



Avon Towers

Rochester Hills, MI

Proposal to Preserve & Enhance Local Affordable Senior Housing

Introduction to Related Affordable

- **Related Affordable** (“RA”), a subsidiary of The Related Companies, L.P. (“Related”), is a leading acquirer, developer, and preserver of affordable housing throughout the U.S. Founded in 1972, Related has its roots in affordable housing development and today stands as one of the world’s largest private real estate developers.
- Related has maintained its commitment to developing quality affordable housing. RA’s focus is on **preserving America’s affordable housing stock by acquiring and/or rehabilitating aging affordable assets that are at risk of losing affordability, thereby extending affordability with significant physical renovations and upgrades.** In total, RA controls over 50,000 units of affordable housing across the country.



Avon Towers: Affordable Senior Housing in Rochester Hills

- Avon Towers is a **125-unit affordable multifamily rental property for seniors located at 435 S. Livernois Road**, right next to Ascension Providence Rochester Hospital.
- Built in 1979, the property consists of one midrise building with 116 one-bedroom units and 9 two-bedroom units restricted to persons aged 62 and older as well as disabled adults.
- Avon Towers also offers **central laundry facilities, a community room, library, computer room, and outdoor patio area** in addition to on-site management and off-street parking.
- The property is a quality place for seniors to live, but it is **in need of renovation to ensure its longevity** as a critical affordable housing asset in the local community.



Homelessness Among the Elderly is on the Rise

Homelessness Rises Among Older People as Housing Costs Increase

A shortage of affordable housing, the ending of pandemic aid, soaring rents and other factors are feeding the national issue.

By Dan Frosch | Photographs by Kyle Green for The Wall Street Journal

MARCH 2, 2023

TAP STORY >



“Homeless shelters and aging-service groups in numerous cities say they are seeing more elderly people in desperate need of housing than in years past. A confluence of factors are driving the increase...including soaring rents, a nationwide shortage of affordable housing, and the winding down of pandemic-related aid programs.

“Debbie Sholley, 62, is afraid of being evicted from her rented Boise, Idaho, home after experiencing financial difficulties following the death of her husband...She is on a waiting list for the Section 8 low-income federal housing program, but that could take well over a year.”

RA Plans to Extend Affordability at Avon Towers

- Avon Towers operates under a project-based Housing Assistance Payment (“HAP”) Contract with the Department of Housing & Urban Development (“HUD”), which covers all 125 units and ensures that tenants pay no more than 30% of their household incomes on rent.
- The property’s HAP contract **expires on October 31, 2024**, meaning that its affordability is at risk if not preserved.
- RA intends to enter into a 20-year Section 8 HAP renewal contract (the longest term allowed by HUD) as well as new regulatory restrictions with the Michigan State Housing Development Authority (“MSHDA”) to **maintain the affordability of the property for current and future residents for at least 30 more years.**



RA Also Plans to Rehabilitate Avon Towers

In conjunction with the extension of the affordability of Avon Towers, RA intends to undertake an approximately 12-month renovation to improve various aspects of the property. The total renovation budget is projected to be approximately **\$8.1 million**, including contingency (or **\$65,000/unit**). Upgrades will include:

- Unit interior work (including upgrades to bathrooms and kitchens)
- Common area work (including new flooring, painting, and signage)
- Repairs to mechanicals, elevator, façade (including new windows), and roof
- ADA accessibility compliance work
- Landscaping, outdoor lighting, and asphalt repairs/paving
- Modernization of the on-site office, community room, and laundry facilities
- Energy efficiency upgrades

Impact on Residents & the Larger Community

Benefits to Residents



Aging in Place: Senior households will be able to remain and age comfortably in their homes



Strong Financial Outcomes: Continued housing affordability will promote residents' economic wellbeing



Strong Health Outcomes: Continued housing stability and enhanced housing quality will promote physical and mental health



Access to Critical Community Amenities within a One-Mile Radius: Kroger, Walgreens, Ascension Providence Rochester Hospital, and Rochester Municipal Park

Benefits to the City & Region



Curb Appeal: Rehabilitation will significantly improve the exterior appearance of the property and promote neighborhood attractiveness



Job Creation: Project is estimated to create 20-25 jobs over 12 months and will recruit from the local community



Local Spending: Mitigated rent burden facilitates local business patronage and spending



Regional Business Support: Project must incorporate products manufactured by Michigan-based companies

RA's Proposed Rehabilitation Strategy

1. An affiliate of RA will acquire and recapitalize the property in Q2 2024.
2. RA will undertake a renovation of the property, spending in excess of \$8.1 million over 12 months.
3. The renovation will focus on modernizing units, enhancing amenities, extending the property's useful life, and improving quality of life for residents.
4. In connection with new tax-exempt bonds and 4% Low Income Housing Tax Credits, RA will enter into new regulatory agreements with MSHDA that will ensure the property provides affordable housing to residents of Rochester Hills for at least the next 30 years.

To enable new long-term financing via MSHDA, RA is proposing to work with the City of Rochester Hills and enter into a new PILOT agreement in order for the lender/investor to underwrite a consistent stream of property tax expense that ensures the transaction is financially feasible.

