



City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS

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Legislative File No: 2024-0159

TO: Mayor and City Council Members
FROM: Laurie A. Taylor, Director of Assessing
DATE: March 18, 2024
SUBJECT: Request for Revised PILOT Agreement for Danish Village

REQUEST:

DV Limited Dividend Housing Association, Limited Partnership is requesting a 35-year payment in lieu of taxes (PILOT) agreement in order to purchase and make renovations and upgrades to Danish Village, located at 2566 Walton Boulevard.

BACKGROUND:

DV Limited Dividend Housing Association (LDHA), Limited Partnership (LP), an affiliate of Redwood Housing currently has a purchase option to acquire Danish Village, a 150-unit multifamily residential apartment complex that operates as an income-restricted affordable housing property serving senior residents.

The facility was originally constructed in 1981. DV 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. DV plans to renew the existing Section 8 Housing Assistance Payment (HAP) contract, maintain the income restrictions that govern eligible tenancy outlined in the MSHDA Regulatory Agreement until 2037 and finance a comprehensive renovation with a HUD-insured FHA 223(f) loan.

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

- A fixed annual PILOT set at 4% of net annual shelter rent, with the initial payment estimated to be approximately \$124,952
- A 35-year term, matching the terms of the proposed HUD-insured FHA 223(f) loan

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.

As set forth in the previous Danish Village LDHA PILOT housing project agreement, we charged 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 amendment to the 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, Section 30-32 Danish Village for a tax exemption and for which a service charge shall be paid in lieu of such taxes pending evidence of certification that Danish Village (DV Limited Dividend Housing Association, Limited Partnership) is tax exempt under a federally-aided or MSHDA-aided mortgage or advances program.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
Deputy Clerk		

Contract Reviewed by City Attorney Yes N/A