were utilized. The variety of sources permitted different analytic approaches to estimated potential tax collections. Wherever possible, efforts were made to narrow data to the City of Ypsilanti level. Some sources, however, could only be obtained at county, zip code, regional or other levels. In situations where city-specific data was not available, the consultant used assumptions derived from other city information to approximate values within the city. Primary data sources included:

- US Census Bureau
    - 2000 Census
    - 2010 Census

- American Community Survey (2010)
- OnTheMap Application and LEHD Origin-Destination Employment Statistics
- County Business Patterns (2009)

- US Bureau of Labor Statistics, Quarterly Census 2010
- State of Michigan Treasury (2009 & 2010 income tax return data)
- State of Michigan Department of Technology, Management and Budget
- Municipal Analytics surveys
- Internal Revenue Service
  - Form 990
  - 2008 individual tax return composite values
- SPARK
- City of Ypsilanti
- Washtenaw Area Transportation Study (MDOT data; zip code analysis)
- Eastern Michigan University
- Citizen's Research Council

Figure 3: Individual Impact Calculator to be posted on the City's website



City of Ypsilanti
City Income Tax Impact Worksheet

Instructions: *(You may want to have your Federal tax return available to find numbers needed.)*
1) Select Resident Status and Federal Income Tax Form Used in the forms below.
2) Enter exemptions and tax return information in green shaded cells to the right.

Resident Status
- City Resident
- Non-Resident

Federal Form Used
- Form 1040
- Form 1040A
- Form 1040EZ

Estimated City Income Tax Due
$ -

Exemptions

Number of federal exemptions	
Number in household 65 years or older	
Number in household who are blind	
Number in household who are disabled*	

*An additional deduction is allowed for a taxpayer who is a paraplegic, quadriplegic, hemiplegic or totally and permanently disabled or deaf, as those terms are defined in state law.

Income Calculation: Federal Form 1040

Federal form Line number		Description	User Inputs
Line 22	+	Total income	
Line 10	-	Taxable refunds	
Line 15b	-	IRA Distributions (if older than 59 1/2 years old)	
Line 16b	-	Pension destributions (Unless the distribution is premature)	
Line 19	-	Unemployment compensation	
Line 20b	-	Social Security Benefits	
Line 28	-	Self-employed SEP, SIMPLE, and qualified plans	
Line 32	-	IRA Deduction	

IMPLEMENTATION AND ADMINISTRATION

Should the City choose to move forward with the income tax option, the City Council will need to decide the effective date of the tax and approve the final draft of the proposed City Income Tax Ordinance. Voters would then be asked to approve the tax. If voters reject the tax, then the City will need to explore other options for generating needed funds. The income tax question could be put before voters at a later time as well.

If adopted, the income tax would be implemented effective on the date specified in the ordinance. Before and concurrent with implementation, the City would need to establish the necessary policies, procedures and public education materials to effectively manage and enforce the income tax ordinance. Additionally, Ypsilanti would need to acquire software, prepare forms, hire and train staff, and begin working with local employers to implement the provisions of the income tax ordinance. The Act requires employers in the City to withhold city income taxes from payroll and submit quarterly or monthly payments of withholdings to the City.

The first couple of years of the tax is likely to generate less than the full amount estimated, due to issues related to education, timely implementation of payroll withholdings, etc. The City may be best served to plan on receiving 50% of the initial expected level of revenues in the first year and 75% in the second year. Full implementation will likely not occur until the 3rd year of the tax. As the City, employers and taxpayers become familiar with the tax, actual collections will increase.

The table below provides an estimate of the income tax revenue the City might expect to receive for the following five fiscal years (assuming the effective date of the ordinance is July 1, 2012). Estimates of future collections are based on several assumptions, which are derived from recent historical changes in population and earnings. Assumptions include:

- Population declines 1.53% per year through 2015, and declines further 0.51% annually through 2020
- Number of jobs is assumed to remain unchanged
- Average annual earnings estimated to increase 0.44% through 2020
- Corporate tax increases 1% per year
- Administrative costs increase 3% annually

PROJECTED INCOME TAX COLLECTION FOR 2010-2020, with 2012 as first year of collection							
	2010	2011	**2012**	**2013**	**2014**	**2015**	**2020**
Estimated income tax collections							
Resident	$ 1,327,156	$ 1,328,900	$ 1,331,289	$ 1,333,707	$ 1,336,155	$ 1,338,632	$ 1,366,343
Non-resident	$ 1,479,045	$ 1,480,931	$ 1,482,826	$ 1,484,729	$ 1,486,641	$ 1,488,561	$ 1,498,369
Corporate	$ 202,547	$ 202,547	$ 202,547	$ 202,547	$ 202,547	$ 202,547	$ 212,674
TOTAL INCOME TAX COLLECTIO	$ 3,008,747	$ 3,012,378	$ 3,016,662	$ 3,020,983	$ 3,025,342	$ 3,029,740	$ 3,077,386
Cost of administration*	$ 241,785	$ 249,039	$ 311,298	$ 263,981	$ 271,900	$ 280,057	$ 322,066
NET INCOME TAX COLLECTION	**$ 2,766,962**	**$ 2,763,340**	**$ 2,705,363**	**$ 2,757,002**	**$ 2,753,442**	**$ 2,749,682**	**$ 2,755,320**

FEASIBILITY OF AN INCOME TAX IN YPSILANTI

In conclusion, the City of Ypsilanti could realize a net increase in revenues of approximately $2.7 million from a local income tax to help maintain basic City services.

As noted previously, the estimates contained in this report are intentionally conservative. We believe the estimates calculated reflect a reasonable amount that would be realized after the tax is fully implemented. Given the stability of the City's largest employer, and the fact that significant contractions in the local economy have already taken place, future collections are expected to remain fairly stagnant for at least the next five to ten years. Depending on economic conditions, actual collections could be more or less.

APPENDIX A

UNIFORM CITY INCOME TAX ACT

APPENDIX A

UNIFORM CITY INCOME TAX ACT

The full text of the Uniform City Income Tax Act can be found at:

http://www.legislature.mi.gov/(S(twm04o45xq3qumqvbt0obs45))/mileg.aspx?page=getObject&objectName=mcl-Act-284-of-1964

The Act specifies the types of taxable income for residents and non-residents of a taxing city. Select excerpts of the Act are presented below, to help readers understand the types of income subject to and excluded from taxation:

Taxable Income

141.612 Excise tax on incomes; application to resident individuals

The tax shall apply on the following types of income of a resident individual to the same extent and on the same basis that the income is subject to taxation under the federal internal revenue code:

(a) On a salary, bonus, wage, commission and other compensation.

(b) On a distributive share of the net profits of a resident owner of an unincorporated business, profession, enterprise, undertaking or other activity, as a result of work done, services rendered and other business activities wherever conducted.

(c) On dividends, interest, capital gains less capital losses, income from estates and trusts and net profits from rentals of real and tangible personal property.

(d) On other income of a resident individual.

141.613 Types of nonresident income to which tax applicable; extent and basis of tax

The tax shall apply on the following types of income of a nonresident individual to the same extent and on the same basis that the income is subject to taxation under the federal internal revenue code:

(a) On a salary, bonus, wage, commission, and other compensation for services rendered as an employee for work done or services performed in the city. Income that the nonresident taxpayer receives as the result of disability and after exhausting all vacation pay, holiday pay, and sick pay is not compensation for services rendered as an employee for work done or services performed in the city. Vacation pay, holiday pay, sick pay and a bonus paid by the employer are considered to have the same tax situs as the work assignment or work location and are taxable on the same ratio as the normal earnings of the employee for work actually done or services actually performed.

(b) On a distributive share of the net profits of a nonresident owner of an unincorporated business, profession, enterprise, undertaking, or other activity, as a result of work done, services rendered, and other business activities conducted in the city.

(c) On capital gains less capital losses from sales of, and on the net profits from rentals of, real and tangible personal property, if the capital gains arise from property located in the city.

141.614 Excise tax on incomes; taxable net profits of a corporation, definition
The tax shall apply on the taxable net profits of a corporation doing business in the city, being levied on such part of the taxable net profits as is earned by the corporation as a result of work done, services rendered and other business activities conducted in the city, as determined in accordance with this ordinance. "Taxable net profits of a corporation" means federal taxable income as defined in section 63 of the federal internal revenue code but taking into consideration all exclusions and adjustments provided in this ordinance.

141.615 Excise tax on incomes; unincorporated business, profession; sole proprietorship, partnership

An unincorporated business, profession or other activity conducted by 1 or more persons subject to the tax as either a sole proprietorship or partnership shall not be taxable as such. The persons carrying on the unincorporated business, profession or other activity are liable for income tax only in their separate and individual capacities and on the following bases:

(a) A resident proprietor or partner is taxable upon his entire distributive share of the net profits of the activity regardless of where the activity is conducted.

(b) A nonresident proprietor or partner is taxable only upon his distributive share of the portion of the net profits of the activity which is attributable to the city under the allocation methods provided in this ordinance.

(c) In the hands of a proprietor or partner of an unincorporated activity, the character of any item of income taxable under this ordinance is determined as if such item were realized by the individual proprietor or partner directly from the source from which it is realized by the unincorporated activity. In computing his taxable income for a taxable year, a person who is required to file a return shall include therein his taxable distributive share of the net profits for any partnership year ending within or with his taxable year.

Excluded Income

The enabling legislation excludes certain income from taxation by cities. The Act provides:

141.632 Payments and benefits not subject to tax

The following payments and benefits received by any person are not subject to the tax:

(a) Gifts and bequests.

(b) Proceeds of insurance, annuities, pensions and retirement benefits. Amounts received for personal injuries, sickness or disability are excluded from taxable income only to the extent provided by the federal internal revenue code.

(c) Welfare relief, unemployment benefits including supplemental unemployment benefits, and workmen's compensation or similar payments from whatever source derived.

(d) Amounts received by charitable, religious, educational and other similar nonprofit organizations which are exempt from taxation under the federal internal revenue code.

(e) Amounts received by supplemental unemployment benefit trusts or pension, profit sharing and stock bonus trusts qualified and exempt under the federal internal revenue code.

(f) Interest from obligations of the United States, the states or subordinate units of government of the states and gains or losses on the sales of obligations of the United States.

(g) Net profits of financial institutions and insurance companies.

(h) Amounts paid to an employee as reimbursement for expenses necessarily and actually incurred by him in the actual performance of his services and deductible as such by the employer.

(i) Compensation received for service in the armed forces of the United States.

Exemptions

UCITA provides for certain exemptions to taxpayers, the minimum exemption level being $600.

141.631 Exemptions.

(1) An individual taxpayer in computing his or her taxable income is allowed deductions for the full personal and dependency exemptions authorized by the federal internal revenue code or, on the passage of a further ordinance, a deduction of a minimum of $600.00 for each personal and dependency exemption under the rules for determining exemptions and dependents as provided in the federal internal revenue code. The taxpayer may claim his or her spouse and dependents as exemptions, but if the taxpayer and the spouse are both subject to the tax imposed by this ordinance, the number of exemptions claimed by each of them when added together shall not exceed the total number of exemptions allowed under this ordinance.

(2) For tax years beginning after 1986, an additional exemption is allowed under subsection (1), upon passage of a further ordinance, for a taxpayer who is 65 years of age or older, or who is blind as defined in section 504 of the income tax act of 1967, Act No. 281 of the Public Acts of 1967, being section 206.504 of the Michigan Compiled Laws, or if the taxpayer is both 65 years of age or older and blind, 2 additional exemptions are allowed under subsection (1). For tax years beginning after 1987, upon passage of a further ordinance, an additional exemption is allowed under subsection (1) for a taxpayer who is a paraplegic, quadriplegic, hemiplegic, or totally and permanently disabled person as defined in section 216 of title II of the social security act, 42 U.S.C. 416, or a taxpayer who is a deaf person as defined in section 2 of the deaf persons' interpreters act, Act No. 204 of the Public Acts of 1982, being section 393.502 of the Michigan Compiled Laws. If the taxpayer qualifies for an additional exemption under more than 1 of the following, an additional exemption is allowed for each of the following for which the taxpayer qualifies:

(a) A taxpayer who is a paraplegic, quadriplegic, or hemiplegic, or who is a totally or permanently disabled person as defined in section 216 of title II of the social security act, 42 U.S.C. 416.

(b) A taxpayer who is blind as defined in section 504 of the income tax act of 1967, Act No. 281 of the Public Acts of 1967, being section 206.504 of the Michigan Compiled Laws.

(c) A taxpayer who is a deaf person as defined in section 2 of the deaf persons' interpreters act, Act No. 204 of the Public Acts of 1982, being section 393.502 of the Michigan Compiled Laws.

(d) A taxpayer who is 65 years of age or older.

(3) For tax years beginning after 1986 and upon passage of a further ordinance, a city, as determined by its governing body, may provide for either an exemption from the tax levied under this act if that person's adjusted gross income for that tax year is less than a certain amount to be as specified by the ordinance, or an exemption in an amount to be specified by the ordinance, for a person with respect to whom a deduction under section 151 of the internal revenue code is allowable to another federal taxpayer during the tax year and is therefore not considered to have a federal personal exemption under subsection (1).

APPENDIX B

SUMMARY OF THE UNIFORM CITY INCOME TAX ACT

PREPARED BY ALBERT WARREN,
FORMER INCOME TAX ADMINISTRATOR FOR THE CITY OF DETROIT

THE MICHIGAN UNIFORM CITY INCOME TAX ORDINANCE

By Albert L. Warren

(Presented at the Ninth Annual State Tax Forum of the Michigan Association of Certified Public Accountants, November 6, 1964)

Detroit's income tax ordinance will expire December 31, 1964. Let me hasten to add, however, a new one has already been adopted, effective January 1st, 1965, the new one being Michigan's Uniform City Income Tax Ordinance.

Our present ordinance was, in effect, terminated as of the end of 1964 when the Michigan Legislature adopted Act No. 284 of the Public Acts of 1964. This act provides that on and after January 1, 1965 no city may have an income tax except by lawfully adopting the Uniform City Income Tax Ordinance, which may be done by reference. Chapter Two of the Act sets forth in its entirety the uniform ordinance, and this was adopted by the Detroit Common Council on September 15th. We added two short sections; one that the administrator referred to in the ordinance shall be the city controller, and the other that the effective date of the tax shall be January 1, 1965.

Detroit opposed the uniform ordinance, but only because in reducing the tax on nonresidents from 1% to ½ of 1% it is going to cost us $6 million per year in lost revenue. We felt that with residents bearing the brunt of the property tax, a 1% income tax applied equally to residents and to nonresidents, was an equitable sharing of the costs of the core city by suburbanites who earn their living there. However, as you are probably aware, our opposition was of no avail and the act became law then it was signed by the governor on June 11th.

We have never opposed, and it would be short-sighted of us to oppose, the principal of uniformity. When we think of the confusion that could result in the next few years if two or three dozen Michigan cities were to adopt a local income tax, and the experience of Ohio indicates that this is a real possibility; when we think of differing rates, contradictory definitions of "doing business," difference provision for exemptions and exclusions, and various and sundry filing requirements and dates; when we think of the employer facing different withholding requirements in different cities, the large business firm wrestling with several different allocations formulas and possibly being taxed on more than 100% of its income, and the CPA trying to advise and prepare returns for his many clients, operating under numerous ordinances, we fear that without a uniform ordinance, in a few short years confusion could reign supreme. We are glad to see a uniform ordinance, and give our full support to the principle of uniformity.

Those of you who practice in the Detroit area are already familiar with our present ordinance. Our discussion today is aimed at highlighting the provisions and requirements of the uniform ordinance, and therefore we will make only slight reference to those aspects where it differs from our present one, the most important difference being of course the reduction in rate from 1% to ½ to 1% on nonresident individuals.

Imposition of Tax – Types of Taxpayers

The Michigan Uniform City Income Tax Ordinance imposes the tax on three categories of taxpayers. Those in the first category, resident individuals, are taxed at 1% on their income after exemptions, which income includes wages and salaries and other compensation, interest and dividends, rental income, capital gains, income from an estate or trust, and net profits from a business or profession, all of these regardless of where earned. Those in the second category, nonresident individuals, are taxed at ½ of 1% for economic activity in the taxing city. This activity may be one of four kinds: earning from employment in the taxing city, net profit from a business or profession cared on in the taxing city, net rental from property located in the taxing city, and capital gains from the sale of real or tangible personal property. Nonresidents are not taxed on dividends or interest, nor on capital gains from the sale or exchange of intangible property. The third category of taxpayers is the corporation, which is taxed at 1% on its net profits derived from activity in the taxing city. Partnerships and other unincorporated businesses owned by two or more persons are required to file annual returns, and **may** pay the tax on behalf of the owners, but legal liability for the tax is on the owners rather than the entity and thus partnerships and other unincorporated businesses are not a separate category of taxpayers. The owners are liable at either the resident or non-resident rate, according to their status as either residents or nonresidents. Estates and trusts are required to file returns **and** pay the tax only if they have the types of income taxable to nonresidents and some or all of such income is not includible in the return of a resident individual. Therefore, they are considered in the same group as nonresident individuals, which brings us back to three basic types of taxpayers named by the ordinance; resident individuals, nonresident individuals and corporations.

Apportionment of Net Profits

Corporations, and unincorporated businesses owned by nonresident individuals, may apportion their net profits subject to tax by either the separate accounting method or the three part business allocation formula. This is the formula which gives equal weight to the ratio or percentage of payrolls in the taxing city to all payrolls everywhere, tangible property in the taxing city to tangible property everywhere, and sales in the taxing city to all sales everywhere. It appears in many state income tax statutes and is undoubtedly familiar to most of you. The separate accounting method may be used at the option of the taxpayer, without prior permission, but of course subject to allowance by the administrator based on its accuracy in properly reflecting the net profits from business activity in the taxing city. Detroit is presently drawing up rules and regulations and our proposed regulation is that in determining whether a particular taxpayer's use of separate accounting is acceptable the controller shall consider whether the unit or units in Detroit would be capable of operating as independent profit making businesses which neither benefit nor are benefited by other activities of the taxpayer outside of Detroit. In an event, we believe the administrator has three possible courses of action for a return filed on the basis of separate accounting. First, if separate accounting is applicable and properly used he must allow it. Second, if the business is unitary in nature it would be disallowed on that basis. Thirdly, if the method used is not truly separate accounting it would be disallowed on that basis. An example of this would be applying a firm's average percentage of net profit on all sales to those sales made in the taxing city to determine the profit subject to tax. This would be in reality unauthorized use of a one part formula. In other words, separate accounting could be disallowed either because the business, being unitary in nature, does not lend itself to separate accounting, or because the methods of accounting employed are not acceptable as separate accounting.

Now let's return briefly to the three part formula, the so-called Massachusetts formula. This is the method used by the vast majority of taxpayers with business activity both in and out of the taxing city, and rightly so. In numerous court cases, mostly involving state income tax laws, the prevalent attitude of the courts has been that while certain crudities are inherent in it, it is in most cases as good or better than any alternatives that have been devised. The formula does not try to relate profits to particular operations or particular locations. It does not try to determine the amount of profit directly attributable to operations in the taxing jurisdiction, be it city or state. Rather, it is based on the theory that the amount of profits subject to tax would be the same percent of total profits as the business activity in the taxing jurisdiction is of total business activity everywhere. If 40% of a firm's activity is in a taxing jurisdiction then 40% of its entire net profit is subject to tax in that jurisdiction. And further, it says that this thing called business activity shall be measured by giving equal weight to the ratios of payroll, tangible property and sales in the taxing jurisdiction to payroll, tangible property and sales in the taxing jurisdiction to payroll, tangible property and sales everywhere.

As used in the Michigan Uniform City Income Tax Ordinance the property factor employs net book value, and includes tangible personal property owned, and real property owned or used. Real property rented or leased by the taxpayer is included at eight times gross annual rental.

The payroll factor is based on the physical location where employees work. The point where payrolls and pay checks are prepared is immaterial. The point of supervision and the location from, or out of which, the employee works is immaterial. The only controlling condition is: "where does he do his work or perform his services?"

The third factor, the sales factor, is based on point of delivery. Point of delivery is the ultimate destination after all transportation has been completed. It is not the point at which title changes, nor the point at which a sale was made. In the case of a service rendered, rather than goods sold, it is the place at which such services are rendered and the sales factor becomes the ratio of gross revenue from services rendered in the taxing city to gross revenue from services rendered everywhere.

Having computed these three ratios or percentages they are then added together, the total divided by three, and the resulting percentage applied to the entire net profits to determine the amount of profit subject to tax. A factor shall be excluded from the computation only when that factor exists nowhere for that taxpayer; and then the total of the percentages shall be divided by the number of factors actually used.

In addition to separate accounting and the three part formula, there is a third possible alternative. On application of the taxpayer, or on the initiative of the administrator, a special formula may be approved or specified. This may involve a substitution of factors, or may be a unique formula. This third alternative would be available only on a showing that the other two methods either produce inequitable and unjust results, or cause undue hardships on the taxpayer because of the effort and expense involved in complying.

"Doing Business"

In preparing this discussion it has been difficult to decide on the most logical sequence to follow. At the risk of not being in proper order, therefore, let us here examine briefly the concept of "doing business" The requirement to withhold, which we will discuss later, is imposed on every employer in or doing business in the taxing city. The tax on corporations is on every corporation doing business in the city. The tax on nonresident owners of unincorporated businesses, however, is on the distributive share of net profits as a result of work done, services rendered, and other business activities conducted in the city, and the qualifying phrase “doing business” is not here used.

The ordinance defines “doing business” as “the conduct of any activity with the object of gain or benefit” However, it further says a firm is not doing business in the taxing city if its only activity consists of soliciting orders, either by employee-salesmen or independent contractors, with such orders being approved or rejected at a point outside the city, and filled by shipment from a point outside the city; or, if it solicits orders for the benefit of a customer or prospective customer of itself and resulting orders from that customer to itself are approved or rejected at and shipment made from, a point outside the city; or, if it merely stores goods in the city in a warehouse which it neither owns nor leases. The ordinance gives no definition of “business activity’ or “engaging in business activity” but it is obvious that “doing business” is a narrower, or more restrictive, concept than “engaging in business activity.” Thus it is impossible for a corporation to be engaged in the activity of making sales and deliveries into the taxing city and yet not be “doing business” in the city, as these terms are used in the ordinance. Such a corporation would not be subject to the tax. It would have a sales factor in the city, and, if orders were solicited by employee – salesmen rather than independent contractors, a payroll factor in the city, but the presence of these two factors would not of themselves render it subject to the tax when it does not meet the test for “doing business.”

There is a reverse corollary to this. A business with its only location in the taxing city, which makes shipments for delivery outside the city, on orders secured for it by a manufacturer’s representative or other independent contractor, or on orders received as a result of catalog solicitation, telephone solicitation or other advertising would be in the reverse situation of having a sales factor outside the city but not able to make use of it. The ordinance provides that where the entire net profit “is not derived from business activities exclusively within” the taxing city the taxpayer shall determine the amount subject to tax by one of the three methods previously mentioned. Thus the taxpayer must be engaging in business activity outside the taxing city in order to apportion his net profits. Note that he is not required to establish that he is “doing business” out of the city, only that he is engaging in business activity. So we see that it is possible for a business to be soliciting orders and making shipments into a taxing city and not be subject to the tax, and it is also possible for a business located entirely within a taxing city to be shipping orders out of the city and yet be taxed on 100% of its entire net profit.

Ordinarily, a regularly established business location outside the taxing city is, prima facie, engaging in business activity out of the city. And likewise, existence of a regular sales staff working away from their employer’s place of business soliciting sales out of the city will be accepted prima facie as evidence of business activity out of the city.

The limitations on “doing business” have been taken directly from Public Law 86-272, but where the law is concerned with state lines the uniform ordinance applies the limits to city boundaries. Under Detroit’s previous ordinance we were able to give that law a strict interpretation and tax those firms with business activity in Detroit, whose activity in Michigan exceeded the minimums spelled out in that law. Under the uniform ordinance, however, some out-of-state firms which would be subject to a state income tax, if there were one in Michigan, can be exempt from every city income tax in the state. And, some out-of-state firms now being taxed by Detroit will be exempt on and after January 1st of 1965.

Let’s stop here and briefly summarize the material we have covered so far by a few very simple examples.

Mr. Jones is a Detroit resident. He owns two (2) shoe stores, one in Detroit and one in a suburb. He pays the 1% tax on his profits from both stores, because he is a resident.

Mr. Smith is a nonresident. He owns two (2) shoe stores, one in Detroit and one in a suburb. He pays ½% tax on his profit from the Detroit store only.

Mr. Jones, the resident, is taxed on his interest, dividends and gains from intangibles. Mr. Smith is not.

If Mr. Jones and Mr. Smith now meet and form a partnership with their four (4) stores, the partnership would be required to file an annual return and may, if it wishes, pay the tax on behalf of the partners. Mr. Jones, the Detroit resident, would be taxed at 1% on his entire distributive share of the partnership’s profits. Mr. Smith would be taxed at ½% on his distributive share of profits from business activity in Detroit. If the partnership, through investment of surplus funds, earned some interest or dividends Mr. Jones would be taxed on his share but Mr. Smith would not. This follows the conduit theory when the income is not directly related to the business of the partnership.

Let us now assume that for some reason or reasons, they decide to incorporate the business as the J & S Shoe Company, Inc. The corporation will be subject to the 1% tax on that portion of its entire net profits from business activity in the city. Mr. Jones and Mr. Smith would also pay tax on their salaries, one as a resident and the other one as a nonresident. In addition, Mr. Jones would pay tax on dividends he receives from the corporation, but Mr. Smith would not. The corporation, in determining its entire net profits would include any dividends or interest from investment of its funds. In the foregoing examples, we have assumed that the suburbs where Mr. Smith lives and the two (2) out of city stores are located do not have a local income tax. If any of these suburbs do have an income tax, this complicates the picture and we will come to that shortly.

Payment of Tax

The Uniform City Income Tax Ordinance provides three (3) methods for payment of the tax. The first is on a Declaration of Estimated Tax, very similar to that under the Internal Revenue Code. Such declarations are required to be filed April 30th for calendar year taxpayers and installments are due June 30, September 30, and January 31st. Fiscal year taxpayers file by the last day of the fourth month and pay the remaining installments the 6th, 9th and 13th months. Individuals anticipating a tax of $40 or less after credit for withholding are not required to file a Declaration of Estimated Tax. For corporations the minimum is $250 tax. The original estimate may be amended at the time of making any quarterly payment.

The second method for payment of the tax is filing of annual returns. The ordinance excludes from this requirement, individuals whose liability after credit for withholding is $2 or less. Here the ordinance differs from Detroit's present ordinance, under which a return can be required of any taxpayer, whether or not additional tax is due. This means many individuals will not be required to file the annual return. The exemption from filing a return, however, does not extend to those who have met their final liability, within $2, by payments on a Declaration of Estimated Tax or by a combination of withholding and payments on a Declaration. Such persons **are** required to file an annual return. The exemption applies only when the tax liability as finally determined does not exceed the amount **withheld** by more than $2. Those required to file must file by April 30, if on a calendar year, or by the end of the fourth month if on a fiscal year. The ordinance further provides that extensions may be granted on request of the taxpayer but not to exceed six (6) months and that interest and penalties shall not be imposed on tax paid within the time as extended. We might add that the ordinance makes no provisions for granting extension on either withholding returns and payments, or Declarations of Estimated tax. Extensions may be granted only for annual returns.