TIMING OF CLOSING: Q2 2024

RENOVATION TIMING: Approx. 12 months

TARGET COMPLETION: May 1, 2025

FINANCING: Tax-Exempt Bonds & 4% LIHTCs

BOND ISSUER: MSHDA

LIHTC ALLOCATOR: MSHDA

Avon Towers Today



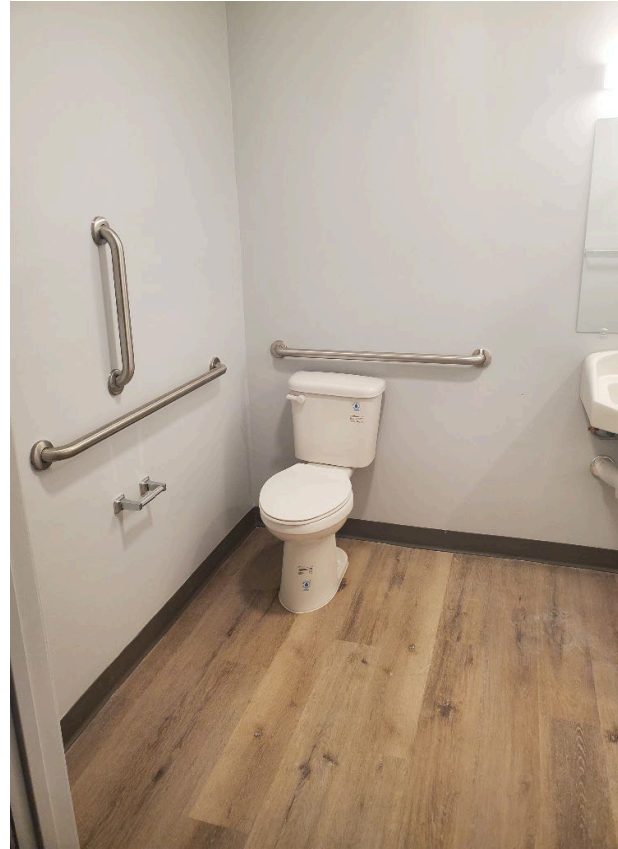
Avon Towers Rehab Vision – RA Examples



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Avon Towers Rehab Vision – RA Examples



Proposed 4% PILOT

RA proposes to enter into an annual Payment in Lieu of Taxes (“PILOT”) set at 4% of net annual shelter rent, defined as total rent collected less utility expenses, over a 30-year term. The first year payment is expected to be approximately \$87,400 and escalate annually, as shown below.*

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
\$87,437	\$89,132	\$90,859	\$92,620	\$94,413	\$96,241	\$98,103	\$100,001	\$101,935	\$103,906	\$105,913	\$107,959	\$110,044	\$112,168	\$114,333
Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
\$116,538	\$118,785	\$121,074	\$123,407	\$125,783	\$128,205	\$130,672	\$133,185	\$135,746	\$138,354	\$141,012	\$143,720	\$146,478	\$149,288	\$152,151

TOTAL ESTIMATED TAX REVENUE OVER 30 YEARS = \$3.5 MILLION

This PILOT will provide the project with predictable future property tax payments that can be underwritten by our financing partners and make the preservation project feasible.

**Projected annual tax amounts shown above are based on estimated annual rental revenues and estimated annual utilities costs, and are subject to change based on actuals.*

PILOT Intent & Eligibility

The State of Michigan and federal government have created incentives to encourage the development of housing for low-income and disabled residents. Tax and financing programs are intended to make these properties economically feasible to operate.

Michigan statute MCL 125.1415a provides that housing owned and operated by a non-profit or Limited Dividend Housing Association (“LDHA”) for occupancy by low-income residents is eligible for an exemption from ad valorem property taxes.

Program Criteria	Avon Towers’ Eligibility
Owned/operated by a non-profit or LDHA	Owned by Avon Towers Preservation Limited Dividend Housing Association Limited Partnership
Construction/rehabilitation financed by a federally or state-aided mortgage or loan	Rehabilitation to be financed with MSHDA tax-exempt bonds and federal LIHTCs
Occupied by low/moderate-income residents	Is and will continue to be income-restricted at 60% of AMI
Make a Payment in Lieu of Taxes (“PILOT”)	Proposed PILOT is 4% of annual shelter rent

Local Related Affordable Precedents

New Baltimore

New Baltimore, MI

- In 2022, RA worked with MSHDA and the City of New Baltimore, MI to structure another similar transaction.
- MSHDA issued \$9.23 million in short-term conduit tax-exempt bonds and allocated over \$6 million in LIHTCs to finance the acquisition and renovation of New Baltimore Place in New Baltimore.
- RA also worked with the City to structure a PILOT for the property to ensure this project was financially feasible.

Butternut Creek

Charlotte, MI

- In 2022, RA worked with MSHDA and the City of Charlotte, MI to structure another similar transaction.
- MSHDA issued \$9.72 million in short-term conduit tax-exempt bonds and allocated over \$5.8 million in LIHTCs to finance the acquisition and renovation of Butternut Creek in Charlotte.
- RA also worked with the City to structure a PILOT for the property to ensure this project was financially feasible.

Woodland Hills

Jackson, MI

- In 2021, RA worked with MSHDA and the City of Jackson, MI to structure a transaction very similar to our proposal for Avon Towers.
- MSHDA issued \$10.53 million in short-term conduit tax-exempt bonds and allocated over \$7.7 million in LIHTCs to finance the acquisition and renovation of Woodland Hills in Jackson.
- RA also worked with the City to structure a PILOT for the property to ensure this project was financially feasible.

Thank You – Questions?
