



OFFICE OF THE CHIEF FINANCIAL OFFICER
Office of the Assessor

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March 21, 2024

Honorable City Council

RE: The Preserve on Ash I Limited Dividend Housing Association LLC – Payment in Lieu of Taxes (PILOT)

Community Builders, Inc. has formed The Preserve on Ash I Limited Dividend Housing Association LLC in order to develop the Project known as The Preserve on Ash I. The Project is five (5) newly constructed apartment buildings that will consist of sixty-nine (69) units with a combined 5,865 square feet of commercial space located in an area bounded by Martin Luther King Junior Boulevard on the north, 14th Street on the east, Butternut Street on the south and 16th Street on the west.

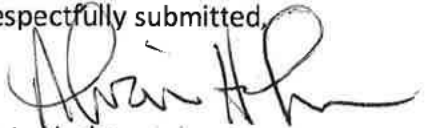
The Project will include thirty-three (33) 1-bed/1-bath, twenty-six (26) 2-bed/1-bath and ten (10) 3-bed/2-bath units with forty-seven (47) free onsite parking spaces. Amenities will include a secured package room, bike storage room, tenant storage lockers, resident lounge, community room with kitchenette, outdoor patio area, in addition to property management, maintenance and supportive service offices located mainly in the largest building.

Bank of America will provide a construction loan in the amount of \$17,400,000 and a permanent loan in the amount of \$5,283,951. Bank of America will also make capital contributions of \$18,808,119 which includes the purchase of Low Income Housing Tax Credits. The City of Detroit will provide \$1,559,830 in American Rescue Plan Act funds, \$2,771,417 in Choice Neighborhood Implementation funds and \$1,723,753 in Community Development Block Grant funds. Additionally, the Sponsor has agreed to a loan in the amount of \$2,000,000 and to defer \$1,050,000 of the developer fee.

Rents for forty-eight (48) units have been set at or below sixty percent (60%) of the area median income ("AMI"). Rents for twenty-one (21) units will be set at market rate. All sixty-nine (69) 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 Community Builders, Inc. (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 constructing a housing project to be known as The Preserve on Ash I, consisting of sixty-nine (69) units in five (5) apartment buildings with supportive parking located on five (5) 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 forty-eight (48) 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 Sponsor 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 Preserve on Ash I 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

The Preserve on Ash I Limited Dividend Housing Association LLC

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

PARCEL 1:

Lots 186 through 190 of SUBDIVISION OF PART OF THE GODFROY FARM P.C. 726 LYING BETWEEN MICHIGAN AVE AND GRAND RIVER AVE, according to the plat thereof as recorded in Liber 1 of Plats, page 293, Wayne County Records.

Tax Parcel No. Ward 10, item 005256-9

Property Address: 3309 14th Street

PARCEL 2:

Lots 255 through 258 of SUBDIVISION OF THAT PART OF PRIVATE CLAIM NO. 44 LYING BETWEEN THE CHICAGO AND GRAND RIVER ROADS, DETROIT, WAYNE COUNTY, MICHIGAN, according to the plat thereof as recorded in Liber 68 of Deeds, Pages 2 and 3, Wayne County Records.

Tax Parcel No. Ward 10, item 005433-7

Property Address: 3314 15th Street

PARCEL 3:

Lots 132 and 133 of SUBDIVISION OF PART OF THE GODFROY FARM P.C. 726 LYING BETWEEN MICHIGAN AVE AND GRAND RIVER AVE, according to the plat thereof as recorded in Liber 1 of Plats, page 293, Wayne County Records.

Tax Parcel No. Ward 10, item 005260-1

Property Address: 3107 14th Street

PARCEL 4:

Lots 227 through 230 of SUBDIVISION OF THAT PART OF PRIVATE CLAIM NO. 44 LYING BETWEEN THE CHICAGO AND GRAND RIVER ROADS, DETROIT, WAYNE COUNTY, MICHIGAN, according to the plat thereof as recorded in Liber 68 of Deeds, Pages 2 and 3, Wayne County Records.

Tax Parcel No. Ward 10, item 006018-22

Property Address: 3316 16th Street

PARCEL 5:

Lots 241 through 244 of SUBDIVISION OF THAT PART OF PRIVATE CLAIM NO. 44 LYING BETWEEN THE CHICAGO AND GRAND RIVER ROADS, DETROIT, WAYNE COUNTY, MICHIGAN, according to the plat thereof as recorded in Liber 68 of Deeds, Pages 2 and 3, Wayne County Records.

Tax Parcel No. Ward 10, item 005816-34

Property Address: 3325 15th Street