The third device or method of payment, and the one that will account for the largest amount of revenue, is withholding by employers. This requirement applies to all employers in or doing business in the taxing city. The phrase, "in or doing business in" was included in order to impose the requirement on nonprofit employers, who are not considered doing business in the usual sense but who **are** in the taxing city. An employer who fails to withhold would be not only in violation of the ordinance, but, also, under Section 51, liable for payment of the amount that should have been withheld. This liability is discharged upon payment of the tax by the employee, and we interpret this to mean we should make one good attempt to get the employee to file and pay, but if he has removed himself from our jurisdiction or we are otherwise unable to collect, our recourse is then against the employer. This feature might be termed "an added inducement" to withhold when required by the ordinance to do so.

Reciprocity – Avoiding Double Taxation

Now let's examine the credit or so-called reciprocity provisions. There are three common methods of avoiding double taxation of individuals. The first gives priority to the community of residence. It is used throughout Pennsylvania except by the City of Philadelphia. This is the plan whereby the individual living in a community with a local income tax and working in a different community also with a local income tax, is taxed by the community of **residence** only. The second method, used throughout Ohio, gives the tax to the community of **employment.** The employee is subject to withholding for that community, and the community of residence allows him a credit. He might pay additional tax, to the community of residence, if he had other income than from his employment, or if the community of residence had a higher rate than the other. This is the method embodied in Detroit's present ordinance.

The third method, used by Toledo and its suburbs, and the one appearing in Michigan's Uniform Ordinance, provides for payment of half the tax to the city of employment and half to the city of residence, when both levy a city income tax. You will notice that we have shifted from the word "community" to word "city." That is because the uniform ordinance permits only cities to have a local income tax. When we refer to local income taxes in Michigan, we must of necessity mean **city** income taxes.

Under the uniform ordinance a resident is taxed at 1% but is allowed a credit for income tax paid to another city. The credit cannot exceed the amount a nonresident would be taxed on the same income if earned in the taxing city. And the individual's total combined tax cannot exceed 1% to Michigan cities.

If Mr. A. lives in Detroit and works in Livonia, which does not have an income tax, he would be taxed the full 1% by Detroit and works in Livonia, which does not have an income tax, he would be taxed the full 1%

by Detroit. Now let's assume he gets transferred to Hamtramck, which does have an income tax. He will pay ½ of 1% of his earnings, after exemptions, to Hamtramck and ½ of 1% to Detroit. If he also has $500.00 in dividends or interest income, he would pay Detroit, his city of residence, the full 1% of his additional income.

If Mr. B. works, but does not live in Detroit, Detroit would tax him ½ of 1% of his compensation after exemptions, regardless of whether his city of residence has , or does not have, a city income tax.

Now let's go back to Mr. Jones and Mr. Smith and their partnership, before they incorporated, with their four shoe stores. Let's say two are in Detroit, the third in Hamtramck, and the fourth in Highland Park, and that Mr. Smith, the nonresident of Detroit, lives in Oak Park. Detroit and Hamtramck both have the city income tax. Mr. Jones, the Detroit resident, computes his tax at 1% on his entire income, subtracts a credit for the ½% he pays Hamtramck on the one store there, and pays the difference to Detroit. Mr. Smith, the nonresident, pays Detroit ½% on his income from the two stores in Detroit, and also pays Hamtramck ½% on his income from the Hamtramck store.

The credit to residents for income tax paid in another city is allowed whether the tax in the other city be on wages or salary from employment, net profits from a business or profession, net profit from rental property, or gains from the disposition of tangible property.

Withholding

The obvious question now is does the employer have to withhold ½% for two different cities from the same employee? The answer is yes if the employer is in, or doing business in, both cities, that is if he is subject to the jurisdiction of both cities. An employer doing business or maintaining and establishment in a taxing city is required to withhold for it as follows: 1% on residents working in the city; 1% on residents working outside the city who are not subject to withholding in the city where they work; 1% on nonresidents working in the city, with an additional ½% for their city of residence, if it imposes the tax and the employer is subject to its ordinance; and ½% on residents working in another taxing city, with an additional ½% for the other taxing city if the employer is subject to its ordinance (and he probably would be if he had employees working there). So an employer who is subject to both Detroit's and Hamtramck's withholding requirement would withhold ½% for each from the Detroit resident working in Hamtramck, and ½% for each from the Hamtramck resident working in Detroit.

In withholding for a city of which the employee is not a resident, however, the employer withholds only on that part of the compensation earned in the taxing city, if less than 100%, and is not required to withhold at all from an employee if less than 25% of his compensation is for work or services in the taxing city. If an employee renders service or performs work for his employer in two or more taxing cities, the employer is required to withhold for the city of residency and for the predominant place of employment. The predominant place of employment is that Michigan taxing city, other than the employee's city of residence, where he performs the greatest percentage of his work or services. In no case is the employer required to withhold for more than two cities from one employee's pay. We believe you will find all aspects of withholding adequately explained in the Withholding Tax Guide which we have brought along for distribution today. This is a complete re-writing of our previous instruction book, based specifically on the uniform ordinance. You are receiving advance copies today, because it will not be distributed to Detroit employers until early in December. These instructions would apply equally for any city in Michigan which adopts the uniform ordinance simply by substituting the name of that city every time the word "Detroit" appears in the book.

Withholding is required to be paid to the taxing city quarterly, by the last day of the month following the end of the quarter. An annual W-2 or similar information return is required to be furnished the employee and the city by February 28th of each year, along with a W-3 or similar reconciliation form to the city.

We have now covered the more complex parts of the ordinance, the tax as it applies to residents, nonresidents, corporations, partnerships, and estates and trusts, the apportionment and net profit by the three methods provided, the credit or so-called reciprocity provisions for avoiding double taxation, and the withholding requirements, along with the requirements for annual returns and declarations of estimated tax. A few remaining highlights should be mentioned briefly before we end this discussion.

Exemptions and Deductions

The ordinance provides exemptions of $600 each for the taxpayer, his spouse, and each dependent, the same as authorized by the federal internal revenue code. A nonresident employee who performs part, but not all, of his services in a taxing city is allowed full exemptions. He is not required to pro-rate them. A nonresident may take an employed spouse as a dependent, even though the spouse be employed, proving she or he is not employed in the taxing city and does not otherwise have income subject to the tax.

The ordinance does **not** allow the so-called page two deductions, such as the deductions for church and charitable contributions, medical expenses, casualty losses, and taxes paid. Nor does it allow a deduction for federal income taxes paid. It does, however, allow the page one deductions such as travel, meals and lodging while away from home overnight, and expenses of an outside salesman away from his employer's place of business.

Not allowing page two deductions sometimes gives rise to situations like the divorced couple, both still living in Detroit, who are both taxed on the same income. The husband is paying alimony to his ex-wife, but inasmuch as this is a page two deduction it is not allowable under either our present ordinance or the uniform ordinance. It is, however, taxable income to the wife. While he would be unlikely to appeal an administrative ruling allowing him the deduction, or she a ruling declaring the income exempt, such a ruling would be unsupported by the ordinance and in violation of it.

Exempt Income

The ordinance provides that certain payments and benefits are not subject to the tax. Among these are pensions, annuities, unemployment compensation and supplemental unemployment benefits, interest on obligations of the United States, the states, and subordinate units of the states, dividends on national and state bank stocks, net profits of financial institutions and insurance companies, and pay of active members of the armed forces. Also exempt is income of charitable, religious, educational and other non-profit organizations which are exempt from federal income taxes. Sick pay is excludable to the same extent as under the internal revenue code, although no such exclusion was provided in Detroit's 1964 ordinance. The employer may withhold or not withhold on excludable sick pay, depending on whether he withholds federal income tax from such pay.

Net profits and capital gains and losses are defined as being the same as under the internal revenue code, with corporation taxable net profits being federal taxable income as defined in section 63 of the code, but subject to adjustment for those exclusions provided in the ordinance. The most common adjustments are those for interest from government obligations, dividends on state and national bank stock, and the adding back of the city income tax itself.

Capital Gains and Losses

Capital gains and losses are taken into consideration only to the extent of the gain or loss occurring after the effective date of the ordinance, although in the case of Detroit and Hamtramck this goes back to the date of their original ordinances, July 1st and October 1st of 1962 respectively. On property acquired before the effective date of the ordinance the taxpayer has the option of reporting the difference between net proceeds from disposition and fair market value on the effective date of the ordinance, if he can establish such fair market value, or of taking the total gain or loss and pro-rating it on the ratio of the time held after the effective date of the ordinance to total time held. This latter method assumes a straight line appreciation or depreciation.

Administration and Procedure

The ordinance provides that the administrator shall promulgate rules and regulations, subject to approval of the governing body, and publication one time in the official newspaper of the city. In Detroit the governing body is the Common Council. The administrator is further empowered to examine books, records and papers of taxpayers and employers, and may examine any person under oath concerning income which was or should have been reported for taxation. The examination of books, records, and papers may be by a duly authorized employee or agent.

All information gained from returns or examination of taxpayers is confidential and any employee divulging such information, except on proper court order, is subject to dismissal as well as prosecution. It is our practice in Detroit to have each new employee sign a statement that he has been informed of this. We believe that disclosure of information in an action between private parties should not be made, and will resist the first court order served on us for this purpose to test it legality.

A taxpayer, employer, or other aggrieved person may make written request of the administrator for a special ruling. Any person receiving a proposed assessment or the denial in whole or in part of a claim for refund may request and obtain a hearing before the administrator.

The ordinance provides for the appointment of a three-man Board of Review, to be composed of residents who are neither city officials nor employees. This Board hears appeals on special rulings of the administrator and appeals from determinations of the administrator on assessments and denials of refunds.

The taxpayer, employer or aggrieved person may appeal directly to the State Commissioner of Revenue on rules or regulations which have been adopted by the administrator, and may appeal from the determinations of the Board of Review on final assessments, denials of refunds and special rulings. Whether from oversight or not, the ordinance does not provide that the taxing city may appeal to the State Commissioner of Revenue. It does state, however, that the taxpayer, employer or the city may appeal to the circuit court in the county in which the taxing city is located, within 90 days of a determination by the State Commissioner of Revenue.

The city has recourse either to civil action to recover unpaid taxes, or to criminal action for violation of the ordinance, or both. Willful failure to withhold, to pay over withholding, to file a return, or to pay the tax, penalty or interest are all violations of the ordinance and the violator may be so charged in a complaint filed in the proper court. Our experience in Detroit is that the taxpayer receiving a summons to appear in the Traffic and Ordinance Division of Recorders Court almost invariably pays the tax, penalty and interest before the court date. We have not yet used civil action but will obviously do so when the circumstances require it. Unpaid taxes do not become a lien against property of the taxpayer, as property taxes and water bills do and as federal income taxes do. Therefore this avenue of recovery is not open to the city income tax administrator.

Each city is free under the ordinance to adopt its own rules and regulations, design its own forms and instructions, and issue its own special rulings, provided they are not in conflict with the ordinance. Rules and regulations and special rulings are subject to overruling by the State Commissioner of Revenue if they are the subject of or related to, an appeal brought by a taxpayer. While it is possible that such freedom to act independently could in time tend to work against the goal of uniformity we do not believe this is too apt to happen. Experience to date indicates at least some of the other taxing cities in Michigan are likely to adopt our rules and regulations and our forms almost word for word. Several have indicated they are waiting for us to issue our new instructions, rules, and regulations, and return forms, which we have to draw up under the uniform ordinance, before they prepare theirs. Not only does Detroit have 2 ½ years' experience in the city income tax, it also has a considerable larger staff, with more professional level accountants available to it, than smaller cities will have. We hope we have benefited enough from our experience, and from our very competent staff, to have produced something worth copying by others. If imitation is the sincerest form of flattery, then we like to feel flattered. Aside from the flattery, however, we **do** like to see this imitation because it works toward, not against uniformity.

Forms

All of which leads into a few words about our return forms, with the possibility, but of course not the certainty that other cities may come out with forms very similar to ours. We have six annual return forms; a resident short and resident long return, a nonresident short and a nonresident long return, a partnership return, and a corporation return. We have included samples of the 1963 resident long and short forms and the corporation form in the Withholding Tax Guide booklets which we have brought along today. Please remember, though, that these conform to our present ordinance and not necessarily to the uniform ordinance. We have also included a 1965 Declaration of Estimated Tax, which **is** based on the uniform ordinance. We have employed the federal form numbers, with the addition of the prefix "D", so that our corporation return is a D-1120, our partnership a D-1065, and so forth. We deviate from the federal government's use of the short form in one respect, in that we allow use of the short form for any amount of income so long as it is all from wages, salaries or other compensation, and interest and dividends. We do not restrict it to $10,000 in total compensation, nor to $200 in interest, dividends, and wages not subject to withholding.

Taxpayers are permitted, and in fact encouraged, to submit photocopies of their federal returns in lieu of filling out some of our schedules, particularly our Schedule C, Income (or Loss) from Business. Corporations may submit a copy of pages 1 and 2 of their federal return, and enter their federal taxable income, from line 28 on line 1a of our return. The balance of our page 1 then resolves itself into a matter of reconciling this figure to our tax. The taxpayer would complete our Schedule D to determine his allocation percentage, and Schedule E to enter income or expenses exempt or not allowable by one but not the other. A corporation using the separate accounting method, however, would have to complete our Schedule C. We do not go along with the federal treatment of Sub-chapter S corporations because both our present ordinance and the new uniform ordinance clearly require corporations to file returns **and** pay the tax.

We permit the use of reproduced returns if they are legible, approximately the same size as our return, heavy enough stock to withstand normal handling, and contain **original** signatures. It would be nice to have them the same color as our forms but this is not an absolute requirement.

In preparing our instructions, our annual returns, and our rules and regulations we worked closely with the Citizens Research Council of Michigan and with the local tax subcommittee of your association. Employers, tax executives, trust officers and public accountants served on committees and devoted time to helping us that we couldn't begin to repay. Even now members of your local tax subcommittee annually review our new return forms and give us their suggestions and comments.

Mr. Ray Nixon, the district director of the Internal Revenue Service in Detroit, once remarked to us that any tax which is poorly enforced has an eroding effect on other taxes. Detroit would not like to see an income tax adopted by any city which does not intend to give it efficient administration and thorough enforcement. The English author, Lord Chesterfield, once wrote, “Whatever is worth doing at all, is worth doing well.” Other cities that adopt a city income tax would do well, especially in the initial stages, to ask certified public accountants and other competent citizens to serve on advisory committees, and any member of the Michigan Association of Certified Public Accountants could perform an invaluable service to his city, by helping it get started on the right foot. I would hope that those of you who may be asked will accept the challenge.

APPENDIX C

INCOME TAX ESTIMATION CALCULATIONS

TOTAL ESTIMATED INCOME TAX COLLECTION

Estimated income tax collections		*% of total*
Resident total	$ 1,327,156	*44%*
Working in Ypsilanti City	352,398	
Working in non-taxing city	970,874	
Working in Detroit	-	
Working in other income taxing city	3,884	
Non-resident	$ 1,479,045	*49%*
Corporate	$ 202,547	*7%*
TOTAL INCOME TAX COLLECTION		$ 3,008,747
Cost of administration		$ 241,785
TOTAL COLLECTION MINUS ADMINISTRATION COSTS		**$ 2,766,962**

City of Ypsilanti

INCOME TAX STUDY

City residents working in Ypsilanti

ESTIMATED TAX COLLECTION - RESIDENT WORKING IN YPSILANTI

METHOD A			*DATA SOURCE*
Number of Ypsilanti residents working	10,477		*Census ACS, 2010*
Number of Ypsilanti residents working in Ypsilanti	2,766		*Census, 2000; ACS, 2010*
Percent of Ypsilanti residents working in Ypsilanti	26.4%		
Total Ypsilanti resident income subject to tax	$ 205,567,000		*MI Treasury, 2010*
Percent of Ypsilanti residents working in Ypsilanti	26.4%		
Total income subject to tax		$ 54,271,101	
Number of Ypsilanti residents who work in Ypsilanti	2,766		*Census, 2000; ACS, 2010*
Average household size in Ypsilanti	2.06		*Census ACS, 2010*
Exemption amount	$ (1,000)		*user controlled*
Personal exemptions (exemption amount*number of Ypsilanti residents who work*average household size)		$ (5,697,960)	
Number of senior citizens in Ypsilanti	1,609		*Census, 2010*
Additional exemption for senior citizens	$ (1,000)		*user controlled*
Total additional exemptions for senior citizens		$ (1,609,000)	
Number of disabled workers in Ypsilanti	367		*Census, 2010*
Additional exemption for disabled workers	$ (1,000)		*user controlled*
Total additional exemptions for disabled workers		$ (367,000)	
Estimated taxable income (resident income minus exemptions)		$ 46,597,141	
Minus allowance (5%)		$ 44,267,284	*user controlled*
Estimated tax collection (1.0%)		**$ 442,673**	
Best case: 5% non-compliance		420,539	
Worst case: 25% non-compliance		332,005	

City of Ypsilanti
INCOME TAX STUDY
City residents working in Ypsilanti

METHOD B					*DATA SOURCE*
Number of non-student households in Ypsilanti		5,203			*Census, 2010*
Percent of Ypsilanti residents working in Ypsilanti		26.4%			
Number of non-student households in Ypsilanti working in Ypsilanti		1,374			
Number of non-student households in Ypsilanti working in Ypsilanti		1,374			
Median household income in Ypsilanti	$	34,685			*Census ACS, 2010*
Total Ypsilanti resident income subject to tax (number of households*median household income)			$	47,644,279	
Number of Ypsilanti residents who work in Ypsilanti		2,766			*ACS, 2010; DTMB, 2010*
Average household size in Ypsilanti		2.06			*Census ACS, 2010*
Exemption amount	$	(1,000)			*user controlled*
Personal exemptions (exemption amount*number of Ypsilanti residents who work*average household size)			$	(5,697,960)	
Number of senior citizens in Ypsilanti		1,609			*Census, 2010*
Additional exemption for senior citizens	$	(1,000)			*user controlled*
Total additional exemptions for senior citizens			$	(1,609,000)	
Number of disabled workers in Ypsilanti		367			*Census, 2010*
Additional exemption for disabled workers	$	(1,000)			*user controlled*
Total additional exemptions for disabled workers			$	(367,000)	
Estimated taxable income (resident income minus exemptions)			$	39,970,319	
Minus allowance (5%)			$	37,971,803	*user controlled*
Estimated tax collection (1.0%)			**$**	**379,718**	
Best case: 5% non-compliance				360,732	
Worst case: 25% non-compliance				284,789	

City of Ypsilanti

INCOME TAX STUDY

City residents working in Ypsilanti

METHOD C					*DATA SOURCE*
Total Ypsilanti resident income subject to tax			$	54,271,101	
Number of total exemptions on Ypsilanti residential returns		11,460			*MI Treasury, 2010*
Percent of Ypsilanti residents working in Ypsilanti		26.4%			
Number of exemptions on Ypsilanti residents working in Ypsilanti residential returns (total*% Ypsilanti residents working in Ypsilanti)		3,026			
Number of exemptions on Ypsilanti residents working in Ypsilanti residential returns		3,026			
Exemption amount	$	(1,000)			*user controlled*
Personal exemptions (exemption amount*number of exemptions)			$	(3,026,000)	
Estimated taxable income (resident income minus exemptions)			$	51,245,101	
Minus allowance (5%)			$	48,682,846	*user controlled*
Estimated tax collection (1.0%)			**$**	**486,828**	
Best case: 5% non-compliance				462,487	
Worst case: 25% non-compliance				365,121	

AVERAGE OF ALL METHODS				
Method A: Estimated tax collection	$	442,673		
Method B: Estimated tax collection	$	379,718		
Method C: Estimated tax collection	$	486,828		
Average estimated resident tax collection (1.0%)			**$**	**436,406**
Best case: 5% non-compliance				414,586
15% non-compliance				352,398
Worst case: 25% non-compliance				327,305

City of Ypsilanti

INCOME TAX STUDY

City residents commuting to non-taxing city

ESTIMATED TAX COLLECTION - RESIDENT COMMUTING TO NON-TAXING CITY

METHOD A			*DATA SOURCE*
Number of Ypsilanti residents working	10,477		*Census, 2000; ACS, 2010*
Number of Ypsilanti residents commuting to non-taxing city	7,408		*Census, 2000; ACS, 2010*
Percent of Ypsilanti residents commuting to non-taxing city	70.71%		
Total Ypsilanti resident income subject to tax	$ 205,567,000		*MI Treasury, 2010*
Percent of Ypsilanti residents commuting to non-taxing city	70.71%		
Total Ypsilanti resident income subject to tax		$ 145,350,800	
Number of Ypsilanti residents commuting to non-taxing city	7,408		*Census, 2000; ACS, 2010*
Average household size in Ypsilanti	2.06		*Census ACS, 2010*
Exemption amount	$ (1,000)		*user controlled*
Personal exemptions (exemption amount*number of Ypsilanti residents who work*average household size)		$ (15,260,480)	
Estimated taxable income (resident income minus exemptions)		$ 130,090,320	
Minus allowance (5%)		$ 123,585,804	*user controlled*
Estimated tax collection (1.0%)		**$ 1,235,858**	
Best case: 5% non-compliance		1,174,065	
Worst case: 25% non-compliance		926,894	

City of Ypsilanti

INCOME TAX STUDY

City residents commuting to non-taxing city

METHOD B					*DATA SOURCE*
Number of households in Ypsilanti commuting to non-taxing city		3,679			*Census, 2000; ACS, 2010*
Median household income in Ypsilanti	$	34,685			*Census ACS, 2010*
Total Ypsilanti resident income subject to tax (number of households*median household income)			$	127,602,609	
Number of Ypsilanti residents commuting to non-taxing city		7,408			*Census, 2000; ACS, 2010*
Average household size in Ypsilanti		2.06			*Census ACS, 2010*
Exemption amount	$	(1,000)			*user controlled*
Personal exemptions (exemption amount*number of Ypsilanti residents who work*average household size)			$	(15,260,480)	
Estimated taxable income (resident income minus exemptions)			$	112,342,129	
Minus allowance (5%)			$	106,725,023	*user controlled*
Estimated tax collection (1.0%)			**$**	**1,067,250**	
Best case: 5% non-compliance				1,013,888	
Worst case: 25% non-compliance				800,438	

City of Ypsilanti

INCOME TAX STUDY

City residents commuting to non-taxing city

METHOD C					*DATA SOURCE*
Total Ypsilanti resident income subject to tax			$	145,350,800	
Number of total exemptions on Ypsilanti residential returns		11,460			*MI Treasury, 2010*
Percent of Ypsilanti residents commuting to non-taxing city		70.71%			
Number of exemptions on Ypsilanti residents commuting to non-taxing city residential returns (total*% Ypsilanti residents commuting to non-taxing city)		8,103			
Number of exemptions on Ypsilanti residents commuting to non-taxing city residential returns		8,103			
Exemption amount	$	(1,000)			*user controlled*
Personal exemptions (exemption amount*number of exemptions)			$	(8,103,000)	
Estimated taxable income (resident income minus exemptions)			$	137,247,800	
Minus allowance (5%)			$	130,385,410	*user controlled*
Estimated tax collection (1.0%)			**$**	**1,303,854**	
Best case: 5% non-compliance				1,238,661	
Worst case: 25% non-compliance				977,891	

AVERAGE OF ALL METHODS				
Method A: Estimated tax collection	$	1,235,858		
Method B: Estimated tax collection	$	1,067,250		
Method C: Estimated tax collection	$	1,303,854		
Average estimated resident tax collection (1.0%)			**$**	**1,202,321**
Best case: 5% non-compliance				1,142,205
15% non-compliance				970,874
Worst case: 25% non-compliance				901,741

ESTIMATED TAX COLLECTION - RESIDENT COMMUTING TO DETROIT

METHOD A			*DATA SOURCE*
Number of Ypsilanti residents working	10,477		*Census, 2000; ACS, 2010*
Number of Ypsilanti residents commuting to Detroit	242		*Census, 2000; ACS, 2010*
Percent of Ypsilanti residents commuting to Detroit	2.31%		
Total Ypsilanti resident income subject to tax	$ 205,567,000		*MI Treasury, 2010*
Percent of Ypsilanti residents commuting to Detroit	2.31%		
Total Ypsilanti to Detroit commuters' income subject to tax		$ 4,748,231	
Number of Ypsilanti residents commuting to Detroit	242		*Census, 2000; ACS, 2010*
Average household size in Ypsilanti	2.06		*Census ACS, 2010*
Detroit exemption amount	$ (600)		*City of Detroit*
Personal exemptions (exemption amount*number of Ypsilanti residents commuting to Detroit*average household size)		$ (299,112)	
Estimated City of Detroit taxable income (resident income minus exemptions)		$ 4,449,119	
Estimated Detroit taxable income	$ 4,449,119		
Detroit non-resident tax rate	1.25%		*City of Detroit*
Detroit city income tax collection (taxable income*non-resident tax rate)		$ 55,614	
Estimated Ypsilanti City taxable income (resident income minus $1000 level exemptions)	$ 4,249,711		
Resident tax rate	1%		
Ypsilanti city income tax collection before credit for tax paid to Detroit		$ 42,497	
Credit for city income tax paid to Detroit		$ 55,614	
		$ -	
Estimated tax collection (1.0%)		**$ -**	

City of Ypsilanti

INCOME TAX STUDY

City residents commuting to Detroit

METHOD B					DATA SOURCE
Median household income in Detroit	$	28,357			Census ACS, 2010
Number of Ypsilanti residents commuting to Detroit		242			Census, 2000; ACS, 2010
Total Ypsilanti to Detroit commuters' income subject to tax				$6,862,394	
Number of Ypsilanti residents commuting to Detroit		242			Census, 2000; ACS, 2010
Average household size in Ypsilanti		2.06			Census ACS, 2010
Detroit exemption amount	$	(600)			City of Detroit
Personal exemptions (exemption amount*number of Ypsilanti residents commuting to Detroit*average household size)			$	(299,112)	
Estimated City of Detroit taxable income (resident income minus exemptions)			$	6,563,282	
Estimated Detroit taxable income	$	6,563,282			
Detroit non-resident tax rate		1.25%			City of Detroit
Detroit city income tax collection (taxable income*non-resident tax rate)			$	82,041	
Estimated Ypsilanti City taxable income (resident income minus $1000 level exemptions)	$	6,363,874			
Resident tax rate		1%			
Ypsilanti city income tax collection before credit for tax paid to Detroit			$	63,639	
Credit for city income tax paid to Detroit			$	82,041	
			$	-	
Estimated tax collection (1.0%)			**$**	**-**	
AVERAGE ESTIMATED TAXABLE INCOME					
Method A: Estimated taxable income	$	4,748,231			
Method B: Estimated taxable income		$6,862,394			
Average estimated taxable income of Ypsilanti residents working in Detroit			**$**	**5,805,312**	
Average estimated resident tax collection (1.0%)			**$**	**-**	

