



**City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS**

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Legislative File No: 2005-0529

TO: Mayor and City Council Members
FROM: Ed Anzek, Director of Planning and Development, ext. 2572
DATE: March 30, 2005
SUBJECT: Request for Tax Abatement by Lutheran Social Services

REQUEST:

LSSM is requesting a 45 year payment in lieu of taxes agreement in order to make renovations and upgrades to Danish Village, located at 2566 Walton Blvd.

BACKGROUND:

Mr. Lou Prues of Lutheran Social Services of Michigan (LSSM), owners of Danish Village, an affordable housing facility for seniors, recently met with staff to discuss LSSM's plans to spend \$3.75-million to upgrade the 150-unit senior citizen apartment building. Danish Village was constructed 25 years ago using a HUD mortgage. The property is tax exempt pursuant to Section 211.7d of the General Property Tax Law, Act 206 of 1893, as amended. The exempted taxes are reimbursed to the City by the State Department of Management and Budget under this provision. In 2004, the City received a reimbursement of \$134,698.27 and the funds were distributed proportionately to the taxing jurisdictions based on millage rates. The City of Rochester Hills portion was \$21,693.48.

LSSM is making application to MSHDA for Tax Credits through the Low Income Housing Tax Credit Program. The deadline for submission is April 15, 2005. If its application is successful, Great Lakes Capital Fund will purchase the credits, giving Danish Village Limited Dividend Housing Association, LP the funds necessary to make the improvements. The program requires that Danish Village maintain its affordable rents for a minimum of 15 years. However, by committing to an additional 30 years and receiving a tax abatement from the City, its application for the credits is strengthened.

LSSM is requesting a 4% payment in lieu of taxes (PILOT) for the full 45-year period. By granting this PILOT, the City will lose its reimbursement from the State. The PILOT is expected to generate \$26,000-\$30,000 per year for the first 10 years, and increasing based on a gradual increase in rents during the next 35 years.

Mr. Prues indicated that the proposed upgrades include adding air conditioning to the units as well as updating the kitchen areas. In the future, LSSM hopes to develop the remainder of the property, six acres, as affordable senior housing.

The City processed a similar request by Cliffview in 2003 and adopted an Ordinance granting a 4% PILOT.

RECOMMENDATION:

In order to ensure adequate and quality housing for our low-income senior residents, the transfer and extension of the tax exemption is recommended for this MSHDA financed renovation project. The continuation of the total exemption is recommended with a caveat that should the project fail to achieve 80% low income tenancy for any given tax year, the service charge language imposed on the more recent project would apply. This would continue to be an incentive to keep the development targeted to our low-income residents.

On our more recent exempted MSHDA housing projects, Mercy Bellbrook and Waltonwood, we charge an In Lieu of Tax Fee of 4% of annual shelter rents with a caveat that if they fail to achieve 80% low income tenancy for any given tax year, an additional service charge shall be paid each year in lieu of taxes for that portion of the housing development in excess of 20 percent that is occupied by other than low income persons or families in order that the service charge paid for that portion shall be equal to the full amount of the taxes that would be paid on that portion of the development if the development were not tax exempt.

It is further recommended that City Council authorize the City Attorney to draft an ordinance amendment to the Code of Ordinances, Community Development, Article II, Tax Exempt Housing providing Danish Village Limited Dividend Housing Association, LP a tax exemption and for which a service charge shall be paid in lieu of such taxes pending evidence of certification by MSDHA that Danish Village is tax exempt under its programs.

RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
City Council Liaison		