



OFFICE OF THE CHIEF FINANCIAL OFFICER
Office of the Assessor

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May 10, 2023

Honorable City Council

RE: Helen O'Dean Butler II Limited Dividend Housing Association, LLC – Payment in Lieu of Taxes (PILOT)

Vital Investments in Our Neighborhood (“V.I.S.I.O.N.”) has formed Helen O’Dean Butler II Limited Dividend Housing Association, LLC in order to develop the Project known as Helen O’Dean Butler Apartments. The Project consists of ninety-seven (97) existing housing units located in an 8-building apartment complex for families in an area bounded by East Vernor Highway on the north, Mount Elliott on the east, East Lafayette on the south and Prince Hall Drive on the west.

The preservation and in-place rehabilitation Project will include sixty-nine (69) 1-bed, 1-bath and twenty-eight (28) 3-bed, 2-bath apartments. Permanent tenant displacement will not be a factor given the plan for hospitality spaces during renovation as it is anticipated that residents will return to their unit each evening and will have a fully renovated unit within a five-day period.

A construction loan in the amount of \$9,094,141, a permanent loan in the amount of \$5,063,611 and a permanent HOME loan assumption in the amount of \$2,800,000 will be provided by Michigan State Housing Development Authority (“MSHDA”). Cinnaire will make Capital Contributions of \$6,039,346 which includes the purchase of Low Income Housing Tax Credits. A Seller Note in the amount of \$2,280,676 will be provided by V.I.S.I.O.N. Additionally, the Sponsor has agreed to defer \$566,487 of the developer fee.

Rents for twenty percent (20%) of the units will remain at fifty percent (50%) of the area median income (“AMI”), adjusted for family size. The remaining eighty percent (80%) will be held to sixty percent (60%) AMI. A tenant transition reserve will be established to assist existing residents to slowly transition to higher rent levels over a period of up to five (5) years. All ninety-seven (97) units will be subject to the PILOT based on Section 15a of the State Housing Development Authority Act of 1966, as amended. In order to make this development economically feasible, it is necessary for it to receive the benefits of tax exemption under Section 15a of the State Housing Development Authority Act of 1966 (P.A. 346 as amended, MCL 125.1415A). Adoption of the resolution by your Honorable Body will therefore satisfy the requirements of Public Act 346 and City Ordinance 9-90, as amended, by establishing a service charge of four percent (4%) of the annual net shelter rent obtained from this housing project.

Respectfully submitted,

Alvin Horhn,
Deputy CFO/Assessor

Attachment

JB/jb



BY COUNCIL MEMBER _____

WHEREAS, pursuant to the provisions of the Michigan State Housing Development Act, Act 346 of the Public Acts of 1966, as amended, being MCL 125.1401 se seq. (the “Act”), a request for exemption from property taxes has been received on behalf of V.I.S.I.O.N. (the “Sponsor”); and

WHEREAS, a housing project as defined in the Act is eligible for exemption from property taxes under Section 15a of the Act (MCL 125.1415a) if the Michigan State Housing Development Authority (“MSHDA”) provides funding for the housing project, or if the housing project is funded with a federally-aided mortgage as determined by MSHDA; and

WHEREAS, Section 15a of the Act (MCL 125.1415a) provides that the local legislative body may establish by ordinance the service charge to be paid in lieu of taxes, commonly known as a PILOT; and

WHEREAS, the City of Detroit has adopted Ordinance 9-90, as amended, being Sections 18-9-10 through 18-9-16 of the Detroit City Code to provide for the exemption from property taxes of eligible housing projects and to provide for the amount of the PILOT for said housing projects to be established by resolutions of the Detroit City Council after review and report by the Board of Assessors; and

WHEREAS, the Sponsor is proposing to undertake the rehabilitation of an existing housing project to be known as the Helen O’Dean Butler Apartments consisting of ninety-seven (97) units in a building complex located on two (2) parcels of property owned or to be acquired by the Sponsor as described by street address and tax parcel in Exhibit A to this resolution, with all ninety-seven (97) units for low and moderate income housing (the “Project”); and

WHEREAS, the purpose of the Project is to serve low to moderate income persons as defined by Section 15a(7) of the Act, being MCL 125.1415a(7); and

WHEREAS, MSHDA has provided notice to the Sponsor that it intends to approve federal-aided financing for the Project in the form of Low Income Housing Tax Credits, provided that the Detroit City Council adopts a resolution establishing the PILOT for the Project; and

WHEREAS, pursuant to Section 15a of the Act, being MCL 125.1415a(1), the tax exemption is not effective until the Sponsors first obtain MSHDA certification that the housing project is eligible for exemption, and files an affidavit, as so certified by MSHDA, with the Board of Assessors; and

WHEREAS, pursuant to Section 18-9-13(G) of the Detroit City Code, the tax exemption shall be effective on adoption, with the tax exemption and PILOT payment to occur only upon bona fide use and physical occupancy by persons and families eligible to move into the project, in accordance with the Act, which must occur as of December 31 of the year preceding the tax year in which the exemption is to begin;



NOW, THEREFORE, BE IT

RESOLVED, that in accordance with City Code Section 18-9-13, the Project known as Helen O'Dean Butler Apartments as described above is entitled to be exempt from taxation but subject to the provisions of a service charge of four percent (4%) for payment in lieu of taxes as set forth in Act No. 346 of the Public Acts of 1966, as amended, being MCL 125.1401, et seq.; and be it further

RESOLVED, that arrangements to have collections of a payment in lieu of taxes from the Sponsor be established upon occupancy for future years with respect to the same be prepared by the Office of the Chief Financial Officer; and be it further

RESOLVED, that specific legal description for the Project shall be as set forth in the certification from MSHDA; and be it further

RESOLVED, that in accordance with Section 15a(3) of the Act, MCL 125.1415a(3), the exemption from taxation shall remain in effect for as long as the MSHDA-aided or Federally-aided financing is in effect, but not longer than fifty (50) years, and shall terminate upon the determination by the Board of Assessors that the Project is no longer eligible for the exemptions; and be it further

RESOLVED, that the City Clerk furnish the Office of the Chief Financial Officer – Office of the Assessor two certified copies of this resolution; and be it further

RESOLVED, that this resolution is adopted with a waiver of reconsideration.



EXHIBIT A

Helen O'Dean Butler II Limited Dividend Housing Association, LLC

The following real property situated in Detroit, Wayne County, Michigan:

PARCEL 1:

**S VERNOR HWY 58 ELMWOOD PARK URBAN RENEWAL PLAT NO.3 L100 P62-79 PLATS, W C R 13/343
339,768 SQ FT 7.80 AC**

Tax Parcel No. Ward 13, item 000677-708

Property Address: 3200 Prince Hall Drive

PARCEL 2:

**S E VERNOR HWY 57 ELMWOOD PK URBAN RENEWAL PLAT NO.3 L100 P62-70 PLATS, W C R 13/343
18,170 SQ FT**

Tax Parcel No. Ward 13, item 000709-11

Property Address: 3454 East Vernor