City of Ypsilanti

INCOME TAX STUDY

City residents commuting to other income taxing city

ESTIMATED TAX COLLECTION - RESIDENT COMMUTING TO OTHER TAXING CITY

METHOD					DATA SOURCE
Number of Ypsilanti residents working		10,477			*Census, 2000; ACS, 2010*
Number of Ypsilanti residents commuting to other taxing city		61			*Census, 2000; ACS, 2010*
Percent of Ypsilanti residents commuting to other taxing city		0.58%			
Total Ypsilanti resident income subject to tax	$	205,567,000			*MI Treasury, 2010*
Percent of Ypsilanti residents commuting to other taxing city		0.58%			
Total Ypsilanti to other taxing city commuters' income subject to tax			$	1,196,868	
Number of Ypsilanti residents commuting to other taxing city		61			*Census, 2000; ACS, 2010*
Average household size in Ypsilanti		2.06			*Census ACS, 2010*
Other taxing cities median exemption amount	$	(600)			
Personal exemptions (exemption amount*number of Ypsilanti residents commuting to Detroit*average household size)			$	(75,396)	
Estimated other taxing city taxable income (resident income minus exemptions)			$	1,121,472	
Estimated other taxing city taxable income	$	1,121,472			
Other taxing city median non-resident tax rate		0.5%			
Other city income tax collection (taxable income*non-resident tax rate)	$	5,607			
Estimated Ypsilanti City taxable income (resident income minus $1000 level exemptions)	$	1,071,208			
Resident tax rate		1%			
Ypsilanti city income tax collection before credit for tax paid to other taxing city			$	10,712	
Minus allowance (5%)			$	10,176	*user controlled*
Ypsilanti city income tax collection before credit for tax paid to other taxing city	$	10,176			
Credit for city income tax paid to other taxing city	$	5,607			
Estimated Ypsilanti City tax collection (collection minus credit)			$	4,569	
Estimated tax collection (1.0%)			**$**	**4,569**	
Best case: 5% non-compliance				4,341	
15% non-compliance				3,884	
Worst case: 25% non-compliance				3,427	

ESTIMATED TAX COLLECTION - NON-RESIDENT - WORKS IN YPSILANTI CITY

METHOD A			*DATA SOURCE*
Number of commuters into Ypsilanti	8,530		*Census, 2000; ACS, 2010*
Average annual pay in ZIP codes 48197 and 48198	$ 43,918		*Census CBP, 2009*
Income subject to tax for non-resident workers in Ypsilanti (number of commuters*average annual pay)		$ 374,620,540	
Number of commuters into Ypsilanti	8,530		*Census, 2000; ACS, 2010*
Average family size	2.92		*Census, 2010*
Exemption amount	$ (1,000)		*user controlled*
Personal exemptions (exemption amount*number of commuters*average family size)		$ (24,907,600)	
Estimated taxable income (income subject to tax minus exemptions)		$ 349,712,940	
Minus allowance (5%)		$ 332,227,293	*user controlled*
Estimated tax collection (0.5%)		**$ 1,661,136**	
Best case: 5% non-compliance		1,578,080	
Worst case: 25% non-compliance		1,245,852	

METHOD B			*DATA SOURCE*
Total annual payroll for Ypsilanti employers		$ 458,974,058	*CBP, 2009; MDOT, 2011*
Total Ypsilanti resident income	$205,567,000		*MI Treasury, 2010*
Percent of Ypsilanti residents who work in Ypsilanti city	26%		*Census, 2000*
Annual payroll for Ypsilanti residents who work in Ypsilanti (resident income*%residents who work in Ypsilanti)		$ (53,447,420)	
Estimated taxable income (annual payroll in Ypsilanti minus annual payroll for residents who work in Ypsilanti)		$ 405,526,638	
Minus allowance (5%)		$ 385,250,306	*user controlled*
Estimated tax collection (0.5%)		**$ 1,926,252**	
Best case: 5% non-compliance		1,829,939	
Worst case: 25% non-compliance		1,444,689	

City of Ypsilanti

INCOME TAX STUDY

Non-residents

METHOD C			
Number of workers working in Ypsilanti City	10,620		*MDOT, 2011*
Total annual payroll for Ypsilanti employers	$ 458,974,058		*CBP, 2009; MDOT, 2011*
Average annual pay in Ypsilanti (total payroll/Ypsilanti workers)		$ 43,218	
Number of commuters into Ypsilanti	8,530		*Census, 2000; ACS, 2010*
Average annual pay in Ypsilanti	$ 43,218		
Income subject to tax for non-resident workers in Ypsilanti (number of commuters*average annual pay)		$ 368,648,655	
Number of commuters into Ypsilanti	8,530		*Census, 2000; ACS, 2010*
Average family size	2.92		*Census ACS, 2010*
Exemption amount	$ (1,000)		*user controlled*
Personal exemptions (exemption amount*number of commuters*average family size)		$ (24,907,600)	
Estimated taxable income (income subject to tax minus exemptions)		$ 343,741,055	
Minus allowance (5%)		$ 326,554,002	*user controlled*
Estimated tax collection (0.5%)		**$ 1,632,770**	
Best case: 5% non-compliance		1,551,132	
Worst case: 25% non-compliance		1,224,578	
AVERAGE OF ALL METHODS			
Method A: Estimated tax collection	$ 1,661,136		
Method B: Estimated tax collection	$ 1,926,252		
Method C: Estimated tax collection	$ 1,632,770		
Average estimated non-resident tax collection (1.0%)		**$ 1,740,053**	
Best case: 5% non-compliance		1,653,050	
15% non-compliance		1,479,045	
Worst case: 25% non-compliance		1,305,040	

ESTIMATED TAX COLLECTION - CORPORATE

METHOD			DATA SOURCE
Average corporate collections as percent of resident and non-resident collections in other income tax cities		7.22%	*MA survey, 2011*
Estimated income tax collections			
Resident	1,327,156		*MA estimate*
Non-resident	1,479,045		*MA estimate*
Total estimated resident and non-resident income tax collections		2,806,201	
Average estimated corporate tax collection (1.0%)		**$ 202,547**	

ESTIMATED ADMINISTRATION COSTS

METHOD A				*DATA SOURCE*
Average administration cost per return in other income tax cities		$	18.10	*MA Survey, 2011*
Approximate number of returns filed in Ypsilanti:				
Resident	7,160			*MI Treasury, 2010*
Non-resident	8,530			*Census, 2000; ACS 2010*
Corporate	737			*CBP, 2009; MDOT, 2011*
Total number of filed returns			16,427	
Estimated administration cost (cost per return*number of filed returns)		**$**	**297,329**	
METHOD B				*DATA SOURCE*
Cost of administration as percentage of total collections in other income tax cities			6.19%	*MA Survey, 2011*
Estimated total income tax collections		$	3,008,747	
Estimated administration cost (cost as percentage*total collections)		**$**	**186,241**	
AVERAGE OF ALL METHODS				
Method A: Estimated administration cost	$ 297,329			
Method B: Estimated administration cost	$ 186,241			
Average estimated administration cost		**$**	**241,785**	

APPENDIX D

COMPARISON OF ASSUMPTIONS BETWEEN 2005 STUDY AND CURRENT STUDY

APPENDIX D

COMPARISON OF ASSUMPTIONS BETWEEN 2005 STUDY AND CURRENT STUDY

Assumption/Data Point	2005	2012
Population (annual change)	0.002%	-1.34%/-0.51%
Number of jobs in Ypsilanti (annual growth)	1.5%	0%
Average annual employee earnings (annual growth)	1.5%	0.44%
Worker ratio (residents, commuters, etc.)	No change	No change
Resident income subject to tax (State of Michigan)	$276,742,343	$205,567,000
Number of City residents working in City	3,241	2,766
Total number of City residents who work	11,690	10,477
Number of City residents working in Detroit	284	242
Number of City residents working in other income tax cities	0	61
Number of commuters into the City	9,998	8,530
Average annual earnings	45,157	43,918
Corporate income tax collections	$199,690	$202,547

REQUEST FOR LEGISLATION
February 14, 2012

To: Mayor and Council

From: David R. Kowal, Director of Administrative Services

Subject: Proposed City Income Tax

UPDATED SUMMARY & BACKGROUND:

The City Council at its regular meeting of February 7, 2012 approved first reading of the attached ordinance to add Chapter 3 to the Ypsilanti City Code entitled "Uniform City Income Tax." The following changes have been incorporated into the ordinance since first reading:

- There are personal exemptions and dependency exemptions. A taxpayer and spouse may claim personal exemptions. A taxpayer may claim one dependency exemption for each dependent meeting the rules for claiming an exemption under the Internal Revenue Code. The City has added the option as provided for in the last paragraph, Section 31(3), of the Michigan Uniform City Income Tax Act ("UCITA"). This option allows a taxpayer to claim his/her own personal exemption even though they are claimed as a dependent on another person's federal income tax return. This will allow certain individuals (including students) who work part-time in the City to claim one personal exemption without question.

- The second change pertains to the proposed adoption of the alternative sections provided for in MCLA 141.760 and MCLA 141.761 and replacing those provided for in the UCITA. The purpose of this change is to provide for monthly receipt of withholding tax from larger employers; those withholding over $100 dollars in any month. This change will accelerate cash flow to the City.

A question was raised by Councilperson Bodary at first reading pertaining to what payments would not be subject to the City income tax. The relevant section of the UCITA stipulating income <u>not</u> subject to the city income tax follows:

141.632 Payments and benefits not subject to tax.

Sec. 32.

The following payments and benefits received by any person are not subject to the tax:

(a) Gifts and bequests.

(b) Proceeds of insurance, annuities, pensions and retirement benefits. Amounts received for personal injuries, sickness or disability are excluded from taxable income only to the extent provided by the federal internal revenue code.

City of Ypsilanti

Income Tax Feasibility Analysis

Presentation of Findings

February 21, 2012

Municipal Analytics

Study Objectives

- Determine the feasibility of a City Income Tax to meet revenue requirements to maintain municipal services
- Estimate revenue potential and administrative costs
- Assess potential tax burden

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Today's Presentation

- Summarize the local income tax option
- Share findings from the study
- Discuss long-term revenue potential
- Compare results to 2005 study
- Present estimates of collections in first years of the income tax
- Summarize data sources & assumptions
- Discuss impact of tax on different groups

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Uniform City Income Tax Act

- Authorizes Michigan cities to establish local income tax
- Specifies conditions and limits of a tax
  - Maximum tax rate of 1% on residents and corporations/partnerships
  - Non-resident income earned in the city taxed at 50% of resident rate
  - Personal exemption must be at least $600

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Uniform City Income Tax Act

- Conditions and limits, continued
  - Tax must be approved by voters
  - Employers in the city are required to withhold
  - Taxable income for residents is defined in the Act
    - Salaries, bonus, wages, commissions
    - Dividends, interest, net capital gains, rental profits
    - Business profits

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Uniform City Income Tax Act

- Certain income exempted from taxation:
  - Unemployment
  - Pensions & retirement benefits
  - Military pay
  - Gifts & bequests
  - Worker's compensation insurance
  - Public assistance
  - Other income as defined in the Act

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Summary of Income Tax Benefits

- Less burden on Ypsilanti property owners
- Those who use City services would help pay for it
- Does not require renewal votes
- Not limited in growth potential
  - Property tax limited by Headlee, Prop A
- Provides a source of revenue to address the City's financial challenges
- Funds could be used to help pay Water Street debt, thereby reducing millage required

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Income Tax Revenue Potential

- 2010 Estimate

TOTAL ESTIMATED INCOME TAX COLLECTION		
Estimated income tax collections		*% of total*
Resident total	$1,327,156	*44%*
Working in Ypsilanti City	352,398	
Working in non-taxing city	970,874	
Working in Detroit	-	
Working in other income taxing city	3,884	
Non-resident	$1,479,045	*49%*
Corporate	$ 202,547	*7%*
TOTAL INCOME TAX COLLECTION		$3,008,747
Cost of administration		$ 241,785
TOTAL COLLECTION MINUS ADMINISTRATION COSTS		$2,766,962

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Estimated Future Collections

PROJECTED INCOME TAX COLLECTION FOR 2010-2020, with 2012 as first year of collection

	2010	2011	2012	2013	2014	2015	2020
Estimated income tax collections							
Resident	$ 1,327,156	$ 1,328,900	$ 1,331,289	$ 1,333,707	$ 1,336,155	$ 1,338,632	$ 1,366,343
Non-resident	$ 1,479,045	$ 1,480,931	$ 1,482,826	$ 1,484,729	$ 1,486,641	$ 1,488,561	$ 1,498,369
Corporate	$ 202,547	$ 202,547	$ 202,547	$ 202,547	$ 202,547	$ 202,547	$ 212,674
TOTAL INCOME TAX COLLECTIO	$ 3,008,747	$ 3,012,378	$ 3,016,662	$ 3,020,983	$ 3,025,342	$ 3,029,740	$ 3,077,386
Cost of administration*	$ 241,785	$ 249,039	$ 311,298	$ 263,981	$ 271,900	$ 280,057	$ 322,066
NET INCOME TAX COLLECTION	$ 2,766,962	$ 2,763,340	$ 2,705,363	$ 2,757,002	$ 2,753,442	$ 2,749,682	$ 2,755,320

VARIABLE	GROWTH RATE 2010-2015	2015-2020	SOURCE	USED FOR:
Population	-1.34%	-0.51%	Census 2000 anc	residents in labor force; senior citizens; households; residential
Personal income	0.44%	0.44%	Census 2000 anc	resident taxable income; median household income; annual pay
Number of businesses	0%	1%	arbitrary	workers working in Ypsilanti
Number of jobs	0%	0%	arbitrary	commuters into Ypsilanti
Corporate taxable income	0%	1%	arbitrary	corporate collections
General operating costs	3%	3%	arbitrary	administration costs

* 1st year of collection administration cost assumes 25% additional setup cost including administrative, technology, marketing, education, wages, ar

~~thereafter,~~ a 3% increase in administration cost is assumed.

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Comparison to 2005 Study

- Net collections 2005: $3.6 million (assuming Visteon closes)
- Net collections 2012: $2.7 million

Assumption/Data Point	2005	2012
Population (annual change)	0.002%	-1.34%/-0.51%
Number of jobs in Ypsilanti (annual growth)	1.5%	0%
Average annual employee earnings (annual growth)	1.5%	0.44%
Worker ratio (residents, commuters, etc.)	No change	No change
Resident income subject to tax (State of Michigan)	$276,742,343	$205,567,000
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Total number of City residents who work	11,690	10,477
Number of City residents working in Detroit	284	242
Number of City residents working in other income tax cities	0	61
Number of commuters into the City	9,998	8,530
Average annual earnings	45,157	43,918
Corporate income tax collections	$199,690	$202,547

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Implementation Takes Time

- First year:
  - Administration costs higher
    - Software
    - Forms
    - Training
    - Education
  - Collections lower
    - Payroll withholdings would be only revenue
  - Limited revenue from filings
- 7/1/12 effective date: $1.5M (FY13)

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Implementation Takes Time

- Second year:
  - Administrative costs more in line with estimates
  - Collections will increase
    - Greater awareness by employers to withhold
    - Residents not working in the City would file returns and make payments on 1st year earnings
    - Expect lower compliance of filings
- Assume 80% of estimated collections
- FY14: $2.2M net collections

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Implementation Takes Time

- Third year:
  - Administrative costs stabilize
  - Collections increase to estimated levels
    - Full compliance with payroll withholdings
    - Much greater compliance with filings
    - Compliance efforts can begin
- $2.7M net collections (FY15)
- All estimates assume 85% compliance
  - Greater enforcement could result in higher collections

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Basis for Estimations

- 3 separate estimating methods used for resident and non-resident taxpayers
  - Residents groups analyzed:
    - Working in City of Ypsilanti
    - Working in Detroit
    - Working in other income tax cities
    - Commuting to other places for work

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Basis for Estimations

- Data sources
  - US Census (2000 & 2010)
    - American Community Survey (2010)
    - LEHD Origin-Destination Employment Statistics
    - Community Business Patterns (2009)
  - Michigan Treasury (2009 & 2010)
  - Bureau of Labor Statistics Quarterly Census (2010)
  - Michigan Dept of Technology, Mgt & Budget
  - Internal Revenue Service (2001 & 2008)

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Basis for Estimations

- Data sources
  - US Census (2000 & 2010)
  - Washtenaw Area Transportation Study
  - SPARK
  - Eastern Michigan University
  - City of Ypsilanti
  - Municipal Analytics survey (2010 data)
  - Citizen's Research Council

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Primary Data and Assumptions

- Population Demographics
  - 2010 population: 19,435
  - Residents working: 10,477
  - Unemployment rate: 9.5%
  - Average HH size: 2.06
  - Number of HH in city: 8,026
  - Number of senior citizens: 1,609
  - Number of disabled resident workers: 367
  - Number of in-commuters: 8,530

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Primary Data and Assumptions

- Wage and Tax Assumptions
  - Tax rates: 1% resident; 0.5% non-resident
  - Median resident HH income: $34,685
  - Total resident income subject to tax: $205M
  - Non-resident annual earnings: $43,918
  - $1,000 personal exemption
  - $1,000 taxpayer exemption for senior citizens and disabled

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Administrative Costs

- Approximately $250,000 per year
- Could be less if City contracted for a PT income tax administrator
- Other income tax cities willing to share information, knowledge, policies & procedures, etc.
- Costs reduced by standard forms, Chase contract for processing, etc.

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Tax Burden

- Residents: 44%
- Non-residents: 49%
- Corporations: 7%
- Senior citizens minimally impacted
- College students minimally impacted
  - Pay 0.5% tax on wage earnings in Ypsilanti
- Low income minimally impacted
- Individual income tax calculator

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Sufficiency of Income Tax

- Revenues sufficient to meet City's needs
- May generate more than is required in 5-year financial plan
- Revenues could be used to pay debt, which would help reduce burden on property tax payers

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Future Revenue Potential

- Increases as City gains experience and businesses and residents gain awareness
- Fairly stable due to institutional large employers in City and nearby
- Income tax revenue potential expected to be fairly stagnant for foreseeable future
- Has greater potential to exceed estimates if economy grows

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Feasibility of Income Tax

- Could produce $2.7M in additional revenue
- Equivalent to property tax levy of 9 mills
- Tax burden shared more equitably with those who use City services
- About half of revenue would come from non-residents
- Appears to be a viable option to meet City's funding needs to preserve public safety and other services

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Discussion

- Questions
- Comments

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(c) Welfare relief, unemployment benefits, including supplemental unemployment benefits, and workmen's compensation or similar payments from whatever source derived.

(d) Amounts received by charitable, religious, educational and other similar nonprofit organizations which are exempt from taxation under the federal internal revenue code.

(e) Amounts received by supplemental unemployment benefit trusts or pension, profit sharing and stock bonus trusts qualified and exempt under the federal internal revenue code.

(f) Interest from obligations of the United States, the states or subordinate units of government of the states and gains or losses on the sales of obligations of the United States.

(g) Net profits of financial institutions and insurance companies.

(h) Amounts paid to an employee as reimbursement for expenses necessarily and actually incurred by him in the actual performance of his services and deductible as such by the employer.

(i) Compensation received for service in the armed forces of the United States.

PREVIOUS SUPPLIED SUMMARY & BACKGROUND:

The Uniform City Income Tax Act, Act 284 of 1964 as amended, MCL 141.501 et seq., is the Michigan statute that authorizes a city to levy an income tax. Under the State's Uniform City Income Tax Act ("UCITA"), the voters must approve the imposition of an income tax. The maximum tax rates that can be assessed are 1% on residents and corporations and ½% on nonresident individuals. The rates can be lower; however, the nonresident rate cannot exceed ½ of the resident rate. The model currently being prepared by the City's consultant in this matter, Municipal Analytics, is being prepared using the maximum allowable rates, which are the most common rates among the other cities which impose an income tax.

UCITA provides that a taxpayer is allowed a minimum deduction from income of $600 for each personal and dependency exemption (as determined under the federal internal revenue code). Additional exemptions are allowed for taxpayers who meet certain qualifications, such as being 65 years of age or older, blind, deaf, or totally and permanently disabled. The model currently being developed by the City's consultant uses a minimum deduction from income of $1,000 for each personal and dependency exemption.

Another provision of the UCITA specifies that residents who pay income tax to another city can be allowed a credit for the amount paid to that city. Given the City's location compared to other cities that impose an income tax, the model being developed gives consideration to residents who work and pay income taxes in the City of Detroit.

In preparing the income tax model, the City's consultant will segregate the taxpayers into the following categories:

- Individuals who live and work in the City of Ypsilanti
- Individuals who live in Ypsilanti, but work elsewhere (non-taxing city)
- Individuals who live in Ypsilanti, but work in Detroit (taxing city)
- Individuals who work in Ypsilanti, but live elsewhere (commuters)
- Corporations

Data is being gathered by the City's consultant (Aggregate Taxable Income Method; Michigan Department of Treasury) in order to determine how many people are in each of the categories identified above. Once the number of individuals in each category can be reasonably estimated, the amount of taxable income for each category will be reasonably estimated.

The City Attorney has opined that the UCITA has not changed and still allows an exemption for pensions. That opinion has reportedly been agreed with by Mr. Kirk Profit.

FINDINGS; INCOME TAX FEASIBILITY STUDY 2005:

The City Council in 2005 commissioned a similar City Income Tax Feasibility Study to that being currently undertaken by Municipal Analytics. Based on the various assumptions utilized in the 2005 report, an income tax using maximum tax rates and a $1,000 exemption level as allowed by Michigan law was forecasted to generate approximately $3.9 million (2005) to $4.4 million (2009), net of administrative costs.

Since that report was commissioned, of course, very significant events and circumstances have occurred that were not anticipated at the time. These include, but are not limited to, a significant downturn in the economy (e.g., the "Great Recession"), apportionment of income by nonresidents and businesses, changes (decreases) in the City's population, changes (decreases) in income levels subject to the tax, and changes (decreases) in the number of jobs within the City's limits due to corporate closures and relocations of businesses out of the City.

INCOME TAX FEASIBILITY STUDY 2012:

The City Council awarded a contract to the consulting firm of Municipal Analytics on January 17, 2012. Due to an accelerated pace being established by the City Council late in the process, requiring two addendums to the City's original Request for Proposals, the final product from the consultant is not due until February 17. Although it would be very premature and inappropriate at this date to forecast what revenues may be generated by an income tax at the current time under current economic conditions, I believe it is a safe to assume that the forecasted revenues contained in the 2005 study will prove to be considerably overstated. The final 2012 Income Tax Feasibility Study will be distributed to members of the City Council immediately upon staff receipt on February 17. The City Council is scheduled to consider second and final reading of an ordinance adopting a City Income Tax at its regular meeting of February 21, 2012.

RECOMMENDED ACTION: That an ordinance entitled "Uniform City Income Tax" be approved on first reading.

ATTACHMENTS: Proposed Ordinance; City Income Tax Memorandum prepared by the City Attorney dated January 19, 2012; Memorandum from Mr. Dan DuChene to City Attorney Barr dated February 1, 2012

CITY MANAGER APPROVAL: ________________________ COUNCIL AGENDA DATE: __________

CITY MANAGER COMMENTS: ________________________

FISCAL SERVICES DIRECTOR APPROVAL: ________________________

CITY OF YPSILANTI
NOTICE OF ADOPTED ORDINANCE
Ordinance No. 1169

An ordinance to add Chapter 3 to the Ypsilanti City Code entitled "Uniform City Income Tax."

1. **THE CITY OF YPSILANTI ORDAINS** That, pursuant to the authority of Section 3c of Chapter 1 of Act 284 of the Public Acts of 1964, as amended, **with Alternate Provisions in Section 60 (MCL 141.770) and Section 61 (MCL 141.761**) (The City Income Tax Act, MCL 141.501 et seq), a new Chapter 3 of the Code of the City of Ypsilanti entitled "Uniform City Income Tax" Ordinance is hereby added to read as follows:

Chapter 3. <u>Uniform City Income Tax</u>

Section 3-1. Adoption
The Uniform City Income Tax Ordinance as prescribed by Act 284 of the Michigan Public Acts of 1964, as amended, **with Alternate Provisions in Section 60 (MCL 141.770) and Section 61 (MCL 141.761**) is hereby adopted as the City of Ypsilanti Uniform City Income Tax Ordinance and all the terms, provisions, and conditions as found therein are hereby incorporated by reference.

Section 3-2. Rate of Taxation
Subject to the exclusions, adjustments, exemptions, and deductions herein provided, and in accordance with Section 11 of Chapter 2 of the uniform city income tax ordinance, MCL 141.611, an annual tax of one percent (1%) on corporations and resident individuals and of one half of one percent (*.5%)* on non-resident individuals for general revenue purposes is hereby imposed as an excise on income earned and received on and after the effective date of this ordinance.

Section 3-3 Effective Date
This Ordinance is effective on January 1, 2013, pursuant to the authority of Section 3 of Chapter 1 of Act 284 of the Public Acts of 1964, as amended (the City Income Tax Act MCL 141.405); provided, however, that this Ordinance shall not be effective unless approved by a majority of the qualified electors voting on the question at an election to be held May 8, 2012.

Section 3-4 Individual deduction
An individual taxpayer, in computing his taxable income, is allowed a deduction

of One Thousand Dollars ($1,000) for each personal and dependency exemption under the rules for determining exemptions and dependents as provided in the Federal Internal Revenue Code. **An individual taxpayer, claimed as a dependant by another taxpayer is also allowed an individual deduction on their taxable income.**

Section 3-5 Additional deductions
An additional deduction is allowed under section 3-4 for a taxpayer who is sixty-five (65) years of age or older, or who is blind as defined in Section 504 of the Income Tax Act of 1967, Act 281 of the Public Acts of 1967, being Section 206.504 of the Michigan Compiled Laws. If the taxpayer is both sixty-five (65) years of age or older and blind, two (2) additional exemptions are allowed under this section.

Section 3-6 Additional deductions
An additional deduction is allowed under section 3-4 for a taxpayer who is a paraplegic, quadriplegic, hemiplegic or totally and permanently disabled or deaf, as those terms are defined in state law.

2. Severability. If any clause, sentence, section, paragraph, or part of this ordinance, or the application thereof to any person, firm, corporation, legal entity, or circumstances, shall be for any reason adjudged by a court of competent jurisdiction to be unconstitutional or invalid, such judgment shall not effect, impair, or invalidate the remainder of this Ordinance and the application of such provision to other persons, firms, corporations, legal entities, or circumstances by such judgment shall be confined in its operation to the clause, sentence, section, paragraph, or part of this Ordinance thereof directly involved in the case or controversy in which such judgment shall have been rendered and to the person, firm, corporation, legal entity, or circumstances then and there involved. It is hereby declared to be the legislative intent of this body that the Ordinance would have been adopted had such invalid or unconstitutional provisions not have been included in this Ordinance.

3. Repeal. All other Ordinances inconsistent with the provisions of this Ordinance are, to the extent of such inconsistencies, hereby repealed.

4. Savings Clause. The balance of the Code of Ordinances, City of Ypsilanti, Michigan, except as herein or previously amended, shall remain in full force and effect. The repeal provided herein shall not abrogate or affect any offense or act committed or done, or any penalty or forfeiture incurred, or any pending fee, assessments, litigation, or prosecution of any right established, occurring prior to the effective date hereof.

5. Copies to be available. Copies of the Ordinance are available at the office of the city clerk for inspection by, and distribution to, the public during normal office hours. A complete copy of the ordinance is also available for inspection on the City's website, www.cityofypsilanti.com

6. **Publication and Effective Date.** The City Clerk shall cause this Ordinance, or a summary of this Ordinance, to be published by printing the same in the publication of record. This Ordinance shall become effective after publication at the expiration of 30 days after adoption.

MADE, PASSED AND ADOPTED BY THE YPSILANTI CITY COUNCIL THIS ________ DAY OF ___________________, 2012.

____
Frances McMullan, City Clerk

Attest

I do hereby confirm that the above Ordinance No. ___ was published in The Ypsilanti Courier on the __________ day of ______________________, 2012.

____
Frances McMullan, City Clerk

CERTIFICATE OF ADOPTING

I hereby certify that the foregoing is a true copy of the Ordinance passed at the regular meeting of the City Council held on the _____ day of ________________, 2012.

