



Avon Towers

Rochester Hills, MI

Updated Proposal to Preserve & Enhance Local Affordable Senior Housing

Overview of Proposed Preservation & Rehabilitation of Avon Towers

- 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.
- The property's HUD Housing Assistance Payment ("HAP") contract **expires on October 31, 2024**, meaning that it is at risk of being converted to market-rate in 10 months if its affordability is not preserved.
- In conjunction with an **\$8 million renovation** of the property, Related Affordable ("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.**



Project Updates

- Tax-Exempt Bond/4% Low Income Housing Tax Credit (“LIHTC”) application submitted to MSHDA in early December
- Post-rehab rents for Section 8 renewal contract approved by HUD in mid-December
 - Same rents forming basis of Payment in Lieu of Taxes (“PILOT”) calculation submitted to the City of Rochester Hills
- **Assembled construction team**
 - Architect – Fusco, Shaffer & Pappas, Inc.
 - General Contractor – LR Contracting Company
 - Environmental Consultant – Energy Diagnostics
- ***Next key milestones***
 - *PILOT approval (January 2024)*
 - *MSHDA bond inducement (February 2024)*
 - *MSHDA bond commitment (March 2024)*
 - *Closing of property acquisition/new financing (April 2024)*
 - *Commencement of rehab (May 2024)*

New Proposed 6% PILOT

RA listened to feedback during our first presentation to the City Council and proposes to enter into an annual Payment in Lieu of Taxes (“PILOT”) set at 6% of net annual shelter rent, defined as total rent collected less utility expenses, over a 30-year term. This would ensure that tax revenue to the city remains approximately the same as currently projected (assuming no rehab).

The first payment under the PILOT is expected to be approximately \$134,205 and escalate annually.*

PROJECTED REAL ESTATE TAX PAYMENTS - NO PURCHASE

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		
\$125,475	\$128,512	\$131,622	\$134,807	\$138,069	\$141,410	\$144,833	\$148,338	\$151,927	\$155,604	\$159,370	\$163,226	\$167,176	\$171,222	\$175,366		
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		
\$179,610	\$183,956	\$188,408	\$192,967	\$197,637	\$202,420	\$207,318	\$212,336	\$217,474	\$222,737	\$228,127	\$233,648	\$239,302	\$245,093	\$251,025	30-Year Total	\$5,439,015

*Assumes 2.42% annual escalation (average CPI rate of inflation)

PROJECTED REAL ESTATE TAX PAYMENTS - 6% PILOT

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		
\$134,205	\$136,808	\$139,460	\$142,163	\$144,918	\$147,725	\$150,585	\$153,500	\$156,470	\$159,496	\$162,580	\$165,723	\$168,925	\$172,187	\$175,512		
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		
\$178,899	\$182,350	\$185,867	\$189,450	\$193,101	\$196,820	\$200,610	\$204,471	\$208,405	\$212,412	\$216,495	\$220,655	\$224,893	\$229,210	\$233,609	30-Year Total	\$5,387,504

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.

Avon Towers Today



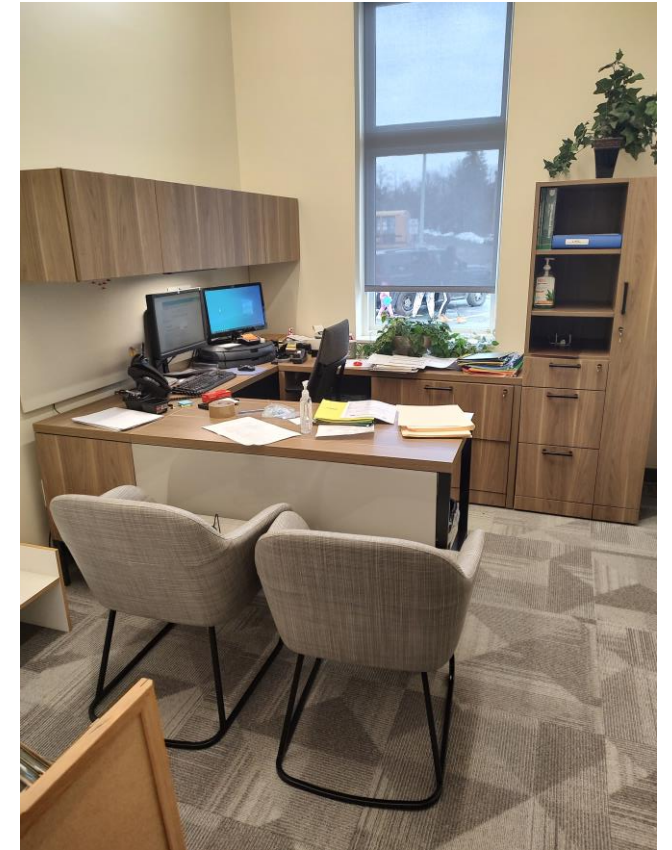
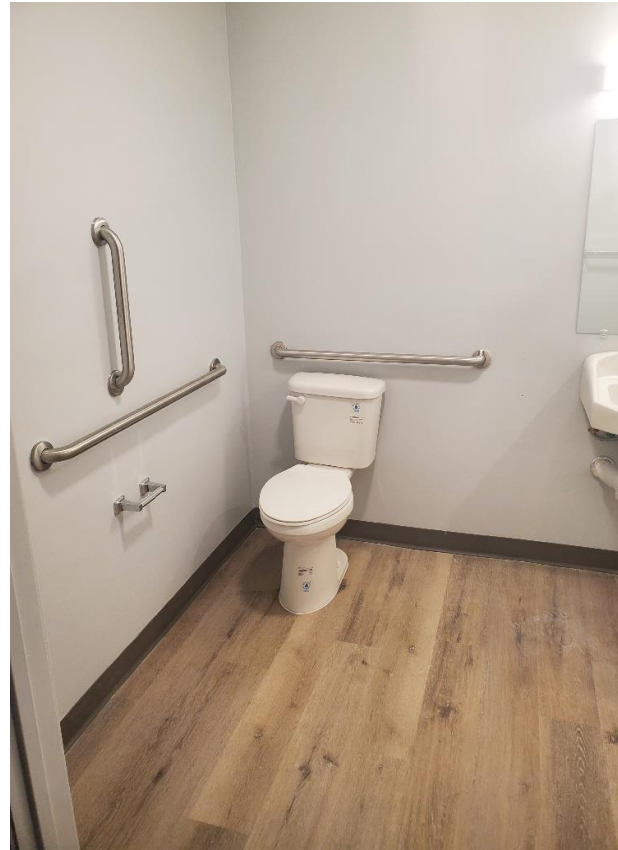
Avon Towers Rehab Vision – RA Examples



Avon Towers Rehab Vision – RA Examples



Avon Towers Rehab Vision – RA Examples



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 6% of annual shelter rent

Thank You – Questions?
