



City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS

1000 Rochester Hills Dr.
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Legislative File No: 2023-0508

TO: Mayor and City Council Members
FROM: Laurie A. Taylor, Director of Assessing
DATE: January 8, 2024
SUBJECT: Request for PILOT Agreement for Related Affordable

REQUEST:

Related Affordable is requesting a 30-year payment in lieu of taxes (PILOT) agreement in order to purchase and make renovations and upgrades to Avon Towers, located at 435 S Livernois.

BACKGROUND:

Related Affordable currently has a purchase option to acquire Avon Towers, a 125-unit multifamily residential apartment complex that operates as an income-restricted affordable housing property serving senior residents.

The facility was originally constructed in 1979. Related Affordable is proposing an extensive renovation and rehabilitation of the property to significantly improve the aesthetic and curb appeal of the property, extend the useful life of critical building systems and improve the lives of the residents. The proposed redevelopment is to be financed with new tax-exempt bonds issued by Michigan State Housing Development Authority, (MSHDA), and equity from the sale of 4% Low Income Housing Tax Credits, (LIHTC). As a requirement of the federal LIHTC program, Related Affordable would enter into a new long-term regulatory agreement that would restrict 100% of the Property's units at 60% of the Area Median Income for the next 30 years.

Related Affordable has submitted a request for a new PILOT Agreement with the following key attributes:

- A fixed annual PILOT set at 6% of net annual shelter rent, with the initial payment estimated to be approximately \$134,205
- A 30-year term, matching the terms of the LIHTC regulatory agreement which would be entered into with Michigan State Housing Development Authority

MCL 125.1415a(1) & (2) states that a housing project financed with a federally-aided or MSHDA-aided mortgage or advance is tax exempt. The tax exemption remains in place for the duration of the federal or MSHDA financing.

MCL 125.1415a(3) states that the tax-exempt housing project must pay an annual service charge in lieu of taxes for public services (i.e., a PILOT). Subsection a(3)(a)(ii) states that for a rehabilitation project the service charge will be the lesser of the property tax on the project before the date on which rehabilitation commences or 10% of annual shelter rents obtained from the project.

Subsection a(3)(b) states that a municipality may, by ordinance, establish or change, by any amount it chooses the service charge to be paid, provided that the service charge doesn't exceed the amount of taxes the project owner would otherwise have to pay if the project was not tax exempt.

With previous PILOT housing projects, Waltonwood Ltd Div Housing and Danish Village LDHA, 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. For that portion of the housing development in excess of 20 percent that is occupied by other than low-income persons or families, the service charge paid 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.

RECOMMENDATION:

Upon the approval of the establishment of a Payment in Lieu of Taxes (PILOT) agreement, it is 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 Avon Towers a tax exemption and for which a service charge shall be paid in lieu of such taxes pending evidence of certification by MSDHA that Avon Towers is tax exempt under its programs.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
Deputy Clerk		

Contract Reviewed by City Attorney Yes N/A