____
Frances McMullan, City Clerk

Notice Published: January 26, 2016___________

First Reading: February 7, 2012______________

Second Reading: February 21, 2012____________

Published: ________________________________

Effective Date: ______________________________

Resolution 2012-030
February 21, 2012

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

That an ordinance entitled "Uniform City Income Tax" be approved on second and final reading.

OFFERED BY: ______________________________

SUPPORTED BY: ______________________________

YES: NO: ABSENT: VOTE:

Barr, Anhut & Associates, P.C.
ATTORNEYS AT LAW

105 Pearl Street
Ypsilanti, MI 48197
(734) 481-1234
Fax (734) 483-3871
www.barrlawfirm.com
e-mail: jmbarr@barrlawfirm.com

John M. Barr
Karl A. Barr

Jesse O'Jack ~ Of Counsel
William F. Anhut ~ Of Counsel – Retired
Jane A. Slider ~ Legal Assistant

Memorandum

To: **John Barr**
From: **Dan DuChene**
Date: 2/1/2012
Re: Income Tax Ordinance

You have asked me to review the adoptive ordinances of both Pontiac and Ionia to determine what an ordinance simply adopting the state's income tax statute by reference would look like. The ordinance can be very minimal and should adopt the statute by reference, provide for copies available at the City Clerk's office, and possibly the tax rates.

Essentially, Pontiac and Ionia simply adopt the statute, Chapter 2 of Act 284 of the Public Acts of 1964 (MCL 141.501 et seq), by reference and that copies of the statute be available at the City Clerk's Office for public inspection. However, it may be required that the ordinance "state the rate of the tax." MCL 141.503(1). This is language is not in either of the ordinances referenced, but that does not prove that the language is not required. There are no opinions on this issue.

I also compared the ordinance previously adopted by City Council and compared it to the statute to see what would be lost in this scenario. The original ordinance established an effective date of July 1, 2008. There is an automatic provision in the statute on this issue. Those are found in MCL 141.503(6). The income tax becomes effective "on or after January 1 or July 1 following adoption of the ordinance, as specified in the ordinance, but an ordinance shall not become effective earlier than 45 days after adoption or until approved by the electors..." If memory serves, the tax would have went into effect on Jan 1, 2008 under these circumstances.

The automatic exemption under the statute is $600 a person. MCL 141.631(1). This is $400 lower than what was specified in the original ordinance. There are other optional exemptions in the statute, and were incorporated in the original ordinance. However, these exemptions specifically require "passage of a further ordinance." MCL 141.631(2). The exemptions would not have been in the original ordinance under this scenario. However, the language of the statute could be read that it is proper form to adopt the exemptions in a separate ordinance and not in the enabling ordinance.

There is no sunset provision in the statute and this would not have been adopted in the original ordinance in this scenario.

Another point of interest is that Ionia adopted its millage rollback within its enabling ordinance. The City adopted its millage rollback in a separate ordinance.

Barr, Anhut & Associates, P.C.
ATTORNEYS AT LAW

105 Pearl Street
Ypsilanti, MI 48197
(734) 481-1234
Fax (734) 483-3871
www.barrlawfirm.com
e-mail: info@barrlawfirm.com

John M. Barr
Karl A. Barr

Jesse O'Jack ~ Of Counsel
William F. Anhut ~ Of Counsel – Retired
Jane A. Slider ~ Legal Assistant

To: Hon. Mayor and City Council, City Manager
From: John M. Barr
Date: 1/19/2012
Re: City Income Tax

Councilmember Murdock asked several questions. This memo will set out the questions and my answers.

1. If a city income tax is adopted by referendum may the ordinance be amended as to rates and exemptions without another vote?

Answer. Yes. The default tax rate in the statute is 1% for residents and .5% for non-residents. The city income tax act in section 3(3) MCL 141.503 provides that the ordinance may be rescinded by the governing body at any time. The ordinance may be not be amended, except as provided by the legislature, but the ordinance may be amended by the city to change the tax rate to a rate authorized by the act.

My opinion is that once the income tax is effective that the city may rescind the ordinance or change the rate without voter approval. The city may not increase the rate above the default rate. The city may change the exemptions per MCL 14.631.

2. What is the range for individual personal exemptions?

Answer. Council may set the exemption in the original ordinance at a minimum of $600, or more. If an amount is not specified, the default amount would be the amount of the federal exemption. It is my opinion that the exemption amount could be changed after the ordinance is adopted. MCL 14.631.

Resolution No. 2012 – 031
February 21, 2012

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

That the Minutes of January 25th, 2012 and February 7, 2012 be approved.

OFFERED BY: ______________________________

SUPPORTED BY: ______________________________

YES: NO: ABSENT: VOTE:

Draft

CITY OF YPSILANTI
SPECIAL COUNCIL MEETING MINUTES
CITY COUNCIL CHAMBERS
ONE SOUTH HURON STREET, YPSILANTI, MI 48197
WEDNESDAY, JANUARY 25, 2012
6:00 P.M.

I. CALL TO ORDER

The meeting was called to order at 6:10 p.m.

II. ROLL CALL

Council Member Bodary	Present	Council Member Robb	Present
Council Member Jefferson	Present	Council Member Vogt	Present
Council Member Murdock	Present	Mayor Schreiber	Present
Mayor Pro-Tem Richardson	Present		

III. INVOCATION

The Mayor asked all to stand for a moment of silence.

IV. PLEDGE OF ALLEGIANCE

"I pledge allegiance to the flag, of the United States of America, and to the Republic for which it stands, one nation, under God, indivisible, with liberty and justice for all."

V. INTRODUCTIONS

Mayor Schreiber introduced Fiscal Services Director Marilou Uy and MML Search Facilitator Joyce Parker.

VI. AUDIENCE PARTICIPATION

None

VII. REMARKS BY THE MAYOR

Mayor Schreiber offered comments regarding appointing a city manager. He said it is a very important role and will have repercussions for a number years so is important for everyone to be vigilant about the process. Mr. Schreiber recalled Council passed a resolution hiring MML to conduct the executive search and Ms. Parker as the Search Facilitator.

VIII. CITY MANAGER SEARCH WORK SESSION - Joyce Parker, MML Search Facilitator

Joyce Parker thanked Council for the opportunity to facilitate the executive search for city manager and referenced her resume and past experience. She gave an overview of her work in other municipalities and entertained questions.

Ms. Parker gave a brief review of the search process, tasks and tentative work schedule.

Interim Manager Hansen referred to the time allotted for advertisement and questioned why four weeks is needed. He suggested less time and said four weeks seem excessive.

Ms. Parker explained the outreach process and said it would be done several ways including an email blast. She said she would review the process to see if it could be done in less time.

Mayor Schreiber asked how many searches of this type does the MML conduct annually.

Ms. Parker answered approximately 20 a year.

Mayor Pro-Tem Richardson asked if the position would be advertised in the MML monthly publication as well.

Ms. Parker answered yes and said it will be advertised in the ICMA publication also.

Council Member Murdock commented that the city has ballot issues going before the electorate on May 8th and asked would applicants be interested in the outcome first? He asked if there is a problem with the appointment date of a new manager in light of the outcome of the election.

Ms. Parker replied it the outcome of the election would be good information to have but individuals who apply should have done their homework before becoming a part of the process.

Mayor Pro-Tem Richardson asked Ms. Parker if she was available to become the city manager for Ypsilanti and said she really wishes she was available.

Ms. Parker commented that an interested candidate would not be swayed by the outcome of the ballot issue and any candidate shouldn't be swayed regardless.

Ms. Parker asked Council what they would like to see in terms of a candidate and referred to the ideal candidate worksheet and walked City Council through it.

Council members and Ms. Parker discussed the candidate profile worksheet, job description and position salary and benefit summary.

Council Member Vogt asked what is typical for a city of Ypsilanti's size.

Ms. Parker replied a bachelor's degree is required with a masters degree desired, however it depends on the city. She said experienced candidates will have both along with a number of years in local government service.

Mayor Pro-Tem Richardson agreed that a bachelor's degree is required with a master's degree being strongly desired and at least 5 years experience in local government.

Mr. Robb added he would like to see city manager experience as a requirement.

Mayor Pro-Tem Richardson commented that city manager experience is preferable, however if not experience as an assistant manager or major department head is acceptable.

Ms. Parker asked if director level at 5 years or above is sufficient.

Council agreed that director level of 5 years or above is sufficient.

Ms. Parker asked Council if they are interested in candidates that have worked in city's comparable in size of Ypsilanti and if there are any other specifics unique to Ypsilanti that should be paid close attention to?

Council Member Murdock replied experience in diverse community and in a university community.

Mr. Robb added experience in contract negotiations. He said skill sets is a huge priority.

Ms. Parker directed Council to review the list of qualifications she has provided and give direction.

Mayor Schreiber commented the list looks good. He added he thinks it is important that the candidate upholds the Council/Manager form of government is a good speaker, has a sense of place and financial experience.

Mr. Robb added computer skills. He said the ideal candidate must be very technical.

Council Member Vogt added desirable experience in financially troubled communities.

Council Member Bodary added willingness to allow facilitator to verify their skills without any problems. He highlighted the importance of making sure the candidate can do what they say they can because there is a problem if the employer cannot be contacted.

Ms. Parker said if the candidate expresses confidentiality she will forward the information to Council to see if they want to pursue or not.

Council Member Bodary said this information would be good once the selection is down to the last five candidates.

Ms. Parker said she will provide a semi-finalist list to Council and will narrow the scope to five for interviews.

Council Member Bodary asked what a training salary is.

Council Member Robb replied $85,000 - $96,000.

Mayor Pro-Tem Richardson suggested the salary not be stated. She said salary should be dependent on qualifications.

Ms. Parker said the posting could state a minimum salary depending on qualifications.

Council Member Bodary recommended the salary stay under $100,000.

Mayor Schreiber recalled the previous city manager contract called for a car and said maybe the car allowance can be rolled into the salary. He agreed with Ms. Richardson and said not stating a salary will attract more candidates. He pointed out that there are furlough days every month also which represent a 5% pay cut.

Mr. Schreiber said he prefers to increase the salary and add no car allowance.

Council agreed to post the salary at $85,000 with no ending salary.

Council Member Robb asked Mr. Hansen to send him the salary for the Assistant City Manager/Director of Administrative Services position.

Council Member Vogt said an up-and-comer may be willing to start below.

Mr. Hansen suggested Council build the salary in at the beginning and stay with $85,000.

Ms. Parker said salary can be discussed as part of negotiations.

Council Member Vogt recommended starting the salary low with flexibility to go higher if necessary.

Ms. Parker said if Council is looking for an experienced manager, they will probably want a higher salary than other department heads.

IX. REMARKS BY THE MAYOR

Mayor Schreiber appreciated Ms. Parker and said he is looking forward to her service and moving the process along.

X. ADJOURNMENT

Council Member Jefferson moved, supported by Council Member Vogt to adjourn the meeting.

On a voice vote the meeting was adjourned at 7:06 p.m.

Draft

CITY OF YPSILANTI
COUNCIL MEETING AGENDA
CITY COUNCIL CHAMBERS - ONE SOUTH HURON ST.
YPSILANTI, MI 48197
TUESDAY, FEBRUARY 7, 2012
7:00 P.M.

I. CALL TO ORDER

The meeting was called to order at 7:08 p.m.

II. ROLL CALL –

Council Member Bodary	Present	Council Member Robb	Present
Council Member Jefferson	Present	Council Member Vogt	Present
Council Member Murdock	Present	Mayor Schreiber	Present
Mayor Pro-Tem Richardson	Present (8:07)		

Council Member Bodary moved, supported by Council Member Murdock to excuse the absence of Mayor Pro-Tem Richardson.

On a voice vote the motion carried and the absence was excused.

III. INVOCATION

The Mayor asked all to stand for a moment of silence.

IV. PLEDGE OF ALLEGIANCE

“I pledge allegiance to the flag, of the United States of America, and to the Republic for which it stands, one nation, under God, indivisible, with liberty and justice for all.”

V. INTRODUCTIONS

Mayor Schreiber introduced the following persons: Police Chief Amy Walker, Firefighter Ken Hobbs, Director of Public Services Stan Kirton, Fiscal Services Director Marilou Uy, Deputy Clerk Felicia Rutledge and City Clerk Frances McMullan acting as City Manager.

VI. AGENDA APPROVAL

Council Member Murdock suggested we move the three public hearings after the presentations.

Council Member Jefferson added Resolution 2012-029 to appoint City Clerk Frances McMullan as Interim City Manager.

On a voice vote the agenda was approved as amended.

VII. PRESENTATIONS –

1. Millennial Vision – Sarah Demmon and Morgan Cox, Millennial Mayors Congress

Sarah Demmon and Morgan Cox presented on the Millenial's group that was created in May of 2010. Several focus groups were held and millenial's between the ages of 18-35 were surveyed. The millennial's were interested in the economy, government, transportation, education, vibrant spaces and the environment. The Millennial's are asking the City of Ypsilanti to pass a resolution in support of their vision.

Council Member Bodary thanked Sarah Demmon and Morgan Cox for sharing the vision of MMC and said he feels it is a vision we all can share and one that is young person friendly.

Council Member Robb asked if the city's master plan had been looked at for efficiencies and mixed use development.

Council Member Bodary replied a copy of the master plan will be forwarded.

Mayor Schreiber commented about taxes, renovation and how rehabilitation will make our city vibrant. The Mayor said he would like for State Representative David Rutledge to be approached about doing a presentation at the state level to make sure they know young people are interested in government.

2. Presentation of the Five-Year Financial Plan

Council Member Vogt asked if the plan shows a 3% decline in revenue sharing.

Administrative Services Director David Kowal answered yes there is a continued decrease of revenue sharing in the five-year period.

Council Member Murdock asked Mr. Kowal to expand on the Water Street debt millage and the City income tax before the public hearings begin.

David Kowal commented on Water Street debt millage and stated a series of bonds were issued for land acquisition, finance, environmental clean-up and to refinance public infrastructure. We have bonds that total $15,455.00. The bond payments are from 2012-2031 and the general fund to date has been paying those payments. The Water Street project was to be tax revenue for the City but there is no such development on the property so the City is paying the bond debt from the general fund and this is unsustainable.

VIII. <u>PUBLIC HEARINGS</u> –

Mayor Schreiber opened the public hearings and read the rules for audience participation.

<u>Water Street Debt Millage public hearing.</u>

1. Mark Hergott, 111 Miles, stated he will vote for the Water Street bond millage because it has an end to it and he will tell his neighbors and everyone to support it.

2. Beth Bashert, 909 Grant, commented she hates the name but will support the Water Street debt millage. She said she would rather pay out of her personal property taxes as opposed to sacrificing police and fire services.

3. Erika Nelson, 518 Fairview Circle, stated she supports the Water Street millage for the same reasons as Beth.

4. Bob Levy, 2504 Eagle Circle, supported the Water Street debt millage and said nothing is free in this world so we don't have a choice. He said Ypsilanti is a wonderful city.

A. Resolution No. 2012-017, close public hearing.

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

THAT the public hearing regarding the Water Street Debt Millage be officially closed.

OFFERED BY: Council Member Bodary
SUPPORTED BY: Council Member Vogt

On a voice vote the motion to close the public hearing for Resolution 2012-017 was unanimous.

CITY INCOME TAX public hearing.

1. Mark Hergott, 111 Miles, stated he is against putting both the income tax proposal and the Water Street debt proposal on the same ballot.

2. Beth Bashert, 909 Grant, stated she strongly supports an income tax. She said Ypsilanti did not create the economic crisis and she is glad Ypsilanti is finally finding a way for EMU employees to help with the expenses they help build.

3. Bob Levy, 2504 Eagle Circle, commented that a city income tax is essential in these tough times. He said he will support the city income tax proposal.

4. Erika Nelson, 518 Fairview Circle, commented she supports the city income tax. She stated she was a prior Ferndale resident and saw what living next to a city like Detroit did to her insurance rates. She said it is essential that both the city income tax and the Water Street debt millage pass together. She said the city income tax is a lot less regressive.

5. Lee Tooson stated he will support the city income tax if it is etched in stone that the fire and police departments will have everything they need and if Chief Amy Walker remains police chief.

6. Leslie Letbetter, 810 N. River, commented she is new to town and does not support the city income tax. She said people will not want to live here and her property taxes will go down.

7. Lou Bloon, 1763 Vermont, said he is thinking of moving to Ypsilanti and is glad to see a City Council that is looking 5 years out. He said what he has witnessed makes him want to live in Ypsilanti.

8. Janet Ohm, 422 S. Huron, spoke against the city income tax and said overall it would discourage people from moving into the community. She felt the two proposals should be separate.

   Resolution No. 2012-019, close public hearing.

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

THAT the public hearing to consider an ordinance to add Chapter 3 to the Ypsilanti City Code entitled, "Uniform City Income Tax" be officially closed.

OFFERED BY: Council Member Robb
SUPPORTED BY: Council Member Vogt

On a voice vote the motion to close the public hearing for Resolution 2012-019 was unanimous.

<u>FIVE YEAR PLAN public hearing.</u>

1. Mark Hergott, 111 Miles, said it really doesn't matter what will happen after 2014. He said things are looking good for the Big 3 and Michigan is coming back. He said it seems we are boxed into a corner and being proded into a decision that will affect the city for decades to come.

2. Fred Davis, 524 Marion, stated economic traditions have changed with property taxes and state revenue sharing but we can't count on that. He asked City Council to support both the city income tax proposal and the Water Street debt proposal.

3. Erika Nelson, 518 Fairview, said she supports both the city income tax and Water Street debt proposals. She said this creates a diverse source of revenue for the city and the numbers don't come together unless both proposals pass.

4. Mr. Bloon stated this is a conservative estimate for a five year plan based on property taxes and state revenue and asked what happens if the sky does not fall and if the proposals do not pass.

5. Beth Bashert, 909 Grant, said that now is the time for the city to pull together. The city does not have enough money and we need both measures to pass.

6. Bob Levy, 2504 Eagle Circle, compared Ypsilanti to Camden, New Jersey. He stated no one likes a city income tax and he is proud that city council has the guts to put both measures before the public for a vote. He said he is proud to be an Ypsilanti resident.

7. Lee Tooson commented he is still going on the honesty of the whole thing. He said if police and fire can operate properly, and the Police Chief can remain and run the department the way it needs to be run, he will support the measures.

8. Glen Sard, 309 E. Cross, commented that he strongly supports the five year plan, the income tax and the Water Street debt proposal. He thanked the Mayor for his support and said he hopes Council votes unanimously in order to keep our city solvent.

Resolution No. 2012-015, close public hearing.

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

THAT the public hearing on the "Five-Year Financial Plan" be officially closed.

OFFERED BY: Council Member Robb
SUPPORTED BY: Council Member Vogt

On a voice vote, the motion to close the public hearing for Resolution 2012-015 was unanimous.

A. Resolution 2012-014, determination (Five-Year plan)

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

WHEREAS, a financial plan sets forth strategies that the organization will pursue for financial health over a multi-year period and keeps everyone's eye on long-term financial health; and

WHEREAS, a long term financial plan is a combination of technical analysis and strategizing; and

WHEREAS, a plan does not just forecast the status quo into the future; It considers different possible futures; and

WHEREAS, as an anchor of financial sustainability, financial planning encourages big-picture and long-term thinking among elected and appointed officials; and

WHEREAS, the attached City of Ypsilanti 5-Year Financial Plan is a culmination of many months of planning and strategy meetings by elected and appointed officials; and

WHEREAS, the financial plan incorporates a conservative series of assumptions, conservative revenue forecasts, realistic expenditure projections, and two major new sources of potential revenue – a city income tax and a special Water Street debt service millage – both of which will require voter approval and are scheduled for consideration by the electorate on the May 8, 2012 special election.

NOW THEREFORE BE IT RESOLVED THAT the Ypsilanti City Council does hereby adopt the City of Ypsilanti Financial Plan for the period Fiscal Year 2012/13 through Fiscal Year 2016/17.

OFFERED BY Council Member Robb
SUPPORTED BY: Council Member Bodary

Council Member Vogt commented the staff has done a great job getting ready for this evening. He said a lot of difficult work has been done and it is necessary to adopt the five year plan. He said he does not want rising crime and we don't have time to wait on the property taxes to go down and for foreclosures to levy out. He said the city is trying to put provisions in place for when things recover and Council will have the ability to lower the levy. The best plan is to cover the short term problems, pay the extra money and keep pressure on the legislature and Governor. He said he fully supports the plan and will continue to be in support.

Council Member Bodary commented on Visteon not being in Ypsilanti and how that was a major tax revenue for the city. He said he was not in favor of a city income tax in the past but sees it as necessary now. He agreed with Erika Nelson's comments that the city has to diversify and said he is going to support the income tax now.

Council Member Robb suggested that Council dial down the rhetoric and admit that Water Street was a mistake and just ask the public to pay for it. He recalled that several people spoke about diversity but residents paying for the city income tax and the Water Street debt millage is not diversification.

Council Member Murdock commented that Council and staff had 2 year budgets but Council started doing 5 year projections and the projections that have been done to date are conservative. He stated both measures need to pass and bankruptcy is not an option or a solution. He highlighted he has lived in Ypsilanti all his life and wants the community to be the type that people would like to live in.

Mayor Pro Tem Richardson commented she will support the proposals and never thought of not supporting. She questioned what would be done if the plan fails? She stated that some actions need to be put in place in case the city income tax and Water Street debt millage do not pass.

Council Member Jefferson commented he agrees both measures need to pass. He said it is best for the city to continue to come up with creative solutions because the rescue wagon is not coming. He said he loves the city and whatever it takes to make the city a good place to live he is willing to support. He further stated if residents have suggestions, Council is listening. He said he will support the measures so the city can maintain its sustainability.

Mayor Schreiber said he will support all the measures and thanked all the speakers who spoke. He highlighted that it is important to city council that residents come out and speak. We all have an investment in the City and that is why he will support the both measures.

On roll call, the vote to approve Resolution 2012-015 was as follows:

Council Member Bodary	Yes	Mayor Pro Tem Richardson	Yes
Council Member Jefferson	Yes	Mayor Schreiber	Yes
Council Member Murdock	Yes	Council Member Vogt	Yes
Council Member Robb	Yes		

VOTE:

Yes: 7 No: 0 Absent: 0 Vote: Carried

B. Resolution 2012-016, determination (Water Street)

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

WHEREAS, the City of Ypsilanti, Michigan (the “City”) has previously issued various series of bonds to finance and refinance the costs relating to land acquisition, environmental cleanup and public infrastructure in an area of the downtown referred to as the Water Street Redevelopment Project; and

WHEREAS, the City’s General Obligation Limited Tax Capital Improvement Refunding Bonds, Series 2006 (Taxable) (the “Bonds”) are currently outstanding in the principal amount of $15,455,000 payable on May 1 from 2012 through 2031; and

WHEREAS, the City entered into a Community Development Block Grant Agreement for Project MSC 201017-EDIG (the “CDBG Agreement”) and received grant funds in the amount of

$3,050,350, of which $2,750,350 remains outstanding and due to be paid, from January 1, 2015 through January 1, 2025; and

WHEREAS, the Bonds and the CDBG Agreement were issued in anticipation of tax increment revenues being generated by the proposed development, which has not occurred as originally anticipated; and

WHEREAS, the City is currently paying the debt service on the Bonds from its general fund and other sources; and

WHEREAS, the City Council desires to seek voter approval to pledge the City's unlimited tax full faith and credit for payment of the Bonds and CDBG Agreement to allow a millage to be levied to pay the debt service on the Bonds and CDBG Agreement.

NOW THEREFORE BE IT RESOLVED by the City Council of the City of Ypsilanti, Michigan, as follows:

1. **A special election of the qualified electors of the City is called and requested to be held on Tuesday, May 8, 2012, for the purpose of submitting the following proposal to the electors:**

WATER STREET DEBT MILLAGE PROPOSAL

Shall the City of Ypsilanti, County of Washtenaw, Michigan, be authorized to pledge its unlimited tax full faith and credit for payment of its General Obligation Limited Tax Capital Improvement Refunding Bonds, Series 2006 (Taxable), which are outstanding in the principal amount of $15,455,000, payable through 2031, and its contractual obligations under a Community Development Block Grant Agreement which is currently outstanding in the principal amount of $2,750,350, payable through 2025, both of which were issued or incurred for the purpose of paying the cost of financing and refinancing certain capital improvement costs relating to the Water Street Redevelopment Project? The estimated millage to be levied in 2012 is 4.94 mills ($4.94 per $1,000 of taxable value) and the estimated simple average annual millage rate required to retire the debt is 5.40 mills ($5.40 per $1,000 of taxable value).

2. **The City Clerk is hereby authorized to cause the above proposal to be placed on the ballot at the election to be held on May 8, 2012.**

3. **The canvass and determination of votes of said question shall be made in accordance with the laws of the State of Michigan and the Charter of the City of Ypsilanti.**

OFFERED BY: Council Member Bodary
SUPPORTED BY: Council Member Jefferson

On roll call, the vote to approve Resolution 2012-016 was as follows:

Council Member Jefferson	Yes	Mayor Schreiber	Yes
Council Member Murdock	Yes	Council Member Vogt	Yes
Council Member Robb	Yes	Council Member Bodary	Yes
Mayor Pro Tem Richardson	Yes		

VOTE:

Yes: 7 No: 0 Absent: 0 Vote: Carried

<u>ORDINANCES – FIRST READING</u> Ordinance No. 1169

1. An ordinance to add Chapter 3 to the Ypsilanti City Code entitled, "Uniform City Income Tax".

   A. Resolution No. 2012-018, determination.

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

That an ordinance entitled "Uniform City Income Tax" be approved on first reading.

CITY OF YPSILANTI
NOTICE OF ADOPTED ORDINANCE
Ordinance No. 1169

An ordinance to add Chapter 3 to the Ypsilanti City Code entitled "Uniform City Income Tax."

1. THE CITY OF YPSILANTI ORDAINS That, pursuant to the authority of Section 3c of Chapter 1 of Act 284 of the Public Acts of 1964, as amended (The City Income Tax Act, MCL 141.501 et seq), a new Chapter 3 of the Code of the City of Ypsilanti entitled "Uniform City Income Tax" Ordinance is hereby added to read as follows:

Chapter 3. <u>Uniform City Income Tax</u>

Section 3-1. Adoption
The Uniform City Income Tax Ordinance as prescribed by Act 284 of the Michigan Public Acts of 1964, as amended, is hereby adopted as the City of Ypsilanti Uniform City Income Tax Ordinance and all the terms, provisions, and conditions as found therein are hereby incorporated by reference.

Section 3-2. Rate of Taxation
Subject to the exclusions, adjustments, exemptions, and deductions herein provided, and in accordance with Section 11 of Chapter 2 of the uniform city income tax ordinance, MCL 141.611, an annual tax of one percent (1%) on corporations and resident individuals and of one half of one percent (*.5%)* on non-resident individuals for general revenue purposes is hereby imposed as an excise on income earned and received on and after the effective date of this ordinance.

Section 3-3 Effective Date
This Ordinance is effective on January 1, 2013, pursuant to the authority of Section 3 of Chapter 1 of Act 284 of the Public Acts of 1964, as amended (the City Income Tax Act MCL 141.405); provided, however, that this Ordinance shall not be effective unless approved by a majority of the qualified electors voting on the question at an election to be held Tuesday, May 8, 2012.

Section 3-4 Individual deduction
An individual taxpayer, in computing his taxable income, is allowed a deduction of One Thousand Dollars ($1,000) for each personal and dependency exemption under the rules for determining exemptions and dependents as provided in the Federal Internal Revenue Code.

Section 3-5 Additional deductions
An additional deduction is allowed under section 3-4 for a taxpayer who is sixty- five (65) years of age or older, or who is blind as defined in Section 504 of the Income Tax Act of 1967, Act 281 of the Public Acts of 1967, being Section 206.504 of the Michigan Compiled Laws. If the taxpayer is both sixty-five (65) years of age or older and blind, two (2) additional exemptions are allowed under this section.

Section 3-6 Additional deductions
An additional deduction is allowed under section 3-4 for a taxpayer who is a paraplegic, quadriplegic, hemiplegic or totally and permanently disabled or deaf, as those terms are defined in state law.

2. <u>Severability.</u> If any clause, sentence, section, paragraph, or part of this ordinance, or the application thereof to any person, firm, corporation, legal entity, or circumstances, shall be for any reason adjudged by a court of competent jurisdiction to be unconstitutional or invalid, such judgment shall not effect, impair, or invalidate the remainder of this Ordinance and the application of such provision to other persons, firms, corporations, legal entities, or circumstances by such judgment shall be confined in its operation to the clause, sentence, section, paragraph, or part of this Ordinance thereof directly involved in the case or controversy in which such judgment shall have been rendered and to

the person, firm, corporation, legal entity, or circumstances then and there involved. It is hereby declared to be the legislative intent of this body that the Ordinance would have been adopted had such invalid or unconstitutional provisions not have been included in this Ordinance.

3. Repeal. All other Ordinances inconsistent with the provisions of this Ordinance are, to the extent of such inconsistencies, hereby repealed.

4. Savings Clause. The balance of the Code of Ordinances, City of Ypsilanti, Michigan, except as herein or previously amended, shall remain in full force and effect. The repeal provided herein shall not abrogate or affect any offense or act committed or done, or any penalty or forfeiture incurred, or any pending fee, assessments, litigation, or prosecution of any right established, occurring prior to the effective date hereof.

5. Copies to be available. Copies of the Ordinance are available at the office of the city clerk for inspection by, and distribution to, the public during normal office hours. A complete copy of the ordinance is also available for inspection on the City's website, www.cityofypsilanti.com.

6. Publication and Effective Date. The City Clerk shall cause this Ordinance, or a summary of this Ordinance, to be published by printing the same in the publication of record. This Ordinance shall become effective after publication at the expiration of 30 days after adoption.

OFFERED BY: Council Member Murdock
SUPPORTED BY: Council Member Vogt

On roll call, the vote to approve Resolution 2012-018 "Uniform City Income Tax Ordinance" was as follows:

Council Member Murdock	Yes	Council Member Bodary	Yes
Mayor Pro Tem Richardson	Yes	Mayor Schreiber	Yes
Council Member Robb	Yes	Council Member Jefferson	Yes
Council Member Vogt	Yes		

VOTE:

Yes: 7 No: 0 Absent: 0 Vote: Carried

Mayor Schreiber called for a 10 minute recess at 9:30 p.m.

The meeting reconvened at 9:44 p.m.

X. AUDIENCE PARTICIPATION

Mayor Schreiber read the rules for audience participation.

1. Mark Hergott, 111 Miles, reiterated his opinion on the revenue enhancement proposals stating both should be separate proposals on different election dates.

2. William Simmons said he will support both tax proposals because he knows something needs to be done and trusts that City Council will get it done.

3. Leonardo Christian, 7 S. Normal, commented the Interim City Manager quit and we have the City Clerk in the Manager position. He said he hopes the pay goes with the job. He apologized to Marilou about the comments that were made to her and said he is not one for biting his tongue and what is done in the dark will come to light.

4. Erika Nelson commented specifically to Council Member Robb that the city income tax will tax others that come into the community as well as residents and that coupled with the Water Street millage, is diversification. She said she supports both measures.

5. Bob Levy commented that he witnessed democracy in action tonight. He applauded City Council on how they entertained comments from the public and how they have the guts to do a city income tax and Water Street debt millage. He wished all of the City Council Members success in being re-elected.

6. Jason Ledbetter, 810 N. River, commented he does not want to pay the city income tax and that both proposals should be called a bailout. He stated that in five years the city will still be in the red.

7. Mr. Tooson commented City Council sat around and circumvented the City Charter and not once did anyone speak up for Ms. Frances. He said City Council hired a man for $800.00 a day when they could have saved by hiring Ms. Frances. He said Council should not have to look for a city manager; Ms. Frances is more than qualified to do the job. He highlighted that he hopes Ms. Frances applies for the job.

XI. REMARKS BY THE MAYOR

Mayor Schreiber read the City Charter which states in an emergency the City Clerk assumes the duty of City Manager until the next City Council meeting. He said Council Member Jefferson has added a resolution that will take care of the appointment.

Council Member Bodary commented this is not a bailout. He said the city needs to look forward and not backward.

Council Member Jefferson commented that the pay for the Interim City Manager should be comparable to what was being paid previously. He also said there is a zero tolerance for behavior that discriminates against anyone. He said he takes full responsibility for not researching into Mr. Hansen's character and not looking into the city charter about the City Clerk being placed in the position of City Manager in an emergency. He was involved in the interim search, which in hindsight, he would not have chosen anyone and would have advocated for the City Clerk to step into that position and save money.

Major Schreiber said there is development in process for Water Street because the city signed a letter of intent to build a recreation center. The city has some interested parties and he thinks this will spur other development and the bond will be reduced.

Major Schreiber commented that pay for the position will be handled according to the employee hand book.

XII. MINUTES

Resolution No. 2012-020, approving the minutes of January 10, 2012.

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

That the Minutes of January 10, 2012 be approved.

OFFERED BY: Council Member Jefferson
SUPPORTED BY: Council Member Bodary

On a voice vote, the motion to approve Resolution 2012-020 carried unamiously.

XIII. CONSENT AGENDA

Resolution No. 2012-021

1. Resolution No. 2012-022, adopting the Millennial Vision and protocol for the City of Ypsilanti.

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

WHEREAS the City of Ypsilanti is one of 22 local governments participating in the Millennial Mayors Congress, a voluntary regional coalition of municipal leaders and young residents; and

WHEREAS Michael Bodary and Sarah Demmon are Ypsilanti's appointed representatives to the Millennial Mayors Congress; and

WHEREAS the Millennial Mayors Congress unanimously adopted the Millennial Vision for Metro Detroit on December 3, 2011 via the attached resolution in order to guide and coordinate future development according to the priorities of Millennial residents;

WHEREAS the City Council has determined that it is in the interests of the City of Ypsilanti, as a participating member of the Millennial Mayors Congress, to pursue the same goals for metro Detroit's future.

NOW THEREFORE IT IS RESOLVED that it is the goal of the City of Ypsilanti to work towards the shared goals for metro Detroit enumerated in the Millennial Vision for Metro Detroit.

IT IS FURTHER RESOLVED that the City Council instructs the City Manager and the [relevant staff person] to work with Michael Bodary, Sarah Demmon and the staff of the Millennial Mayors Congress to identify implementation steps, taking into account the specific conditions and priorities of the City of Ypsilanti.

2. Resolution No. 2012-023, approving contract with MDOT for 2012 CMAQ Equipment Replacement Project.

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

WHEREAS, Congestion Mitigation and Air Quality (CMAQ) funding has been programmed to replace the 1987 Elgin Eagle Street Sweeper in 2012; and

WHEREAS, it is necessary to enter into a contract with the Michigan Department of Transportation to receive the CMAQ Funds to purchase a 2012 Allianz Johnston VT650 Vacuum Street Sweeper;

NOW THEREFORE BE IT RESOLVED THAT the City Council approves the Michigan Department of Transportation Contract No. 2012-0262; and

THAT the Mayor and City Clerk are authorized to sign this contract and any change orders, subject to approval by the City Attorney, to facilitate the purchase of this vehicle.

3. Resolution No. 2012-024, authorizing execution of the Adoption Agreement, Amended Cafeteria Plan and renewal contract with BASIC for administrative assistance of the city's flex plan.

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

WHEREAS, the Ypsilanti City Council deems it to be in the best interest of its employees and officers to adopt, amend or restate its Cafeteria Plan under Section 125 of the Internal Revenue Code of 1986, as amended.

WHEREAS, the City Council hereby adopts and approves this Cafeteria Plan as amended or restated to become effective as of 01/01/2012, pursuant to the Adoption Agreement and Cafeteria Plan which are attached hereto.

NOW THEREFORE BE IT RESOLVED, that the Interim City Manager of the City of Ypsilanti is authorized to execute the Adoption Agreement and Amended Cafeteria Plan, and other documents and agreements as may be necessary to implement the Plan.

4. Resolution No. 2012-025, authorizing the City to retain Hartford Insurance to provide 457(b) deferred compensation services to city employees for the calendar year of January 1, 2012 through December 31, 2012.

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

WHEREAS, City Council of the City of Ypsilanti deems it to be in the best interest of its employees to continue to offer a 457 (b) Deferred Compensation Plan; and

WHEREAS, the City Council acknowledges and does hereby declare the Intention of the Hartford Insurance Company to continue the Plan, but reserves the right to terminate or amend the Plan at any time with Hartford Insurance; and

RESOLVED that the Human Resources Department of the City of Ypsilanti will make this benefit known to all City employees and

provide them with contact information to enroll in this supplemental benefit.

NOW THEREFORE BE IT RESOLVED THAT the Ypsilanti City Council authorizes the Human Resources Department to retain Hartford Insurance to provide 457 (b) Deferred Compensation Services to City employees for the calendar year of January 1, 2012 through December 31, 2012.

OFFERED BY: Council Member Vogt
SUPPORTED BY: Mayor Pro Tem Richardson

On a voice vote, the motion to approve Resolution 2012-021 (Consent Agenda) carried unanimously.

XIV. RESOLUTIONS/MOTIONS/DISCUSSIONS –

1. Resolution No. 2012-026, approving financing and other related requests for Hamilton Crossing Phase II.

BE IT RESOLVED THAT, the City of Ypsilanti approves the actions described below with respect to the development of a multifamily residential housing complex formerly known as Parkview Apartments (Phase 1) on the property located in Ypsilanti, Michigan described on Exhibit "A-1" (the "Project").

WHEREAS, Ypsilanti Housing Commission (YHC) acquired the Project for nominal consideration from the U.S. Department of Housing and Urban Development ("HUD") as part of a foreclosure sale, which was deeded to Revision Parkview LLC ("Parkview"), a wholly owned subsidiary of YHC, to redevelop the Project in two separate phases;

AND WHEREAS, Michigan State Housing Development Agency ("MSHDA") has asked the City, Parkview and YHC to clarify certain provisions in various agreements prior to approval of its financing to Hamilton Crossing Limited Dividend Housing Association Phase 1 Limited Partnership, a Michigan limited partnership ("Partnership");

THEREFORE BE IT RESOLVED, that the City of Ypsilanti finds the Project, which is included in the Agreement for Approval of Purchase of Parkview Apartments between the City of Ypsilanti and the Ypsilanti Housing Commission dated June 15, 2010 ("Purchase Agreement"), is subject to the City's right of first refusal provided in Section 3 of the Purchase Agreement ("First Refusal"). The City of Ypsilanti subordinates its First Refusal Right to the interests of the Partnership and MSHDA so long as MSHDA has any interest in the Project and further agrees that the First Refusal Right shall be subject to MSHDA's *Procedures and Requirements for Transfers Involving Authority-Financed Developments* dated June 27, 2007, incorporated herein as Exhibit A-4, as may be amended from time to time;

FURTHER RESOLVED, the Project is benefited by the Planned Unit Development Agreement dated June 7, 2011, a copy of which is attached hereto as Exhibit "A-2" and made a part hereof ("PUD Agreement"). The PUD Agreement relates to a "Phase 1 Property" and separate "Phase 2 Property", as such terms are defined therein. The Project is the Phase 1 Property described in the PUD Agreement. Parkview is the "Phase 1 Developer" as defined in the PUD Agreement. Parkview is conveying the Project to the Partnership. The terms, provisions and conditions of the PUD Agreement applicable to the Phase 1 Property shall be deemed a restrictive covenant which shall run with the land and be binding upon and inure to the benefit of the Partnership; provided, however, that the Partnership shall not be bound by or subject to the obligations, terms or conditions set forth in Section 1.8.1 of the PUD Agreement. The obligation to complete development of the Phase 1 Property and the Phase 2 Property belongs to both Parkview and the YHC, not the Partnership;

FURTHER RESOLVED, that financing relative to the Phase 1 Property and Phase 2 Property, as each are defined in the PUD Agreement, a summary of which is attached hereto as Exhibit "A-3" is approved by the City in accordance with its rules and regulations; and

FURTHER RESOLVED, that all actions taken to date in furtherance of the foregoing resolutions are hereby ratified and approved.

OFFERED BY: Mayor Pro Tem Richardson
SUPPORTED BY: Council Member Vogt

Vickie Vaughn, representing Chesapeake Community Development, was present to give an overview of the request.

Council Member Bodary asked if there was a memo from Ms. Gillotti with her approval of this project.

Council Member Bodary commented why would we want to acquire this property?

City Attorney Karl Barr replied in case it becomes dilapidated.

Mayor Pro Tem Richardson asked if is necessary now to have the right of first refusal?

Attorney Karl Barr answered this situation is a result of Phase II starting before Phase I.

Mayor Pro-Tem Richardson commented if the property did become disarrayed or dilapidated the city would have the right of first refusal and she does not want to give up right of first refusal.

Vickie Vaughn commented the City cannot be a borrower under MISHDA Charter and that means the city cannot take on MISHDA finance and cannot assume the MISDA debt. She said if the City has its own financing it would have the right of first refusal.

Mayor Pro-Tem Richardson commented she would like to hear from Ms. Gillotti and sit down with the attorney to get additional clarification.

Mayor Pro-Tem Richardson moved, supported by Council Member Robb, to table the approval of Resolution 2012-026 until the February 21, 2012 City Council meeting.

Council Member Vogt commented this puts us behind the lender as we should be and this is a technicality.

Mayor Schreiber commented he would vote against tabling.

On a roll call vote, the vote to table Resolution 2012-026 was as follows:

Mayor Pro Tem Richardson	Yes	Council Member Bodary	No
Council Member Robb	Yes	Council Member Jefferson	Yes
Council Member Vogt	No	Council Member Murdock	Yes
Mayor Schreiber	No		

VOTE:

Yes: 4 No: 3 (Vogt, Schreiber, Bodary) Absent: 0 Vote: Carried

5. Resolution No. 2012-027, approving city income tax ballot language.

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

Resolution concerning city income tax.

RESOLVED by the Council of the City of Ypsilanti that the following ballot question be placed before the electorate for their adoption or rejection at an election to be held on Tuesday, May 8, 2012:

ADOPTION OF UNIFORM CITY INCOME **TAX**

Shall Ordinance No. 1169 adopting the Uniform City Income Tax Ordinance, which imposes an annual rate of tax on corporations and resident individuals of 1%, and on non-resident individuals of .5%, effective January 1, 2013, be approved?
Yes ( )
No ( )

IT IS FURTHER RESOLVED that the City Clerk shall do and perform all acts required by the Charter and the laws of the state relative to the giving of notice of such election and of the registration of electors therefore; make all necessary arrangements for the registration of electors for said election and the holding of elections and obtain the approval of all required persons or bodies as to the form in which said ballot question shall be presented to the electors.

IT IS FURTHER RESOLVED that, as part of the Notice of Registration and Notice of Election, the proposed ballot question be published in full in The Ypsilanti Courier the official newspaper of the City of Ypsilanti.

IT IS FURTHER RESOLVED that the canvass and determination of the votes upon the ballot question be made in accordance with the Charter and the state laws applicable thereto.

Council consented to delay Resolution 2012-027 until the second reading of the Income Tax at the February 21, 2012 regular City Council meeting.

On roll call, the vote to delay Resolution 2012-027 until the February 21, 2012 meeting was as follows:

Council Member Robb	Yes	Council Member Jefferson	Yes
Council Member Vogt	Yes	Council Member Murdock	Yes
Mayor Schreiber	Yes	Mayor Pro Tem Richardson	Yes
Council Member Bodary	Yes		

VOTE:

Yes: 7	No: 0	Absent: 0	Vote: Carried

6. Resolution No. 2012-028, approving FY 2012-2013 budget priorities.

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

WHEREAS, the City Charter requires that each year in February, City Council provides the City Manager by resolution the budget priorities for the next fiscal year.

NOW THEREFORE BE IT RESOLVED, in accordance with Section 5.02 of the City Charter, the following direction is hereby given:

That the City Manager shall present City council with a balanced Resources Allocation Plan for Fiscal Year 2011-2012 using the following organizational values, goals and action strategies:

<u>Organizational Values</u>
Three fundamental values continue to underlie our work together on behalf of the citizens of and visitors to the City of Ypsilanti.

1. Open, transparent and accessible decision-making
We are committed to openness and transparency in our decision-making, doing whatever we can to ensure that information is available to the public in a timely fashion and in a manner that is easily understood, and providing opportunities for public engagement and participation in decision-making.

2. Fiscal solvency and sustainability
We are committed to ensuring the long-term financial stability of the City. Our budget decisions must reflect a balance between short and long-term considerations, and we will work to reduce the costs of city services to the extent we can while maintaining effective city services and a sound infrastructure.

3. Customer Friendly Service
We are committed to providing services to residents and visitors in a customer friendly fashion, ensuring that service processes are effective and understandable, being responsive to requests for service to the extent we can consistent with procedures and resources, and ensuring that people recognize the limits of our ability to respond.

<u>Budget Priorities for FY 2011-2012</u>

During City Council's second goal setting session held on November 29, 2011, Council arrived at a consensus on a number of issues. The most significant was the combination of revenue and budget reduction strategies to balance the FY 2012-13 and FY 2014 budgets. The objective of the December 13th meeting is to review and finalize the Council's goals for the next year. Formal adoption of Council's budget priorities will take place at the February 6, 2012 Council meeting. Staff is exploring cost reduction alternatives for next fiscal year and will provide these in conceptual form prior to the February 6, 2011 Council meeting.

I am consolidating Council's proposed long and short term goals in an effort to make these as straightforward as possible and to reflect Council's agreement on the major components of a broader financial strategy. I believe a consolidated version of the goals initially proposed would benefit both Council and the staff, particularly, because an Interim Manager will be preparing and recommending the new budget. Council has also suggested that Council's primary goal be to a plan to balance revenues and expenses for the next five years. I have incorporated this suggestion into the recommended goals.

Below is the list of goals initially proposed by city council? Some of the proposed goals listed would be considered and pursued under the action plans or budget reductions while other items may prove to be too costly after further investigation.

Action Plans
Evaluate During Budget Preparation

Income Tax **Consolidation**
Water Street Millage **Public Safety**
Storm Water Utility **Hybrid Fire**
Department
Budget Reductions **Reductions of**
1%, 3%, 5%
Collective Bargaining Negotiations
Communication Strategy
Street Light Special Assessment **Alternative**
Budget Projections
Conversion to LED Street Lights **Sale of Assets**

Use General Fund, Fund Balance **Consolidation**
of City Offices
Department of Treasury
Alternatives

Based upon Council discussions, I am recommending Council's primary goal as "develop a five-year plan to balance the general fund budget" and the strategies discussed at the last goal setting session action plans related to that goal.

Proposed Fiscal Year 2012-13 City Council Goal

1. **Develop a Five-Year Plan to Balance General Fund Revenues and Expenses**

Action Plans:

- ***a. Place a city income tax proposal on the ballot***
- ***b. Place a Water Street Millage on the ballot***
- ***c. Consider a Storm Water Utility***
- ***d. Reduce FY 2012-13 General Fund Budget expenses in the amount of $650,000***
- ***e. Attain collective bargaining concessions from employee unions***
- ***f. Balance FY 2012-13 General Fund budget by using fund balance contribution of $620,000***
- ***g. Create a Street Light Special Assessment District *****
- ***h. Convert street lights in the city to LED lights***
- ***i. Sell Surplus City Assets***
- ***j. Continue Internal Reorganization and Cooperative Intergovernmental Relationships.***

****Assumes the shift of street lighting costs from the General Fund through a Special Assessment District, as part of the $650,000 of budget reductions for FY 2012-13.**

OFFERED BY: Mayor Pro-Tem Richardson
SUPPORTED BY: Council Member Jefferson

On a roll call vote, the vote to approve Resolution 2012-028 - Budget Priorities was as follows:

Council Member Robb	Yes	Council Member Bodary	Yes
Mayor Pro Tem Richardson	Yes	Mayor Schreiber	Yes
Council Member Murdock	Yes	Council Member Vogt	Yes
Council Member Jefferson	Yes		

VOTE:

YES: 7 NO: 0 ABSENT: 0 VOTE: Carried

4. Resolution No. 2012-029, to appoint City Clerk Frances McMullan as Interim City Manager

Whereas, John Hansen resigned as Interim City Manager effective Friday, February 3, 2012; and

Whereas, According to City Charter, Section 4.02, in the event of an emergency, the City Clerk will serve as Acting City Manager until the next Council.

NOW THEREFORE BE IT RESOLVED THAT THE COUNCIL OF THE CITY OF YPSILANTI appoints Frances McMullan as Interim City Manager until a permanent City Manager is appointed.

OFFERED BY: Council Member Jefferson
SUPPORTED BY Council Member Vogt

On a roll call vote, the vote to approve Resolution 2012-029 was as follows:

Council Member Vogt	Yes	Council Member Murdock	Yes
Mayor Schreiber	Yes	Mayor Pro Tem Richardson	Yes
Council Member Bodary	Yes	Council Member Robb	Yes
Council Member Jefferson	Yes		

VOTE:

YES: 7 NO: 0 ABSENT: 0 VOTE: Carried

Council Member Robb commented we have a relatively new person in the Clerk's office and asked how this would be done.

Mayor Schreiber asked Ms. Rutledge to introduce herself.

Ms. Rutledge introduced herself and gave background on her prior experience in the Pittsfield Township Clerk's office.

Interim City Manager McMullan commented the Clerk's office will also have an intern on staff soon.

Mayor Schreiber commented that he supports City Clerk McMullan becoming the Interim City Manager. He said she has earned the respect of him and other employees.

Mayor Pro-Tem Richardson commented that Ms. McMullan is capable of handling the City Interim Manager position.

Council Member Vogt commented that he supports City Clerk Ms. McMullan as Interim City Manager.

Council Member Jefferson said he supports City Clerk Ms. McMullan performing the Interim City Manager duties and believes that Ms. McMullan will be productive and do the City justice.

XV. LIASON REPORTS

A. SEMCOG Update - Mayor Pro Tem Richardson commented about a meeting being held on 2-8-12.

B. Washtenaw Area Transportation Study - Council Member Murdock commented there is a meeting next week.

C. Washtenaw Metro Alliance - Mayor Schreiber commented he did not attend the meeting.

D. Urban Counties – None

E. Freight House - Council Member Murdock said there is no report for the Freight House.

XVI. COUNCIL PROPOSED BUSINESS

Richardson

Mayor Pro-Tem Richardson commented she is very happy to see Ms. McMullan as Interim City Manager. She said the appearance of the Clerk's office has been a big difference under her leadership.

Mayor Pro Tem Richardson commented about her trip to Washington.

Murdock

Council Member Murdock commented about seeing internet traffic about people's trees in the median being cut down.

Robb

Council Member Robb commented about trees being cut down at the Boys and Girls club and the City's website is operating inappropriately. He questioned if the website launched too early.

Bodary

Council Member Bodary commented about the Friends of the Rutherford pool contracting with EMU.

XVII. COMMUNICATIONS FROM THE MAYOR –

Mayor Schreiber commented the AATA 4 Party agreement will be read in March.

Mayor Schreiber commented the staff did an outstanding job on the budget issues and thanked Marilou Uy and David Kowal for their work. He said he looks forward to working with Interim City Manager McMullan.

Mayor Schreiber read his nomination for the Planning Commission.

Council Member Murdock commented on the YCUA nomination and said he had no knowledge of the vacancy.

Mayor Schreiber commented that he does not know if nominations went out thru the Clerk's Office or not but that is how he will communicate vacancies next time. He said the Clerk's Office will email all vacancies and resignations to Council members.

Nominations:

Planning Commission
Dan Lautenbach (reappointment)
106 Oakwood
Ypsilanti, MI 48197
Term Expires: 5/1/2015

Planning Commission
Richard Murphy (reappointment)
406 Florence
Ypsilanti, MI 48198

Term Expires: 5/1/2015

Planning Commission
Cheryl Zeullig (reappointment)
702 Collegewood
Ypsilanti, MI 48197
Term Expires: 5/1/2015

Ypsilanti Community Utilities Authority
Andrew Cameron (new appointment replacing Deedra Climer who resigned)
1313 W. Cross
Ypsilanti, MI 48197
Term Expires: 12/1/2012

XVIII. COMMUNICATIONS FROM THE INTERIM CITY MANAGER

Interim City Manager McMullan commented on the Huron sanitary sewer improvement construction and said it will begin soon and asked Council to inform their constituents and neighbors.

Interim City Manager McMullan commented she has received communications from several council members about the posting of the city manager position in the MML and IMCA publications and said the comments have been forwarded to Ms. Parker. She said the desire that a committee review the applicants can be done by a subcommittee chosen by Council however some information is confidential and would have to be redacted.

She asked if Council had reviewed the posting created by Ms. Parker for the city manager position. Council consented that the posting was okay for posting.

Mayor Pro Tem Richardson announced the Brown Chapel Brotherhood banquet is coming up soon.

XIX. AUDIENCE PARTICIPATION

1. Lee Tooson commented that Council did discriminate against Ms. Frances and he is looking forward to Ms. Frances moving upstairs.
2. Mike Hergott commented about things going on with the Ypsilanti Housing Commission and said it needs resolution. He restated he feels putting the city income tax and Water Street debt proposal on the election ballot at the same time is a mistake.
3. Leslie Lettbetter restated her opposition to the city income tax.
4. Leonardo Christian commented on the previous City Manager and his character.
5. Bob Levy said he supports the city income tax.

XX. REMARKS FROM THE MAYOR

Mayor Schreiber made comments about the city income tax proposal and said he is in support.

Council Member Murdock expressed his support for the city income tax proposal.

Council Member Bodary supported the city income tax proposal.

XXI. ADJOURNMENT

A. Resolution No. 2012-029 adjourning the City Council Meeting.

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

That the City Council Meeting be adjourned, on call, by the Mayor or two (2) members of Council.

OFFERED BY: Council Member Jefferson
SUPPORTED BY: Council Member Vogt

On a voice vote Resolution No. 2012-029 to adjourn the City Council meeting carried unanimously.

The meeting adjourned at 11:22 p.m.

Resolution No. 2012 - 027
February 21, 2012

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

Resolution concerning city income tax.

RESOLVED by the Council of the City of Ypsilanti that the following ballot question be placed before the electorate for their adoption or rejection at the special election on Tuesday, May 8, 2012:

ADOPTION OF UNIFORM CITY INCOME TAX

Shall Ordinance No. 2012-1169 adopting the Uniform City Income Tax Ordinance, which imposes an annual rate of tax on corporations and resident individuals of 1%, and on non-resident individuals of .5%, effective January 1, 2013, be approved?

Yes ( )
No ( )

IT IS FURTHER RESOLVED that the City Clerk shall do and perform all acts required by the Charter and the laws of the state relative to the giving of notice of such election and of the registration of electors therefore; make all necessary arrangements for the registration of electors for said election and the holding of elections and obtain the approval of all required persons or bodies as to the form in which said ballot question shall be presented to the electors.

IT IS FURTHER RESOLVED that, as part of the Notice of Registration and Notice of Election, the proposed ballot question be published in full by printing the same in the publication of record.

IT IS FURTHER RESOLVED that the canvass and determination of the votes upon the ballot question be made in accordance with the Charter and the state laws applicable thereto.

OFFERED BY: ______________________________

SUPPORTED BY: ______________________________

YES: NO: ABSENT: VOTE:

REQUEST FOR LEGISLATION
February 21, 2011

From: Teresa Gillotti, Planner II

Subject: Requests for changes to Hamilton Crossing PUD Agreement, Parkview Purchase Agreement and approval of Hamilton Crossing financing

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At the City Council meeting on February 7, 2012, City Council was introduced to a proposed resolution for changes to the Hamilton Crossing PUD Agreement, Parkview MOU as well as a request for approval of Hamilton Crossing financing. The request for these changes is from Chesapeake Community Advisors, on behalf of the Ypsilanti Housing Commission, as they work to secure MSHDA financing for Phase I (the remaining phase) on the property.

The previous information provided is attached, however more background on the request is below.

Agreement for Approval of Purchase of Parkview Apartments
The change requested to the Purchase Agreement is as follows:

> The City of Ypsilanti subordinates its First Refusal Right to the interests of the Partnership and MSHDA so long as MSHDA has any interest in the Project for the City to subordinate it's right of first refusal to the partnership and MSHDA and Right to the interests of the Partnership and MSHDA so long as MSHDA has any interest in the Project and further agrees that the First Refusal Right shall be subject to MSHDA's Procedures and Requirements for Transfers Involving Authority-Financed Developments dated June 27, 2007, incorporated herein as Exhibit A-4, as may be amended from time to time;

The intent for including the right of first of refusal at the time of the Purchase Agreements consideration was to provide the City an option in the future case where there might be poor management or blight conditions exasperated by real estate "flipping" of the property. The thought being, that if there was an adverse situation created by repeated changes of ownership, that the City could try to purchase the property to change management, ownership or otherwise intervene. This request is related more to MSHDA's concern that they will not have any competing lien's if there is a foreclosure, as well as their policy of only providing financing to "limited Dividend Housing Associations," which would not include the City.

Staff is comfortable with the proposed changes, and still recommends inclusion of the right of first refusal, even if it is not executed by a future City Council.

Hamilton Crossing PUD Agreement

MSHDA, through Chesapeake Community Advisors, is requesting a change to section 1.8.1 in the PUD agreement as to the requirement for the Phase I developer to be responsible for completion of the Phase II development.

While developing the PUD agreement, all parties involved assumed that the development of Hamilton Crossing would be in order with Phase I – with MSHDA financing preceding Phase II, the phase to be financed with low-income housing tax credits. Uncharacteristically, the tax credit phase was approved and proceeding to construction first. The section under consideration is included below:

> 1.8.1 In accordance with Zoning Ordinance Section 122-573's requirement that the proposed development shall be under single ownership or control such that there is a single person or entity having responsibility for completing the project, Phase 1 Developer will be responsible for the ensuring completion and operation of the entire Project on the Phase 1 Property and Phase 2 Property in conformance with City Ordinances, the PUD Plan and this Agreement.

At the time the PUD agreement was being proposed, staff along with attorney John Staran, of Hafeli Staran Hallahan & Christ, P.C., had suggested that the Ypsilanti Housing Commission be named the entity with ownership over both phases. At the time that was changed, as it was suggested that the YHC itself could not apply for some of the state financing sources. The proposed language (below), puts the obligation for completing both the Phase I and Phase II development on Revision Parkview, LLC and the Ypsilanti Housing Commission; staff approves of this change.

> … The PUD Agreement relates to a "Phase 1 Property" and separate "Phase 2 Property", as such terms are defined therein. The Project is the Phase 1 Property described in the PUD Agreement. Parkview is the "Phase 1 Developer" as defined in the PUD Agreement. Parkview is conveying the Project to the Partnership. The terms, provisions and conditions of the PUD Agreement applicable to the Phase 1 Property shall be deemed a restrictive covenant which shall run with the land and be binding upon and inure to the benefit of the Partnership; provided, however, that the Partnership shall not be bound by or subject to the obligations, terms or conditions set forth in Section 1.8.1 of the PUD Agreement. The obligation to complete development of the Phase 1 Property and the Phase 2 Property belongs to both Parkview and the YHC, not the Partnership;

One additional note, staff conferred with Mr. Staran on this change, and as well confirmed that changes to the PUD agreement could be achieved through a resolution. However, he noted that changes to the any relaxation of any zoning ordinance requirement must be done by ordinance amendment or zoning variance.

Approving financing for both phases

State law requires the City to approve financing for YHC developed properties. Staff recommends approving the financing for Phase I and Phase II.

Please contact Teresa Gillotti, Planner II, with any questions you may have regarding this at 734-483-9646 or by email to tgillotti@cityofypsilanti.com.

RECOMMENDED ACTION: Approval

ATTACHMENTS: E-mail correspondence with John Staran
Agreement for Approval of Purchase of Parkview Apartments

CITY MANAGER APPROVAL: COUNCIL AGENDA DATE: 2-21-12

CITY MANAGER COMMENTS:

FINANCE DIRECTOR APPROVAL:

Resolution No. 2012-026
February 7, 2012

BE IT RESOLVED THAT, the City of Ypsilanti approves the actions described below with respect to the development of a multifamily residential housing complex formerly known as Parkview Apartments (Phase 1) on the property located in Ypsilanti, Michigan described on Exhibit "A-1" (the "Project").

WHEREAS, Ypsilanti Housing Commission (YHC) acquired the Project for nominal consideration from the U.S. Department of Housing and Urban Development ("HUD") as part of a foreclosure sale, which was deeded to Revision Parkview LLC ("Parkview"), a wholly owned subsidiary of YHC, to redevelop the Project in two separate phases;

AND WHEREAS, Michigan State Housing Development Agency ("MSHDA") has asked the City, Parkview and YHC to clarify certain provisions in various agreements prior to approval of its financing to Hamilton Crossing Limited Dividend Housing Association Phase 1 Limited Partnership, a Michigan limited partnership ("Partnership");

THEREFORE BE IT RESOLVED, that the City of Ypsilanti finds the Project, which is included in the Agreement for Approval of Purchase of Parkview Apartments between the City of Ypsilanti and the Ypsilanti Housing Commission dated June 15, 2010 ("Purchase Agreement"), is subject to the City's right of first refusal provided in Section 3 of the Purchase Agreement ("First Refusal"). The City of Ypsilanti subordinates its First Refusal Right to the interests of the Partnership and MSHDA so long as MSHDA has any interest in the Project and further agrees that the First Refusal Right shall be subject to MSHDA's *Procedures and Requirements for Transfers Involving Authority-Financed Developments* dated June 27, 2007, incorporated herein as Exhibit A-4, as may be amended from time to time;

FURTHER RESOLVED, the Project is benefited by the Planned Unit Development Agreement dated June 7, 2011, a copy of which is attached hereto as Exhibit "A-2" and made a part hereof ("PUD Agreement"). The PUD Agreement relates to a "Phase 1 Property" and separate "Phase 2 Property", as such terms are defined therein. The Project is the Phase 1 Property described in the PUD Agreement. Parkview is the "Phase 1 Developer" as defined in the PUD Agreement. Parkview is conveying the Project to the Partnership. The terms, provisions and conditions of the PUD Agreement applicable to the Phase 1 Property shall be deemed a restrictive covenant which shall run with the land and be binding upon and inure to the benefit of the Partnership; provided, however, that the Partnership shall not be bound by or subject to the obligations, terms or conditions set forth in Section 1.8.1 of the PUD Agreement. The obligation to complete development of the Phase 1 Property and the Phase 2 Property belongs to both Parkview and the YHC, not the Partnership;

.

FURTHER RESOLVED, that financing relative to the Phase 1 Property and Phase 2 Property, as each are defined in the PUD Agreement, a summary of which is attached hereto as Exhibit "A-3" is approved by the City in accordance with its rules and regulations; and

FURTHER RESOLVED, that all actions taken to date in furtherance of the foregoing resolutions are hereby ratified and approved.

OFFERED BY: ____

SUPPORTED BY: ____

YES: NO: ABSENT: VOTE:

EXHIBIT A-1

PROPERTY DESCRIPTION

OWNER REQUEST YPC 48W-360A PHASE " I " COM AT SW COR OF LOT 14, ENDER'S SUB, TH N 15-06-00W 4.20 FT, TH N 01-59-00 E 213.12 FT TO A POB, TH CONT N 01-59-00 E 248.07 FT, TH N 08-40-00 E 113.62 FT, TH S 88-00-00 E 367.52 FT, TH S 02-16-31 W 112.60 FT, TH S 88-19-59 E 48.42 FT, TH S 02-14-45 W 302.34 FT, TH N 88-02-05 W 121.07 FT, TH S 61-56-18 W 9.50 FT, TH N 88-02-24 W 52.78 FT, TH S 01-58-32 W 13.10 FT, TH N 88-07-38 W 67.99 FT, TH N 01-51-34 E 68.81 FT, TH N 88-15-49 W 101.33 FT, TH N 01-47-12 E 3.77 FT, TH N 88-12-09 W 75.65 FT TO THE POB. PT OF PARKRIDGE SUB, ENDERS SUB, THE WILLSON SUB, H.W. LARZELLER'S ADD, AND FRENCH CLAIMS 680 & 690. 3.76 AC.
SPLIT ON 06/21/2011 FROM 11-11-39-470-001;

EXHIBIT A-2

EXHIBIT A-3

Due to the scarcity of financing for affordable housing redevelopments, the Parkview redevelopment is being financed with two separate financings. These separate lenders required the lot to be split, as accomplished under the PUD.

The two phases are (or will be) financed as follows:

Phase 2 (closed in July 2011 and under construction) – all financing sources closed

Construction Financing:	
Key Bank (construction lender – repaid with LIHTC equity)	$ 4,281,748
Permanent Financing:	
Washtenaw County HOME Funds	40,000
HUD Upfront grant	2,960,000
Low Income Housing Tax Credit equity – (9% credits) Boston Financial	7,013,000
Total Budget	$ 10,013,000

Phase 1 (closing in January 2012) – all financing sources either closed or committed

Construction Financing:	
MSHDA tax-exempt construction financing (paid down with LIHTC equity)	$ 4,420,800
Permanent Financing:	
MSHDA tax-exempt permanent financing	2,771,367
Washtenaw County HOME and NSP Funds	463,214
HUD Upfront grant	2,800,000
HUD EDI grant	147,000
Low Income Housing Tax Credit equity (4% credits) – Great Lakes Cap Fund	2,854,514
Total Budget	$ 9,036,095

Teresa Gillotti

From:	Staran, John D. [jstaran@hshclaw.com]
Sent:	Wednesday, 21 December, 2011 11:24 AM
To:	Teresa Gillotti
Subject:	RE: Question on the Hamilton Crossing PUD

Teresa: Summarizing our phone conversation… I don't think we can simply issue the requested letter. The reason is because the PUD Agreement at sec. 1.8.1 expressly obligates the Phase 1 Developer, Revision Parkview LLC, to be responsible for completion of the entire project (both phases). This stems from the requirement in sec. 122-573(1) of the City's PUD ordinance that "the proposed development shall be under single ownership or control such that there is a single person or entity having responsibility for completing the project…"

Recall that initially consideration was given to whether there should be 2 separate PUD's – one for each phase. However, you identified that having 2 separate PUD projects would create significant zoning setback and other issues that would necessitate redesign of the development plans. Consequently, it was decided to process the development in 2 phases under a single, comprehensive PUD development plan.

Also, recall that during the drafting process last Spring for the PUD Agreement, a change to 1.8.1 was proposed (Refer to our June 2, 2011 email exchange) to designate the YHC as the entity responsible for completing the project. You and I discussed that change would be acceptable, but apparently it was nixed by the developer and not inserted in the final PUD agreement.

Where this leaves us is that to excuse or relieve the phase 1 developer from responsibility for completion of the entire (both phases) of the project would require amendment (with city council approval) of the PUD Agreement. But, the requirement in ordinance sec. 122-573 for unified control must still be complied with, meaning that a single person or entity must be responsible for completion of the project unless the ordinance is otherwise amended to repeal or modify this requirement or a zoning variance to the requirement is granted. I offer no opinion regarding the prospects for an ordinance amendment or variance.

____

HAFELI STARAN HALLAHAN & CHRIST, P.C.

John D. Staran
Hafeli Staran Hallahan & Christ, P.C.
4190 Telegraph Road, Suite 3000
Bloomfield Hills, MI 48302-2082
(248) 731-3080 Fax (248) 731-3081
Direct (248) 731-3088
jstaran@hshclaw.com

www.hshclaw.com

From: Teresa Gillotti [mailto:tgillotti@cityofypsilanti.com]
Sent: Wednesday, December 14, 2011 1:54 PM
To: Staran, John D.
Subject: Question on the Hamilton Crossing PUD

Hi John,

I had a very specific question about the PUD related to ongoing development of the property.

As you may recall, from long ago, the Ypsilanti Housing Commission created Revision Parkview, LLC to oversee the development of both phases of development of the property. Phase II is currently underway. The YHC and their developer partner Chesapeake Community Partners are working on the financing for Phase I. And here's where things get interesting.

Revision Parkview LLC intends to sell to the Phase I partnership. Phase I partnership is concerned related to some items in the PUD – in particular 1.8.1 which reads as follows:

> In accordance with zoning Ordinance Section 122-573['s requirement that the proposed development shall be under single ownership or control such that there is a single person or entity having responsibility for completing the project, Phase ! developer will be responsible for the ensuring completion and operation of the entire Project on the Phase 1, Property and Phase 2 property in conformance with City Ordinances, the PUD Plan and this Agreement.

Phase 1 developer = Revision Parkview LLC
Phase II developer = Revision Phase 2 Limited Partnership
Project = Phase 1 and Phase II

It's my understanding that the partnership for Phase I is worried they will be liable for development of Phase II if there is a problem. The intent of this provision was to make Revision Parkview LLC and/or the YHC responsible for the overall development of the site, even if ownership of the Phase I parcel was transferred to another party for development under the umbrella of Revision Parkview. At the time, a lot of the ownership was being worked out, so there may have been a lack of clarity at the time.

So – the partnership is requesting a letter from our attorney saying that if they purchase Phase I in order to develop it in relation to Revision Parkview, LLC, they are not liable for development of Phase II. Is that something we can/should supply?

Here's how ownership is described by Vicky Vaughn of Chesapeake:

> The general partner of the Phase 1 partnership is YHC Parkview Inc., a wholly owned subsidiary of the YHC. This is the same situation as in Phase 2 where the GP is a subsidiary of the YHC. It is a requirement of the investor and lender (I think) that the GP be a single purpose entity – thus the YHC or Revision Parkview LLC could not serve in this capacity – but a subsidiary of the YHC is OK. The YHC is also the sole member of Revision Parkview LLC.

Give me a ring if you need ☺.

Thanks,
Teresa

Teresa Gillotti
Planner II/Community & Economic Development

City of Ypsilanti
1 S. Huron St.
Ypsilanti, Michigan 48197
Office: 734-483-9646

Cell: 734- 985-0658
Fax: 734-483-7260
tgillotti@cityofypsilanti.com
www.cityofypsilanti.com

Resolution No. 2010-123
June 15, 2010

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

RESOLUTION AUTHORIZING YPSILANTI HOUSING COMMISSION
TO PURCHASE PARKVIEW APARTMENTS

WHEREAS, a Settlement Agreement between the Parkview Tenants Association and the United States Department of Housing and Urban Development of the City (U.S. District Court Eastern District of Michigan case # 07-13168) was entered concerning Parkview Apartments in the City of Ypsilanti; and

WHEREAS, the Ypsilanti Housing Commission desires to purchase Parkview Apartments pursuant to said Settlement Agreement; and

WHEREAS, Ypsilanti City Council is in favor of said purchase,

Now therefore be it resolved that the Council of the City of Ypsilanti does hereby approve and authorize the Ypsilanti Housing Commission to purchase Parkview Apartments in the City of Ypsilanti, Michigan from the U.S. Department of Housing and Urban Development (HUD) for the purpose of redeveloping and maintaining affordable housing on the site.

OFFERED BY: Mayor Pro-Tem Swanson-Winston

SUPPORTED BY: Council Member Richardson

YES: 7 NO: 0 ABSENT: 0 VOTE: Carried

I do hereby certify that the above resolution is a true and correct copy of Resolution 2010-123 as passed by the Ypsilanti City Council, at their meeting held on June 15, 2010.

[redacted]
Frances McMullan, City Clerk

Resolution No. 2010-123A
June 15, 2010

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

WHEREAS, the Parkview Tenants Association and the United States Department of Housing and Urban Development have reached a stipulated settlement agreement, which includes the sale of the Parkview apartments to the Ypsilanti Housing Commission; and

WHEREAS, the Parkview apartments are located in the Gateway district of the City and it is essential that the property maintain a positive image of the City; and

WHEREAS, Section 2-166 of the City of Ypsilanti Code of Ordinances requires for the Ypsilanti Housing Commission that all deeds, mortgages, contracts, leases, purchases, or other agreements regarding real property, including agreements to acquire or dispose of real property, be approved and executed by the Ypsilanti City Council; and

WHEREAS, the Ypsilanti Housing Commission presented a redevelopment and finance plan for the Parkview apartments at the May 18, 2010 council meeting and city staff has negotiated an agreement with the Ypsilanti Housing Commission to operate the Parkview apartments in accordance with the provisions of this plan;

Now therefore be it resolved that the Ypsilanti City Council approves the agreement with the Ypsilanti Housing Commission to purchase and operate the Parkview apartments.

OFFERED BY: Mayor Pro-Tem Swanson-Winston

SUPPORTED BY: Council Member Richardson

YES: 7 NO: 0 ABSENT: 0 VOTE: Carried

I do hereby certify that the above resolution is a true and correct copy of Resolution 2010-123A as passed by the Ypsilanti City Council, at their meeting held on June 15, 2010.

[redacted]

AGREEMENT FOR APPROVAL OF PURCHASE OF
PARKVIEW APARTMENTS

This agreement is made by and between the City of Ypsilanti, a Michigan Home Rule City of 1 South Huron Street, Ypsilanti, MI 48197 (City) and The Ypsilanti Housing Commission (YHC), a Housing Commission created by City pursuant to MCL 125.653; City Code 2.161, of 601 Armstrong Drive, Ypsilanti, MI 48197.

General Recitals

A Stipulated Settlement Agreement was entered in the U.S. District Court for the Eastern District of Michigan, Cheatham v HUD, file number 07-13168 that provided among other things that YHC may purchase Parkview Apartments (the Property), a 144 unit complex in the City of Ypsilanti from the U.S. Department of Housing and Urban Development (HUD).

YHC desires to purchase The Property.

The Council of the City of Ypsilanti (City Council) by resolution 2005-49, dated April 5, 2005 provided, pursuant to statute that any purchase of real estate by YHC must be approved by City Council.

The parties agree that The Property is extremely important to the continued vitality and image of the city as the property is in the Gateway area of the City and it is extremely important that the property be well run and maintained and present good "curb appeal" to continue and enhance the good image of the City.

Whenever YHC is mentioned in this agreement it refers to and applies to any related or controlled entity of YHC now existing or to be formed, including the LLC or similar entity mentioned below, that will become the general partner of a Michigan LDHA Limited Partnership which shall have a LIHTC Investor Limited Partner, as though that related or controlled entity is specifically mentioned in this agreement, and any related or controlled entity shall agree to all the terms and conditions of this agreement.

To provide for a successful redevelopment of Parkview, the City Council desires to approve the said purchase with certain conditions,

Now therefore the parties agree as follows:

This agreement supersedes and replaces the all previous agreements, covenants, promises or assurances to or between the City of Ypsilanti and the YHC, in regard to this matter, and in particular that signed on May 19, 2005.

The City by The Ypsilanti City Council has approved the said purchase with the understanding that the following conditions shall bind YHC any related or controlled entity of YHC now existing or to be formed, including the LLC or similar entity mentioned below:

1. The Parkview Apartments property must be purchased and always owned in such a manner that the property will be subject to all applicable taxes including real estate taxes, subject to a fair assessment of multi-family property with restricted rents and the Property shall be placed on the tax rolls of the city of Ypsilanti ("City") at the first available date, to-wit: December 31, 2010. However, an exception is granted for Phase II of the project (76 units) that a PILOT may be negotiated ONLY in the circumstance where the application for Low-Income Housing Tax Credit financing requires such, in order for that financing to be available to the Project.
2. The purchase shall include the payment by YHC of any debt to the Ypsilanti Community Utility Authority (YCUA) for any water, sewer, special assessments or other charges after YHC takes possession of the Property.
3. YHC will grant the City a right of first refusal to purchase the property in the event the property is ever sold or offered for sale excluding transfers to entities controlled by the YHC this shall be a covenant to run with the land.
4. The Mayor or a designee of the Mayor approved by City Council shall be a voting member of the LLC or any similar entity to be created for management oversight of Parkview (herein referred to as the "Governing Board").
    a. The majority of voting members of the Governing Board will be comprised of YHC Board Members.
5. The Governing Board shall take every reasonable effort to improve and maintain The Property in good, clean and sanitary conditions.
    a. The property must apply for site plan review and comply with all City Codes and Ordinances including annual rental inspections, and is subject to any relevant fees.
6. The Governing Board shall at least quarterly provide a report to City Council concerning the Parkview Apartments during the renovation period, replaced by annual reports once the renovations are complete. The report template and contents will be determined by the Governing board in consultation with the city manager.
7. Parkview is to be managed by a MSHDA certified property management company.
8. All tenants of Parkview that live in a unit supported by a section 8 voucher will be required to participate in a HUD certified self-sufficiency program.
9. All tenants must meet leasing requirements as approved by the Governing Board.
10. If Phase II of redevelopment (see attached redevelopment plan) is not started after 24 months of the start of construction of Phase I, the City requires prompt demolition of remaining buildings, to be completed within an additional 12 months.

If Phase I does not begin within 24 months of closing, all structures must be demolished.

11. The YHC and/or Governing Board shall give the City 90 days notice before the renewal of any annual property management contract. The City shall have the right to notify the Governing Board not less than 30 days before the renewal date that the City finds existing management is insufficient to ensure safe and sanitary housing and objects to the contract being renewed with the failing property manager and the City requests the failing property manager be replaced with a new MSHDA Certified 3rd party property manager.
12. This agreement may be modified upon the written consent of both parties.

Dated: June 15, 2010

City of Ypsilanti [redacted]

[redacted]

Paul Schreiber, Mayor

[redacted]

Ypsilanti Housing Commission

[redacted]

By: [redacted]

President

[redacted]

By: [redacted]

Executive Director

Approved as to form:

[redacted]

John M. Barr, Ypsilanti City Attorney

[redacted]

David Blanchard, attorney for
Ypsilanti Housing Commission

R E Q U E S T   F O R   L E G I S L A T I O N

DATE: February 17, 2012

FROM: Karl Barr

SUBJECT: Hamilton Crossing

SUMMARY/BACKGROUND

The second phase of this project will be financed with a loan from the Michigan State Housing Development Authority (MSHDA). In order to close this loan, MSHDA is looking for clarifications in several documents relating to the property. These are:

1. In the MOU between the City and the YHC, the City retains a right of first refusal to purchase the property if it is sold to a non-affiliated entity. MSHDA is concerned that through this right of first refusal, the City could become the owner, and thus the borrower on the MSHDA loan. MSHDA can only make loans to Limited Dividend Housing Associations so the City is not a qualified borrower under the MSHDA loan. MSHDA is therefore requiring that this right of first refusal be subordinated to their loan. If the property were to be sold and the City wanted to exercise its right of first refusal, the City would have to purchase the property with its own financing; the City could not assume the existing MSHDA debt. If MSHDA were to foreclose, again the City would have to purchase the property using a different debt source than the MSHDA loan. Approval of the resolution which subordinates the city's right of first refusal to the MSHDA loan is requested.

2. In the PUD, MSHDA is looking for clarification that the Phase 1 lender and investor are not responsible for the completion of Phase 2 of the property. Ypsilanti's zoning code requires that different parcels zoned through a PUD have some commonality of control and that common entity is ultimately responsible for the completion of the entire property. A subsidiary of the YHC is the general partner of the partnership that owns each phase. As the general partner, they are responsible for the completion and operations of both phases. In each phase, this responsibility is supported by a strong third party property manager and investor, lender and asset manager oversight. The clarification that MSHDA seeks is that they, as lender to Phase 1, do not have responsibilities to Phase 2. This was the original intent in the PUD, and it is clear in the document that Phase 2 is not responsible for Phase 1 but the reverse is not clear. This clarification does not in any way reduce the YHC's responsibilities or alter the roles of the property manager, and the lenders and investors for each phase. Approval of the resolution which clarified Section 1.8.1 of the PUD is requested.

3. State law requires that the City approve the financing for YHC-developed properties and the planned financing for both phases is attached. Approval of this financing (closed and in place for Phase 2 and committed for Phase 1) is requested.

ATTACHMENTS: Resolution
Exhibit A-1 – Legal Descrioption
Exhibit A-2 – Planned Unit Development Agreement
Exhibit A-3 – Financing Sources
Exhibit A-4 – Procedures and Requirements for Transfers Involving Authority – Financed Developments. (MSHDA's Resale Policy)

RECOMMENDED ACTION: Approval of the attached resolution

DATE RECEIVED:________________ AGENDA ITEM NO.__2012-028___________

CITY MANAGER COMMENTS: ____

FOR AGENDA OF:__2-7-12_______ FINANCE DIR. APPROVAL: ______________________

COUNCIL ACTION TAKEN: ____

REQUEST FOR LEGISLATION
February 17, 2012

To: Mayor and Council

From: David R. Kowal, Director of Administrative Services

Subject: Proposed 5-Year Financial Plan Amendment

UPDATED SUMMARY & BACKGROUND:

The 5-year financial plan approved by the City Council at its meeting of February 7, 2012 has been amended to reflect revised projections and assumptions. Additionally, proposed Water Street debt service revenues, expenditures, and estimated millage rates have been separated out and are now presented in a new and distinct 5-year summary financial plan.

The revised projections and assumptions are both footnoted on the 5-year summary plan documents and the "Amended Assumptions" document. I will be available at the next City Council meeting on February 21 to answer any questions and respond to any concerns the Council members and citizens may have.

PREVIOUSLY SUPPLIED SUMMARY & BACKGROUND:

A financial plan sets forth strategies that the organization will pursue for financial health over a multi-year period and keeps everyone's eye on long-term financial health.

A long term financial plan is:

- A combination of technical analysis and strategizing. Long-term forecasts and analysis are used to identify long-term imbalances. Then, financial strategies are developed to counteract these imbalances.
- A collaborative and visionary process. A plan does not just forecast the status quo into the future. It considers different possible futures. It also involves other stakeholders. Elected officials, operating departments, and the public can all help identify financial issues, develop consensus strategies, and ensure a successful implementation.
- An anchor of financial sustainability. A plan encourages big-picture and long-term thinking among elected and appointed officials.

Financial planning supports a financial recovery in several ways:

- It maintains a focus on long-term financial condition and issues. This helps the City to act before a long-term imbalance becomes an immediate crisis.

- It builds the case for action by making stakeholders aware of long-term issues and increasing their desire to confront them.
- It builds trust with citizens. Citizens are often prepared to pay more in taxes if that is necessary to realize the future they want, but only if steps are taken to increase accountability and trust. Financial planning provides better accountability for how resources are used.
- It helps comply with bond rating agency expectations. Financial planning is described by Standard & Poor's as one of the "top 10 management characteristics of highly rated credits."

The attached 5-Year Financial Plan is a culmination of many months of planning and strategy meetings by elected and appointed officials. The Plan incorporates a conservative series of assumptions, conservative revenue forecasts, realistic expenditure projections, and two major new sources of potential revenue – a city income tax and a special Water Street debt service millage. Both will require voter approval and are scheduled for consideration by the electorate on the May 8, 2012 special election. The Plan does not incorporate potential reductions in existing staffing levels in any department. While such a discussion is warranted and necessary, I believe that a presentation without personnel cuts is required to gain a full understanding of the City's financial position. After the Council has an opportunity to digest the figures contained in the Plan, staff is prepared to amend, adjust and present various scenarios as requested by Council members.

RECOMMENDED ACTION: Approval

ATTACHMENTS: Council Resolution; Amended 5-Year Financial Plan; Newly Created Water Street Debt Service 5-Year Plan; Amended Assumptions Summary

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CITY MANAGER APPROVAL: ______________________ COUNCIL AGENDA DATE: ________

CITY MANAGER COMMENTS: ______________________

FISCAL SERVICES DIRECTOR APPROVAL: ______________________

Resolution No. 2012 -032
February 21, 2012

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

WHEREAS, financial plans set forth strategies that the organization will pursue for financial health over a multi-year period and keep everyone's eye on long-term financial health; and

WHEREAS, long term financial plans are a combination of technical analysis and strategizing; and

WHEREAS, plans do not just forecast the status quo into the future; they consider different possible futures; and

WHEREAS, as an anchor of financial sustainability, financial planning encourages big-picture and long-term thinking among elected and appointed officials; and

WHEREAS, the attached City of Ypsilanti Amended 5-Year Financial Plan, dated February 21, 2012, and the newly created Water Street Debt Service 5-Year Plan, and the Amended Assumptions Summary document reflect a culmination of many months of planning and strategy meetings by elected and appointed officials; and

WHEREAS, the financial plans incorporate a conservative series of assumptions, conservative revenue forecasts, realistic expenditure projections, and two major new sources of potential revenue – a city income tax and a special Water Street debt service millage – both of which will require voter approval and are scheduled for consideration by the electorate on the May 8, 2012 special election.

NOW THEREFORE BE IT RESOLVED THAT the Ypsilanti City Council does hereby adopt the City of Ypsilanti Amended 5-Year Financial Plan, dated February 21, 2012, for the period Fiscal Year 2012/13 through Fiscal Year 2016/17; and, the Water Street Debt Service 5-Year Financial Plan dated February 21, 2012, for the period Fiscal Year 2012/13 through Fiscal Year 2016/17.

OFFERED BY: ____________________

SUPPORTED BY: ____________________

YES: NO: ABSENT: VOTE:

City of Ypsilanti
Water Street Debt Service
Five-year Financial Plan
FYE 2013 through FYE 2017

February 21, 2012
(Amended 02/21/12)

	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	5-YEAR TOTAL
GENERAL FUND RESERVES / SURPLUS [1]	$ 1,272,201	$ 654,309	$ 670,889	$ 784,358	$ 878,351	$ 872,469	**$ 3,860,375**
WATER STREET DEBT SERVICE MILLAGE	$ -	$ 654,309	$ 670,889	$ 784,358	$ 878,351	$ 872,469	**$ 3,860,375**
TOTAL WATER STREET DEBT SERVICE REVENUE	**$ 1,272,201**	**$ 1,308,618**	**$ 1,341,778**	**$ 1,568,715**	**$ 1,756,701**	**$ 1,744,937**	**$ 7,720,749**
TOTAL WATER STREET DEBT SERVICE EXPENSE	**$ 1,272,201**	**$ 1,308,618**	**$ 1,341,778**	**$ 1,568,715**	**$ 1,756,701**	**$ 1,744,937**	**$ 7,720,749**
SURPLUS / (DEFICIT)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
ESTIMATED MILLAGE RATE (Assumes Scenario Above; 1/2 GF Reserves/Surplus; 1/2 WS Debt Service Millage)	**0.00**	**2.3543**	**2.4870**	**3.0019**	**3.4711**	**3.5585**	
ESTIMATED MILLAGE RATE (Assumes Full Millage; No Offsets from GF Reserves/Surplus)	**0.00**	**4.7085**	**4.9740**	**6.0038**	**6.9421**	**7.1171**	

(1) The City's "committed" fund balance for Water Street Debt Service (General Fund) for the fiscal year ended June 30, 2011 was $3,919,182
The P & I (and a small amount for paying agent fees) owed during the fiscal year ending June 30, 2012, is estimated at $1,272,201
The "committed" fund balance (General Fund) for Water Street Debt Service for the fiscal year ending June 30, 2012 is projected to be approximately $2,646,981

City of Ypsilanti
Five-year Financial Plan
FYE 2013 through FYE 2017

February 21, 2012
(Amended 02/21/12)

	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	5-YEAR TOTAL
GENERAL FUND OPERATING REVENUE	$ 10,525,104	$ 9,449,470	$ 9,064,142	$ 8,681,489	$ 8,332,121	$ 8,167,647	**$ 43,694,869**
ADD IN PERSONAL PROPERTY TAX	$ -	$ 472,409	$ 480,078	$ 490,851	$ 504,859	$ 522,401	**$ 2,470,598**
BASE 2012 F&P PENSION REQUIRED EMPLOYER CONTRIBUTION	$ 1,885,727	$ 1,885,727	$ 1,885,727	$ 1,885,727	$ 1,885,727	$ 1,885,727	**$ 9,428,635**
TOTAL GENERAL FUND REVENUE	**$ 12,410,831**	**$ 11,807,606**	**$ 11,429,947**	**$ 11,058,067**	**$ 10,722,707**	**$ 10,575,775**	**$ 55,594,102**
GENERAL FUND OPERATING EXPENDITURES	**$ 12,642,508**	**$ 12,715,858**	**$ 13,187,121**	**$ 13,713,751**	**$ 14,326,941**	**$ 15,008,870**	**$ 68,952,541**
SURPLUS / (DEFICIT)	**$ (231,677)**	**$ (908,252)**	**$ (1,757,174)**	**$ (2,655,684)**	**$ (3,604,234)**	**$ (4,433,095)**	**$ (13,358,439)**
F&P PENSION ESTIMATED EMPLOYER CONTRIBUTION ANNUAL INCREASE	$ -	$ 246,334	$ 526,683	$ 845,989	$ 1,209,948	$ 1,625,123	**$ 4,454,077**
SURPLUS / (DEFICIT)	**$ (231,677)**	**$ (661,918)**	**$ (1,230,491)**	**$ (1,809,695)**	**$ (2,394,286)**	**$ (2,807,972)**	**$ (8,904,362)**
80/20 HEALTH INSURANCE PREMIUM EMPLOYEE CONTRIBUTIONS	$ 18,000	$ 127,500	$ 181,500	$ 190,500	$ 200,100	$ 210,100	**$ 909,700**
SURPLUS / (DEFICIT)	**$ (213,677)**	**$ (534,418)**	**$ (1,048,991)**	**$ (1,619,195)**	**$ (2,194,186)**	**$ (2,597,872)**	**$ (7,994,662)**
CITY INCOME TAX (NET) [1]	$ -	$ 575,000	$ 1,350,000	$ 2,025,000	$ 2,700,000	$ 2,700,000	**$ 9,350,000**
SURPLUS / (DEFICIT)	**$ (213,677)**	**$ 40,582**	**$ 301,009**	**$ 405,805**	**$ 505,814**	**$ 102,128**	**$ 1,355,338**

[1] **CIT revenue projections amended to reflect results of Income Tax Feasibility Study.**

City of Ypsilanti
5-Year Financial Plan Assumptions, as Amended
February 21, 2012

1. Reduction in taxable values estimated at -7, -3, -3, -3, -3; FYE 2013 through FYE 2017, respectively
2. Personal Property Tax is not eliminated as source of revenue for the General Fund and Fire-Police Pension Fund during the 5-year period
3. No use of General Fund fund balance reserves to "balance" budget in any one of the five years. **(Will depend on Water Street debt service payment option selected by City Council)**
4. Use of base 2012 employer contribution to Fire-Police Pension Fund; projected employer contribution increases to Fire-Police Pension Fund identified separately
5. State shared revenue (now referred to as "EVIP") projected to decline over the course of the 5-year period
6. Employee contributions of 20% towards cost of health insurance premiums (phased-in commencing January 1, 2012 and concluding July 1, 2013, depending on employee group)
7. City income tax effective January 1, 2013 (requires voter approval; May 8, 2012). **Reflects amended projected annual revenue amounts based on results of CIT Feasibility Study**
8. Imposition of special Water Street debt service tax millage (requires voter approval; May 8, 2012); millage to be used to pay off principal and interest on bonds and CDBG grant. **(One of two options presented for consideration by City Council; one assumes 100% millage funded and one assumes 50% millage funded and 50% funded with General Fund reserves/surplus)**
9. Inflation rate increased to 2.7%
10. Status quo (2011/12) staffing levels in all departments; assumes no staff reductions at this stage in the process

REQUEST FOR LEGISLATION
February 21, 2012

From: Teresa Gillotti, Planner II
Subject: **Multi-year plan for CDBG allocation through Washtenaw Urban County**

The City of Ypsilanti, as a member of the Urban County, receives an annual allocation of Federal Community Development Block Grant (CDBG) funds. CDBG funds can be applied to a variety of activities including capital improvements, economic development, technical assistance and other projects (see attached document: Eligible CDBG Activities.)

The last multi-year plan approved by Ypsilanti City Council was in Jan. 12, 2010 and included funding for ADA ramps, Senior Center kitchen improvements, improvements to Parkridge Park, funding for the South of Michigan Community Needs Assessment, single-family home rehabilitation, and funding for demolition and abatement through the dangerous buildings program.

Some of those projects are still underway:

- Dangerous building funding – there is currently $97,500 under contract for demolition with Washtenaw County for the demolition of four structures, with several more in the second round to be presented to council for demolition orders in the spring of 2012. This fund will be utilized for demolition until funding is exhausted. Average demolition cost per single family house is $8,000-$10,000.
- Senior Center kitchen improvements: The amount dedicated to this was $25,000, less the cost of water heater improvements (estimated at $4,000). Staff is recommending adding to this amount so the full commercial kitchen improvements can be made this spring/summer.
- Parkridge Park improvements - Department of Public Works will be undertaking improvements to play structures this calendar year to the total of $15,000 previously allocated to projects resulting from the South of Michigan Community Needs Assessment.

Ongoing projects:

- ADA ramp replacement is an obligation due to a previous consent agreement. This project is ongoing with approximately 8-10 years of replacement needed at current funding levels.
- The Urban County removes a portion of the individual allocation to each jurisdiction for low-income owner-occupied home improvements. Staff is investigating whether or not the City can put limits on the number of homes rehabilitated in the program, or if the City can elect on whether or not to participate. The amount indicated below is on the low-end of the funding requests in the past two years from the City of Ypsilanti for these improvements. For more information on this program, use this link: http://www.ewashtenaw.org/government/departments/community_development/housing_services/housing_rehabilitation/housingrehabprogrampage

Change in Allocation:
Attached is an e-mail from Washtenaw County indicating the formula for CDBG allocations as well as the estimated allocation for 2012-2013. The primary reason for the reduction in allocation to the City of Ypsilanti is population decline from the 2000 to the 2010 census. Staff will be working with county staff to determine further understand the formula and if other data can be used to improve future allocations.

City of Ypsilanti - CDBG Workplan (2012-2015)			
	2012-2013	2013-2014	2014-2015
CDBG - Urban County Allocation (expected)	104,578	104,000	104,000
ADA ramps (low/mod areas)*	50,000	50,000	50,000
Senior Center (kitchen)	9,578		
Single family rehab	45,000	45,000	45,000
Dangerous buildings demolition/rehab		14,000	14,000
Totals:	**104,578**	**104,000**	**104,000**

* ADA ramps improvements are required per court order.

Please note, that as information is made available, particular in regard to the funding of owner-occupied rehabilitation, the City can amend the allocation for a given year. Additional projects for consideration are installation of missing sidewalks on Washtenaw Avenue to complete the sidewalk network along one of the most traveled commercial corridors to improve access and reduce a safety hazard, increasing the funding for ADA ramp replacement to help prioritize areas of replacement such as Downtown, and other improvements to city-owned facilities.

Please contact Teresa Gillotti if you have any questions regarding this proposal at (734) 483-9646.

RECOMMENDED ACTION: Approval of CDBG Workplan (2012-2014)

Attachments: Eligible CDBG Activities
Washtenaw County e-mail with detail of allocation formula, and chart of estimated allocation by jurisdiction
Resolution 2012-____, Approval of CDBG Workplan 2012-2014

Council Agenda Date: February 21, 2012 Council Agenda Item No.________

City Manager Approval: ______________________________

City Manager Comments:

Finance Director Approval: ___________________________

Resolution No. 2012-033
February 21, 2012

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

WHEREAS, The City is a member of the Urban County, through Washtenaw County and receives an annual Community Development Block Grant (CDBG) allocation through this body for eligible projects

NOW, THEREFORE, BE IT RESOLVED THAT the Ypsilanti City Council approves the proposed work plan as prepared by staff for the 2012-2013 and 2013-2014 program years.

OFFERED BY: ____

SUPPORTED BY: ____

YES: NO: ABSENT: VOTE:

ELIGIBLE CDBG ACTIVITIES
EXCERPTS FROM CODE OF FEDERAL REGULATIONS

570.200 General policies.

(a) *Determination of eligibility*

An activity may be assisted in whole or in part with CDBG funds only if the activity is in compliance with one of the following National Objectives:

1. benefit to low and moderate income families; or
2. aid in the prevention or elimination of slums or blight; or
3. other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs.

CDBG recipients must ensure that not less than 70 percent of the CDBG fund expenditures shall be for activities benefiting low and moderate income persons.

(j) *Constitutional prohibition*. CDBG assistance may not be used for religious activities or provided to primarily religious entities for any activities, including secular activities.

570.201 Basic eligible activities.

CDBG funds may be used for the following activities:

(a) *Acquisition* of real property for a public purpose.

(b) *Disposition*. Disposition, through sale, lease, donation, or otherwise, of any real property acquired with CDBG funds.

(c) *Public facilities and improvements*. Acquisition, construction, reconstruction, rehabilitation or installation of public facilities and improvements, including removal of architectural barriers that restrict the mobility and accessibility of elderly or severely disabled persons.

(d) *Clearance activities*. Clearance, demolition, and removal of buildings and improvements.

(e) *Public Services*. provision of public services (including labor, supplies, and materials) which are directed toward improving the community's public services and facilities, including but not limited to those concerned with employment, crime prevention, child care, recreational needs. (The amount of CDBG funds used for public services shall not exceed 15 percent of each grant)

(i) *Relocation*. Relocation payments and other assistance for permanently and temporarily relocated individuals, families, businesses, nonprofit organizations, and farm operations.

(l) *Privately owned utilities*. CDBG funds may be used to acquire, construct, reconstruct, rehabilitate, or install the distribution lines and facilities of privately owned utilities, including the placing underground of new or existing distribution facilities and lines.

(m) *Construction of housing.*

(n) *Homeownership assistance.*

(o) *Economic development*.

(1) The provision of assistance either through the recipient directly or through public and private organizations, agencies, and other subrecipients to facilitate economic development by:

(i) Providing credit, including but not limited to, grants, loans, loan guarantees, and other forms of financial support, for the establishment, stabilization, and expansion of micro enterprises.

(ii) Providing technical assistance, advice, and business support services to owners of micro enterprises and persons developing micro enterprises.

** Note: The above regulations are in a condensed format. If you have any questions concerning these regulations, please call the Office of Community Development at (734) 622-9025.

(iii) Providing general support, including, but not limited to, peer support programs, counseling, child care, transportation, and other similar services, to owners of micro-enterprises and persons developing micro-enterprises.

(p) *Technical assistance.* Provision of technical assistance to public or nonprofit entities to increase the capacity of such entities to carry out eligible neighborhood revitalization or economic development activities.

(q) *Assistance to institutions of higher education.* To carry out eligible activities.

570.202 Eligible rehabilitation and preservation activities.

(a) *Types of buildings and improvements eligible for rehabilitation assistance.* CDBG funds may be used to finance the rehabilitation of:

(1) Privately owned buildings and improvements for residential purposes;

(2) Low-income public housing and other publicly owned residential buildings and improvements;

(3) Publicly or privately owned commercial or industrial buildings, limited to improvements to the exterior of the building and the correction of code violations.

(4) Nonprofit owned nonresidential buildings and improvements not eligible under 570.201(c).

(5) Manufactured housing

(b) *Types of assistance.* CDBG funds may be used to finance the following types of rehabilitation activities, and related costs, either singly, or in combination, through the use of grants, loans, loan guarantees, interest supplements, or other means for buildings and improvements described in paragraph (a) of this section, except that rehabilitation of commercial or industrial buildings is limited as described in paragraph (a)(3) of this section.

(1) Assistance to private individuals and entities, including profit making and nonprofit organizations, to acquire for the purpose of rehabilitation, and to rehabilitate properties, for use or resale for residential purposes;

(2) Labor, materials, and other costs of rehabilitation of properties, including repair directed toward an accumulation of deferred maintenance, replacement of principal fixtures and components of existing structures, installation of security devices, including smoke detectors and dead bolt locks, and renovation through alterations, additions to, or enhancement of existing structures, which may be undertaken singly, or in combination;

(3) Loans for refinancing existing indebtedness secured by a property being with CDBG funds if such financing is determined by the recipient to be necessary or appropriate to achieve the locality's community development objectives;

(4) Improvements to increase the efficient use of energy in structures through such means as installation of storm windows and doors, siding, wall and attic insulation, and conversion, modification, or replacement of heating and cooling equipment, including the use of solar energy equipment;

(5) Improvements to increase the efficient use of water through such means as water savings faucets and shower heads and repair of water leaks;

(6) Connection of residential structures to water distribution lines or local sewer collection lines;

(7) For rehabilitation carried out with CDBG funds, costs of:

(i) Initial homeowner warranty premiums;

(ii) Hazard insurance premiums, except where assistance is provided in the form of a grant; and

(iii) Flood insurance premiums for properties covered by the Flood Disaster Protection Act of 1973, pursuant to 570.608

(8) Costs of acquiring tools to be lent to owners, tenants, and others who will use such tools to carry out rehabilitation

(9) Rehabilitation services, such as rehabilitation counseling, energy auditing, preparation of work specifications, loan processing, inspections, etc.

(10) Assistance for the rehab. of housing under section 17 of the U.S. Housing Act of 1937;

(11) Improvements designed to remove material and architectural barriers that restrict mobility and accessibility of elderly or severely disabled persons to buildings and improvements eligible for assistance under paragraph (a) of this section.

(c) *Code Enforcement.* Code enforcement in deteriorating or deteriorated areas where such enforcement together with public improvements, rehabilitation, and services to be provided, may be expected to arrest the decline of the area.

(d) *Historic preservation.* CDBG funds may be used for rehabilitation, preservation or restoration of historic properties, whether publicly or privately owned. Historic properties are those sites or structures that are either listed in or eligible to be listed in the National Register of Historic Places, listed in a State of local inventory of historic places, or designated as a State of local landmark or historic district by appropriate law or ordinance. Historic preservation, however, is not authorized for buildings for the general conduct of government.

(e) *Renovation of closed buildings.* CDBG funds may be used to renovate closed buildings, such as closed school buildings, for use as an eligible public facility or to rehabilitate such buildings for housing.

(f) *Lead-based paint hazard evaluation and reduction*.

570.203 Special economic development activities.

A recipient may use CDBG funds for special economic development activities in addition to other activities authorized in this subpart which may be carried out as part of an economic development project. Special activities authorized under this section do not include assistance for the construction of new housing. Special economic development activities include:

(a) The acquisition, construction, reconstruction, rehabilitation or installation of commercial or industrial buildings, structures, and other real property equipment and improvements, including railroad spurs or similar extensions. Such activities may carried out by the recipient or public or private nonprofit recipients.

(b) The provision of assistance to a private for-profit business, including, but not limited to, grants, loans guarantees, interest supplements, technical assistance, and other forms of support, for any activity where the assistance is appropriate to carry out an economic development project, excluding those described as ineligible in 570.207 (a). In selecting businesses to assist under this authority, the recipient shall minimize, to the extent practicable, displacement of existing businesses and jobs in neighborhoods.

(c) Economic development services in connection with activities eligible under this section.

570.204 Special activities by certain subrecipients.

(a) *Eligible activities.* The recipient may provide CDBG funds (e.g., grant or loan) to any of the three types of subrecipients specified in paragraph (c) of this section to carry out a neighborhood revitalization, community economic development, or energy conservation project. Such a project may include activities listed as eligible under this subpart, and activities not otherwise listed as eligible under this subpart, except those described as ineligible in 570.207 (a), when the recipient determines that such activities are necessary or appropriate to achieve its community development objectives. Notwithstanding that such recipients may carry out activities as part of such project that are not otherwise eligible under this subpart, this provision does not authorize:

(1) Provision of public services that do not meet the requirements of 570. 201 (e) (1) and (2);

(2) Provision of assistance to a for-profit business that does not comply with the requirements of 570.203 (b);

(3) Carrying out activities that would otherwise be eligible under 570.200 (g).

(b) *Recipient responsibilities.* Recipients are responsible for ensuring that CDBG funds are used by the subrecipients in a manner consistent with the requirements of this part and other applicable Federal, State, or local law. Recipients are also responsible for carrying out the environmental review and clearance responsibilities.

(c) *Eligible subrecipients.* The following are subrecipients authorized to receive assistance under this section.

(1) Neighborhood-based nonprofit organizations. A neighborhood based nonprofit organization is an association or corporation, duly organized to promoted undertake community development activities on a not-for-profit basis within a neighborhood. An organization is considered to be neighborhood-based if the majority of either its membership, clientele, or governing body are residents of the neighborhood is defined as:

(i) A geographical location within the jurisdiction of a unit of general local government (but not the entire jurisdiction) designated in comprehensive plans, ordinances, or other local documents as neighborhood, village, of similar geographical designation;

(ii) The entire jurisdiction of a unit of general local government which is under 25,000 population; or

(iii) A neighborhood, village, or similar geographical designation in a New Community as defined in 570.403 (a) (1).

(2) Section 301 (d) Small Business Investment Companies. A Section 301 (d) Small Business Investment Company is an entity organized pursuant to section 301 (d) of the Small Business Investment Act of 1958 (15 U.S.C. 681 (d)), including those which are profit making.

(3) Local development corporations. A local development corporation is:

(i) An entity organized pursuant to Title VII of the Headstart, Economic Opportunity, and Community Partnership Act of 1974 (42 U.S.C. 2981) or the Community Economic Development Act of 1981 (42 U.S.C. 9801 et seq.);

(ii) An entity eligible for assistance under section 502 or 503 of the Small Business Investment Act of 1958 (15 U.S.C. 696)

(iii) Other entities incorporated under State of local law whose membership is representative of the area of operation of entity (including non-resident owners of businesses in the area) and which are similar in purpose, function, and scope to those specified in paragraph (c) (3) (I) or (ii) of this section; or

(iv) A State development entity eligible for assistance under section 501 of the Small Business Investment Act of 1958 (15 U.S.C.695).

** Note: The above regulations are in a condensed format. If you have any questions concerning these regulations, please call the Office of Community Development at (734) 622-9025.

ELIGIBLE CDBG ACTIVITIES
EXCERPTS FROM CODE OF FEDERAL REGULATIONS

570.205 Eligible planning, urban environment designs and policy-planning-management-capacity building activities.

(a) Planning activities which consist of all costs of data gathering, studies, analysis, and preparation of plans and the identification of actions that will implement such plans, including, but not limited to:

(1) Comprehensive plans;

(2) Community development plans;

(3) Functional plans, in area such as:

(i) Housing, including the development of a housing assistance plan;

(ii) Land use and urban environmental design;

(iii) Economic development;

(iv) Open space and recreation;

(v) Energy use and conservation;

(vi) Floodplain and wetlands management;

(vii) Transportation;

(viii) Utilities; and

(ix) Historic preservation.

(4) Other plans and studies such as:

(i) Small area and neighborhood plans;

(ii) Capital improvements programs;

(iii) Individual project plans;

(iv) The reasonable costs of general environmental, urban environmental design and historic preservation studies;

(v) Strategies and action programs to implement plans, including the development of codes, ordinances and regulation;

(vi) Support of clearinghouse functions; and

(vii) Analysis of impediments to fair housing choice.

(6) Policy-planning-management-capacity building activities which will enable the recipient to:

(1) Determine it needs;

(2) Set long-term goals and shout-term objectives, including those related to urban environmental design;

(3) Devise programs and activities to meet these goals and objectives;

(4) Evaluate the progress of such programs and activities in accomplishing these goals and objectives; and

(5) carry out management, coordination and monitoring of activities necessary for effective planning implementation, but excluding the costs necessary to implement such plans.

** Note: The above regulations are in a condensed format. If you have any questions concerning these regulations, please call the Office of Community Development at (734) 622-9025.

ELIGIBLE CDBG ACTIVITIES
EXCERPTS FROM CODE OF FEDERAL REGULATIONS

570.207 Ineligible activities.

(a) The following activities may not be assisted with CDBG funds:

(1) *Buildings or portions thereof, used for the general conduct of government*

(2) *General government expenses.*

(3) *Political activities.*

(b) The following activities may not be assisted with CDBG funds unless authorized under provisions of 570.203.

(1) *Purchase of equipment.*

(i) Construction equipment.

(ii) Fire protection equipment.

(iii) Furnishing and personal property.

(2) *Operating and maintenance expenses.*

(i) Maintenance and repair of streets, parks, playgrounds, water and sewer facilities, neighborhood facilities, senior centers, centers for the handicapped, parking and similar public facilities.

(ii) Payment of salaries for staff, utility costs and similar expenses necessary for the operation of public works and facilities.

(3) *New housing construction*. CDBG funds may not be used for the construction of new permanent residential structures of for any program to subsidize or assist such new construction.

(4) *Income Payments.* The general rule is that CDBG funds shall not be used for income payments for housing or any other purpose.

** Note: The above regulations are in a condensed format. If you have any questions concerning these regulations, please call the Office of Community Development at (734) 622-9025.

Teresa Gillotti

From:	Mary Jo Callan
Sent:	Thursday, 09 February, 2012 2:52 PM
To:	Joe Zurawski; Barb Fuller (fullerb@pittsfield-mi.gov); Bill De Groot (billd@salem-mi.org); Bill McFarlane (WILLIAMMCFARLANE@SUPERIOR-TWP.ORG); Brenda McKinney (brendamckinney@superior-twp.org); Brenda Stumbo (bstumbo@twp.ypsilanti.mi.us); Cindy Wilson; Deb Mozurkewich; Gretchen Driskell; Jeff Wallace; Jennifer Hall; John Hieftje Forward; John Kingsley; Jolea Mull; Karen Lovejoy Roe (klovejoyroe@ytown.org); Kenneth Unterbrink; Lee Bourgoin; Mandy Grewal (grewalm@pittsfieldtwp.org); Margie Teall; Mary Jo Callan; Michael J. Radzik (mradzik@twp.ypsilanti.mi.us); Mike Moran (moran@aatwp.org); Pat Vailliencourt; Paul Schreiber; Robert Heyl (robert@salem-mi.org); Ron Mann; Spaulding Clark; supervisor-dexter; Teresa Gillotti; Yousef D. Rabhi
Cc:	Yousef D. Rabhi; Brett Lenart; Benjamin R. Kraft
Subject:	2012-2013 CDBG Allocations
Attachments:	Proposed 2012-13 Allocations 2-7-12.pdf
Follow Up Flag:	Follow up
Flag Status:	Flagged

Hello Urban County Members,

We have 2012-2013 CDBG allocations available for your review, and to assist you in project planning for the coming year. These proposed allocations, including the data from which they are derived, are attached. Please read on for a more detailed explanation of what is contained within the attached table.

As we explained at the January Urban County Executive Committee meeting, it has been difficult to pin down the most current data sets to determine each element of our allocation formula, to arrive at specific member project allocations. Thanks to Ben's tenacity and research, we have 2010 Census data for population and poverty. Unfortunately, we must rely on HUD to provide the last element in our allocation formula – *housing problems* – and this data hasn't been updated since 2000. Therefore, the proposed 2012-13 allocations are based on the following **data**, and **formula**:

Data Used to Calculate Member Allocations –

- Population – 2010 Decennial Census
- Poverty – 2010 American Community Survey 5-year Estimates
- Housing Problems – 2000 Comprehensive Housing Affordability Strategy ("CHAS" from HUD)
    - Three factors in "Housing Problems" as defined by CHAS (can have any or all to be counted):
        1. Housing Cost Burden > 30% of Income
        2. Overcrowding (not sure how they calculate)
        3. Without complete Kitchen or Plumbing facilities

Urban County Formula –

As adopted on March 18, 2008, funding allocation/expenditure targets are based on a modification of the U.S. Department of Housing & Urban Development Formula for determining CDBG allocations. This formula takes into account the *total population*, *population in poverty*, and the *housing problems* for each jurisdiction of the Urban County. This formula follows:

% of member allocation = (% UC Population) + 2(% UC Poverty) + (% UC Housing Problems)/4

Staff recommends that next year's (2013-14), and all subsequent year's allocations incorporate the most recent data available, which will hopefully include a HUD report of housing problems based on the 2010 Census or other more recent data.

Please let us know if you have questions about your jurisdiction's allocation, specific project ideas, or any other questions or needs.

Best regards,
Mary Jo

Mary Jo Callan, Director
Office of Community & Economic Development
Washtenaw County
email - callanm@ewashtenaw.org
telephone - (734)622-9005
fax - (734)622-9022

OFFICE OF COMMUNITY & ECONOMIC DEVELOPMENT
Collaborative solutions for a promising future

PROPOSED 2012-2013 URBAN COUNTY CDBG ALLOCATIONS

PLACE	POPULATION	Percent POPULATION	POVERTY	Percent POVERTY	HOUSING PROBLEMS	Percent HOUSING PROBLEMS	FY 2012-13 Allocation	FY 2012-13 Amount	FY 2011-12 Allocation	FY 2011-12 Amount
Ann Arbor City	113,934	36.73%	20318	47.77%	15957	46.72%	44.75%	$508,868	48.22%	$570,564
Ann Arbor Township	4,067	1.31%	342	0.80%	462	1.35%	1.07%	$12,145	0.87%	$10,237
Bridgewater Township	1,674	0.54%	55	0.13%	154	0.45%	0.31%	$3,551	0.32%	$3,792
Dexter Township	6,042	1.95%	165	0.39%	290	0.85%	0.89%	$10,157	NA	NA
Lima Township	3,307	1.07%	74	0.17%	238	0.70%	0.53%	$6,001	NA	NA
Manchester Village	2,091	0.67%	132	0.31%	160	0.47%	0.44%	$5,013	NA	NA
Manchester Township	2,478	0.80%	138	0.32%	142	0.42%	0.47%	$5,297	NA	NA
Northfield Township	8,245	2.66%	530	1.25%	764	2.24%	1.85%	$21,001	1.69%	$20,015
Pittsfield Township	34,663	11.17%	3135	7.37%	3523	10.31%	9.06%	$103,003	10.22%	$120,960
Salem Township	5,627	1.81%	275	0.65%	496	1.45%	1.14%	$12,962	0.91%	$10,723
Saline City	8,810	2.84%	544	1.28%	568	1.66%	1.77%	$20,075	NA	NA
Saline Township	1,896	0.61%	36	0.08%	119	0.35%	0.28%	$3,209	NA	NA
Scio Township	16,470	5.31%	975	2.29%	1139	3.33%	3.31%	$37,610	2.42%	$28,600
Superior Township	13,058	4.21%	1360	3.20%	966	2.83%	3.36%	$38,190	3.51%	$41,492
Webster Township	6,328	2.04%	281	0.66%	270	0.79%	1.04%	$11,804	NA	NA
York charter Township	8,708	2.81%	247	0.58%	314	0.92%	1.22%	$13,896	1.25%	$14,740
Ypsilanti City	19,435	6.27%	4344	10.21%	3447	10.09%	9.20%	$104,578	12.45%	$147,331
Ypsilanti Township	53,362	17.20%	9578	22.52%	5147	15.07%	19.33%	$219,795	18.16%	$214,872
TOTAL	**310,195**		**42,529**		**34,156**			**$1,137,157**		$1,183,326

FY 2012-13 CDBG Projects Allocation	$1,137,157
FY 2011-12 CDBG Projects Allocation	$1,183,326

Barr,
Anhut &
Associates, P.C.
ATTORNEYS AT LAW

105 Pearl Street
Ypsilanti, MI 48197
(734) 481-1234
Fax (734) 483-3871
www.barrlawfirm.com
e-mail: jslider@barrlawfirm.com

John M. Barr
Karl A. Barr
~~~~~~~~

Jesse O'Jack ~ Of Counsel
William F. Anhut ~ Of Counsel – Retired
Jane A. Slider ~ Legal Assistant

REQUEST FOR LEGISLATION

DATE: January 13, 2012

FROM: John M. Barr, City Attorney

SUBJECT: Tax Abatement Revocation Policy

SUMMARY/BACKGROUND

The City has a procedure for requesting and determining Obsolete property Rehabilitation Tax Abatements (OPRAs). Information given to the applicant always includes the information that the abatement holder is required to keep all property taxes current to receive tax abatement. This includes real and personal property assessed to the abated holder at all locations within the City of Ypsilanti.

The enabling legislation, Act 146 of 2000, provides that a local government may, by resolution, revoke the exemption certificate or if the holder of the certificate has not proceeding in good faith with the operation of the facility.

The City has a policy for revocation of exemption certificates. The policy provides that certificates may be revoked in the event that taxes have been late or not paid two times.

There is nothing in the policy that equates lack of payment of taxes with lack of good faith.

It is recommended that the policy be amended to provide that late payment of taxes two times equates to lack of good faith as set forth in the Act.

ATTACHMENTS: Proposed resolution making change in policy

RECOMMENDED ACTION: Adoption of the Resolution

DATE RECEIVED:________________ AGENDA ITEM NO.

CITY MANAGER COMMENTS:

FOR AGENDA OF:____________ FINANCE DIR. APPROVAL

COUNCIL ACTION TAKEN:
~~~~~~~~

Resolution 2012-034
February 21, 2012

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

Resolution 2012-034 to make an addition to the language of the Tax Abatement Revocation Policy.

WHEREAS, the City relies on prompt payment of taxes for efficient operation of the City and the public good; and

WHEREAS, certain properties receive tax preferential treatment with the approval of Tax Abatement Certificates; and

WHEREAS, the enabling Act 146 of 2000 provides that certificates may be revoked for lack of good faith; and

WHEREAS, the City Council finds that non-payment or late payment of taxes due either in September of February of any given year is lack of good faith and if taxes are late or not paid twice the lack of good faith is sufficient cause for revocation of the tax abatement certificate.

IT IS RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI that City Staff is directed to include this in the City Policy.

OFFERED BY: ____

SUPPORTED BY: ____

YES: NO: ABSENT: VOTE:

Barr,
Anhut &
Associates, P.C.
ATTORNEYS AT LAW

105 Pearl Street
Ypsilanti, MI 48197
(734) 481-1234
Fax (734) 483-3871
www.barrlawfirm.com
e-mail: jmbarr@barrlawfirm.com

John M. Barr
Karl A. Barr

Jesse O'Jack ~ Of Counsel
William F. Anhut ~ Of Counsel – Retired
Jane A. Slider ~ Legal Assistant

Memorandum

To: **John Barr**
From: **Dan DuChene**
Date: 2/1/2012
Re: Income Tax Ordinance

You have asked me to review the adoptive ordinances of both Pontiac and Ionia to determine what an ordinance simply adopting the state's income tax statute by reference would look like. The ordinance can be very minimal and should adopt the statute by reference, provide for copies available at the City Clerk's office, and possibly the tax rates.

Essentially, Pontiac and Ionia simply adopt the statute, Chapter 2 of Act 284 of the Public Acts of 1964 (MCL 141.501 et seq), by reference and that copies of the statute be available at the City Clerk's Office for public inspection. However, it may be required that the ordinance "state the rate of the tax." MCL 141.503(1). This is language is not in either of the ordinances referenced, but that does not prove that the language is not required. There are no opinions on this issue.

I also compared the ordinance previously adopted by City Council and compared it to the statute to see what would be lost in this scenario. The original ordinance established an effective date of July 1, 2008. There is an automatic provision in the statute on this issue. Those are found in MCL 141.503(6). The income tax becomes effective "on or after January 1 or July 1 following adoption of the ordinance, as specified in the ordinance, but an ordinance shall not become effective earlier than 45 days after adoption or until approved by the electors..." If memory serves, the tax would have went into effect on Jan 1, 2008 under these circumstances.

The automatic exemption under the statute is $600 a person. MCL 141.631(1). This is $400 lower than what was specified in the original ordinance. There are other optional exemptions in the statute, and were incorporated in the original ordinance. However, these exemptions specifically require "passage of a further ordinance." MCL 141.631(2). The exemptions would not have been in the original ordinance under this scenario. However, the language of the statute could be read that it is proper form to adopt the exemptions in a separate ordinance and not in the enabling ordinance.

There is no sunset provision in the statute and this would not have been adopted in the original ordinance in this scenario.

Another point of interest is that Ionia adopted its millage rollback within its enabling ordinance. The City adopted its millage rollback in a separate ordinance.

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Jesse O'Jack ~ Of Counsel
William F. Anhut ~ Of Counsel – Retired
Jane A. Slider ~ Legal Assistant

To: Hon. Mayor and City Council, City Manager
From: John M. Barr
Date: 1/19/2012
Re: City Income Tax

Councilmember Murdock asked several questions. This memo will set out the questions and my answers.

1. If a city income tax is adopted by referendum may the ordinance be amended as to rates and exemptions without another vote?

Answer. Yes. The default tax rate in the statute is 1% for residents and .5% for non-residents. The city income tax act in section 3(3) MCL 141.503 provides that the ordinance may be rescinded by the governing body at any time. The ordinance may be not be amended, except as provided by the legislature, but the ordinance may be amended by the city to change the tax rate to a rate authorized by the act.

My opinion is that once the income tax is effective that the city may rescind the ordinance or change the rate without voter approval. The city may not increase the rate above the default rate. The city may change the exemptions per MCL 14.631.

2. What is the range for individual personal exemptions?

Answer. Council may set the exemption in the original ordinance at a minimum of $600, or more. If an amount is not specified, the default amount would be the amount of the federal exemption. It is my opinion that the exemption amount could be changed after the ordinance is adopted. MCL 14.631.

Resolution No. 2012-035
February 21, 2012

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

THAT, the following individuals be appointed to the City of Ypsilanti Boards and Commissions as indicated below:

NAME	BOARD	TERM TO EXPIRE
1. Dan Lautenbach (reappointment) 106 Oakwood Ypsilanti, MI. 48197	Planning Commission	5/1/2015
2. Richard Murphy 406 Florence Ypsilanti, MI. 48198	Planning Commission	5/1/2015
3. Andrew Cameron (new appointment) 1313 W. Cross Ypsilanti, MI. 48197	Ypsilanti Community Utilities Authority (YCUA) *(replacing Deedra Climer who resigned)	12/1/2012

OFFERED BY: ____

SUPPORTED BY: ____

YES: NO: ABSENT: VOTE:

Statement by Claudia Pettit:

I currently work for Michigan Rehabilitation Services assisting individuals with disabilities to obtain self sufficiency through employment. I have worked in the field of disability for over 18 years and I am a strong advocate for all individuals who need assistance overcoming barriers. I have a Master's degree in Rehabilitation Counseling from Michigan State University and I am a Certified Rehabilitation Counselor and Licensed Professional Counselor. I currently serve on several boards including The Michigan Rehabilitation Association, The Michigan Rehabilitation Counselors and Educators Association, The Normal Park Neighborhood Association and The Ypsilanti Heritage Foundation.

I believe my professional and community work has provided a good background for working with the Human Relations Commission. My personal goals for working on the commission would include:

- To assist with any City related issues regarding discrimination or prejudice that arise by providing solution focused guidance to City Council that will foster healthy relationships between the City of Ypsilanti, its residents, businesses and visitors

- To promote a strong inclusive environment within the City of Ypsilanti that supports all individuals and groups operating and living within the City of Ypsilanti.

- To work towards a common goal of full participation in the Ypsilanti community of all individuals by assisting with the removal of physical, environmental and attitudinal barriers

City of Ypsilanti

City Manager's Office

Memorandum

To: Mayor Schreiber and City Council

From: ______________________________
Frances McMullan, Interim City Manager

Date: February 21, 2012

Subject: Annual Living Wage Report

Pursuant to the Living Wage Ordinance, outlined below is the annual report to the Mayor and City Council regarding the living wage.

In the past year, we have had 27 contracts subject to the Living Wage Ordinance. The companies are listed below.

Al's Asphalt Paving	Hafeli Starah Hallhan
Artemis Technologies	Imagesoft
Al Walters Heating & AC	Keller Thoma
Barr-Anhut & Associates	Olson Cement Work & Co.
Barrett Paving Materials	Orchard Hiltz & McCliment
City Body, Inc.	P.K. Contracting
CompOne	Pittsfield Township
Davey Tree Co.	Rehman Robson
Denney Constructions	Technical Service Prof.
DuAll Cleaning	Tyler Technologies
ECT	V & J Cement
Edwin Mainer	WCA Assessing
Gabriel Roeder & Smith	Warren Wisner
Governmental Consultants	

There have been no significant problems with compliance with the Ordinance. The Human Resources Department has verified that the contracts comply with the provisions of the Ordinance. A Letter of Verification or payroll records were obtained from those companies.

To date, there have been no complaints filed in relation to the Ordinance.

H:\Living Wage - 2011

CITY OF YPSILANTI
FIRE AND POLICE RETIREMENT BOARD
Minutes of December 19, 2011
9:00 A.M.

This meeting is being recorded for Retirement Board purposes only. The tape will be used solely for a purpose of preparing written Minutes of today's proceedings and in no way replaces the official written record. The tape will be erased upon approval of the Minutes at the next regularly scheduled meeting.

President Pearson called the meeting to order at 9:06 a.m. in the Council Chambers at One S. Huron St., Ypsilanti, Michigan.

ELECTION OF BOARD OFFICERS

President Pearson declared the Offices of the Fire & Police Retirement Board vacant.

MOTION: Trustee John Roe offered and Trustee Jill Kulhanek supported a motion that the nominations of Trustee Don Pearson for President and Trustee John Roe for Secretary be closed and a unanimous ballot be cast for the nominees. Approved

PRESENT: President Don Pearson, Secretary John Roe, and Trustee Jill Kulhanek. 3

ABSENT: Trustee Patrick Quinn and City Treasurer Kimberly Teamer. 2

ALSO PRESENT: Tom Michaud, Attorney
Robert Diskin, Finance Manager
Dale Hicks, Finance Manager
Sallea Tisch, City Finance Dept., Accounting Supervisor
Ken Hobbs – Ypsilanti Firefighter
Kathleen J. Campbell, Board Assistant

APPROVAL OF THE AGENDA – The Agenda was approved as presented. Kulhanek/Roe.

RES 2011-96 APPROVAL OF MINUTES OF OCTOBER 17, 2011 MEETING

The Minutes of the October 17, 2011 meeting was approved as presented. Kulhanek/Roe.

AUDIENCE PARTICIPATION

Sallea reported that the Budget will be planned for a two year period.

MOTION: Motion offered by Trustee Kulhanek, seconded by Secretary Roe to request the City Financial Department provide a Retirement and/or DROP estimate to members no later than 30 days following the member's Board approval of the written request. Members are requested to provide notice to the City and Retirement System at least ninety (90) days prior to their intended retirement date.

PRESIDENT'S REPORT (PEARSON) – No Report.

CORRESPONDENCE (ROE)

Secretary Roe distributed the usual correspondence to the Board Members.

FINANCIAL REPORT (DISKIN)

Mr. Diskin presented the financial report.

LEGAL REPORT (MICHAUD)

Mr. Michaud presented the new law on Public Pensions Taxation. He recommended an Agenda item requesting the Finance Department report on how the procedure is working.

PAYMENT RESOLUTIONS

A. RES 2011-97 Approved payment to Orleans Capital Management for investment management services for the period 07/01/11 to 09/31/11, in the amount of $4,852.86. Kulhanek/Roe.

B. RES 2011-98 Approved payment to Orleans Capital Management Strategic Dividend Income Fund for investment management services for the period 07/01/11 to 09/30/11, in the amount of $5,352.01. Kulhanek/Roe.

C. RES 2011 -99 Approved payment to Flippin, Bruce & Porter, Inc., for investment services for the calendar quarter ending September 30, 2011, in the amount of $4,414.31. Kulhanek/Roe.

D. RES 2011-100 Approved payment to Gabriel, Roeder, Smith & Company regular actuarial and consulting services performed for quarter October 1, 2011 through December 31, 2011, in the amount of $2,060.00. Kulhanek/Roe.

E: RES 2011-101 Approved payment to MAPERS for Membership Dues for the year 2012 in the amount of $100.00. Kulhanek/Roe.

F. RES 2011-102 Approved payment to Kathleen J. Campbell, Board Assistant, for services rendered for the period 10/12/11 – 12/12/11 in the amount of $1,007.00. Kulhanek/Roe.

OLD BUSINESS

RES 2011-103 JEFFREY DAVIS, CITY OF YPSILANTI FIRE DEPARTMENT – ANNUITY WITHDRAWAL DISTRIBUTION UNDER DROP PROGRAM

WHEREAS, the Board of Trustees of the City of Ypsilanti Fire and Police Retirement System is vested with the authority for the administration, management and operation of the Retirement System, and

WHEREAS, Jeffrey Davis has elected to participate in the Deferred Retirement Option Plan (DROP) effective July 8, 2011, and

WHEREAS, the Board of Trustees is in receipt of a request from Mr. Davis to commence receipt of his Accumulated Contribution Account, and

WHEREAS, Mr. Davis' Accumulated Contribution Account balance is currently ~~$113,473.94~~ $110,973.96, therefore be it

RESOLVED, that Mr. Davis be credited with interest of $21,491.67 on his accumulated contributions through December 2011, for a total of ~~$134,965.61~~ $132,465.63 and further

RESOLVED, that the Board is in receipt of the option choice of Straight Life (Life Pension with 60% Surviving Spouse Benefit) and supporting documentation, the Board of Trustees authorizes the distribution of Mr. Davis' accumulated contribution account balance and interest as detailed above and in accordance with his elections and the DROP, and further
RESOLVED, that Mr. Davis shall, upon retirement, receive a bi-weekly pension benefit in the amount of $1,468.60 (based upon an annual regular pension of $38,183.52), and further
RESOLVED, that benefits be paid consistent with the foregoing, and further
RESOLVED, that a copy of this resolution shall be provided to Mr. Davis and the appropriate City representatives.

Kulhanek/Pearson.

RES 2011-104 JOHN PAUL ROE, CITY OF YPSILANTI FIRE DEPARTMENT – ANNUITY WITHDRAWAL DISTRIBUTION UNDER DROP PROGRAM
WHEREAS, the Board of Trustees of the City of Ypsilanti Fire and Police Retirement System is vested with the authority for the administration, management and operation of the Retirement System, and
WHEREAS, John Paul Roe has elected to participate in the Deferred Retirement Option Plan (DROP) effective August 17, 2011, and
WHEREAS, the Board of Trustees is in receipt of a request from Mr. Roe to commence receipt of his Accumulated Contribution Account, and
WHEREAS, Mr. Roe's Accumulated Contribution Account balance is currently $135,922.16, therefore be it
RESOLVED, that Mr. Roe be credited with interest of $33,128.37 on his accumulated contributions through December 2011, for a total of $169,050.53, and further
RESOLVED, that the Board is in receipt of the option choice of Straight Life (Life Pension with 60% Surviving Spouse Benefit) and supporting documentation, the Board of Trustees authorizes the distribution of Mr. Roe's accumulated contribution account balance and interest as detailed above and in accordance with his elections and the DROP, and further
RESOLVED, that Mr. Roe shall, upon retirement, receive a bi-weekly pension benefit in the amount of $ 1,826.81(based upon an annual regular pension of $47,497.08), and further
RESOLVED, that benefits be paid consistent with the foregoing, and further
RESOLVED, that a copy of this resolution shall be provided to Mr. Roe and the appropriate City representatives.

Kulhanek/Pearson.

NEW BUSINESS

BOARD ASSISTANT'S ANNUAL REPORT (CAMPBELL)

MOTION: Trustee Kulhanek offered and Secretary Roe supported a motion to receive and file the Board Assistant's Annual Report as presented in the Board Members' packets. Approved.

ADJOURNMENT

MOTION: Trustee Kulhanek offered and Secretary Roe supported a motion to adjourn the meeting of December 19, 2011 at 10:23 a.m. Approved.

Next meeting is scheduled for February 13, 2012, 9 a.m.

TO: City of Ypsilanti Mayor and City Council
YHC Board of Commission

FROM: Walter Norris, Jr. Executive Director
Ypsilanti Housing Commission

RE: YHC Sustainability Plan Update

DATE February 15, 2012

Below is the biweekly update of YHC Sustainability Plan. The YHC Commissioners, Executive Director and staff, continues to work toward meet the Accomplishment dates set in the plan.

Programmatic Governance and Execution

1. **The Board of Commissioners does not provide required governance over the Ypsilanti Housing Commission's ("YHC") programs, finances, and the Executive Director**

   A. *YHC BOC met and evaluated the ED, on January 13,2012*

   B. *Each BOC member was issued/reissued a copy of the YHC Procurement Policy on 10-28-2011.*

   C. *The procurement policy was updated reviewed and approval by the BOC at their December 12-15-2011 meeting.*

   D. *The BOC voted to review on quarterly basics all major contracts and 10% of all contracts issued, procurement awards etc. to assure that YHC is in compliance with the board's adopted procurement policy.*

   E. *The YHC requested that the Board and the City council receive a biweekly report effective January 18 until the plan is completed and accepted by HUD Council and board received a update report on January 18*

   F. *YHC has summited bi weekly report to the City Council, YHC BOC and HUD January 26, & Feb 2,2012*

2. **YHC is often non-responsive to the Department's request for information and the ED is often unreachable by HC or HUD staff**

   A. ED, will provide appropriate responses within the requested time frames all HUD communication i.e. e-mail, letters, telephone messages with copies sent to the BOC.

   B. The ED will be present in the YHC offices per the designated schedule prescribed in the YHC Personnel Policy unless out of office for meeting or other office related business, vacation, sick leave or emergencies all of which will be communicated to the BOC President or other designated person by the BOC *an added addendum for response to questions. Award date has also been moved until February Board meeting or a requested call meeting*

B. YHC has received and is reviewing the RFP's for Audit service and Fee accountant. The Director will make recommendation to the Board at YHC March board meeting

C. YHC has received all RFP's for Legal and will be reviewing. The Director will make a recommendation to the Board at the March Board meeting.

2. Financial Reporting to the Board is often not adequate to enable Board to make decisions.

A. YHC fee accountant has developed monthly accounting reports for the BOC that are clear and understandable and in compliance with the financial policies of the BOCs.

B. These include monthly actual to budget comparisons Chart.

C. The YHC staff at the direction of the YHC BOC and in compliance with HUD regulation issued a RFP for Fee Account and Independent Audit Services.

3. YHC is using/has used LRPH funds to support its non-LRPH mixed finance project.

A. Separate Checking Account has been established to ensure funds are properly separated and expended only for eligible approved budgeted expenses.

B. YHC has reimbursed all questioned and costs to its low rent program from its Development Fee Account.

C. This Development Fee Account is funded with nonfederal funds and therefore the reimbursement is from nonfederal funds.

D. In compliance with the HUD review team recommendation, a Cost Allocation plan I will be reviewed by the BOC

E. Plan has been established and provides for allocations from the Development Fee Account to the YHC general fund account for YHC staff time provided to its non-public housing property, Hamilton Crossing.

F. The Plan will reflect a percentages allocation to staff salaries and other overhead and soft cost to YHC

G. YHC Board to approval an allocation plan at February 2012 board meeting

4. There is approximately $20,114 in questioned costs identified during the initial site visit.

A. The YHC has in its files/possession documentation supporting the resolution of all questioned costs, i.e. receipts etc. and as of 8-2-2011 HUD reviewed the documents

B. YHC has, effective 10-26-2011, repaid in-eligible costs to its low rent housing program from its Development Fee account for any expenditure questioned as in-eligible.

Programmatic Governance and Execution

1. **YHC has a large percentage of vacant units (approx. 11%); YHC does not meet HUD standards for unit turnaround time; YHC does not have a plan or policy to make viable units market ready.- Modernization actions and costs must be included in YHC's Agency Plan and routine maintenance costs for unit turnaround must be included in YHC's operating budget.**
   - YHC's unit turnaround time is currently 99 days, 78 days longer than required under HUD regulations. YHC should keep its average unit turnaround time under 21 days

A. *Vacant unit turnaround plan will be created by Property Manager, Maintenance Coordinator and ED by 12/31/2011.*

B. *Vacancy; FYE 6/30/10 we had a 5% vacancy rate or averaged 9 vacant units per month for the year; Vacancy Rate as of*

C. *FYE 6/30/11 we had a 9% vacancy rate or averaged 17 vacant units per month for the year; (this vacancy increase was caused by YHC Public Housing Residents being issued Housing Choice Vouchers or section 8 subsidies, causing their move from Public housing units to Section 8 units); however due to public housing rent up efforts the*

D. *YHC currently has a 1% vacancy rate, or an average of 2 vacant unit as of 2-15-2012*

E. *Housing Data System, the YHC Vendor for maintenance of the Public Housing data in the HUD PIC system, will upload of Unit Turnaround/ Lease Batch be done on a monthly basis as opposed to a quarterly basis*

F. *YHC Administrative staff / Administrative Specialist will review Agency Plan and 2012 CFP Budget and will recommend revisions as needed. The YHC Budgets will reflect all current PNA items. Revised Agency Plan and CFP Budget will be presented to YHC BOC at February meeting.*

2. ***The ARRA and Capital programs have severe deficiencies as evidenced by the lack of documentation and very poor record keeping.***

A. *YHC has provided documentation to clear this finding regarding the use of insurance proceeds and CFP funds in the same units.*

B. *Documentation is available in our offices and has been provided both physically and by email to the HUD review team.*

C. *Records management procedures/system will be set up by the Administrative Specialist with supervision by the ED and presented to the YHC BOC at the March 2012 meeting. The maintenance supplies are also being included in the record management systems.*

Resolution No. 2012 - 036
February 21, 2012

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

That the City Council Meeting be adjourned, on call, by the Mayor or two (2) members of Council.

OFFERED BY: ____

SUPPORTED BY: ____

YES: NO: ABSENT: VOTE: