



OFFICE OF THE CHIEF FINANCIAL OFFICER
Office of the Assessor

Coleman A. Young Municipal Center Phone 313•224•3011
2 Woodward Avenue, Suite 824 Fax 313•224•9400
Detroit, Michigan 48226 www.detroitmi.gov

April 15, 2024

Honorable City Council

**RE: Midtown Square II Limited Dividend Housing Association LP – Payment in Lieu of Taxes
(PILOT) - Amended**

On March 17, 2021, a request for a PILOT Resolution to your Honorable Body was approved for Midtown Square II Limited Dividend Housing Association Limited Partnership. At this time the Sponsors and the Assessments Division are requesting approval for a change to the service charge.

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 1996, (P.A. 346, as amended, MCLA 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 five percent (5%) of the annual net shelter rent obtained from this housing project.

Respectfully submitted,

Alvin Horhn
Deputy CFO/Assessor

Attachment
JB/jb



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RE: Midtown Square II Limited Dividend Housing Association Limited Partnership – Payment in Lieu of Taxes (PILOT) - Amended

John Stanley and Develop Detroit have formed Midtown Square II Limited Dividend Housing Association Limited Partnership in order to develop the Project known as Midtown Square Apartments. The Project is an existing seventy-three (73) unit 9-story building located in an area bounded by Seward on the north, Woodward on the east, Delaware on the south and Second on the west.

The rehabilitation Project will include thirty-six (36) 1 bedroom/1 bath, twenty-two (22) 2 bedroom/2 bath and fifteen (15) 3 bedroom/2 bath apartments.

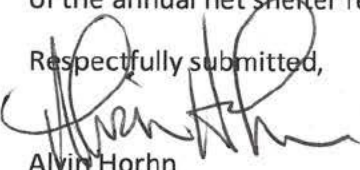
A construction loan in the amount of \$10,436,027 and a permanent mortgage loan in the amount of \$3,232,537 will be provided by Citibank, N.A. The City of Detroit will allow the assumption of an existing HOME loan in the amount of \$3,042,245 which will be assigned and assumed at closing. R4 Capital, LLC, will make Capital Contributions of \$11,997,096 which includes the purchase of Federal Historic and Low Income Housing Tax Credits. Additionally, the Sponsors have agreed to defer \$96,758 of the developer fee.

Rents for seventy-two (72) units have been set at or below sixty percent (60%) of the area median income, adjusted for family size. All residents will contribute only thirty percent (30%) of their adjusted gross income towards the rent amount. One three-bedroom unit will be market rate rent. Seventy-two (72) 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 project 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 five percent (5%) of the annual net shelter rent obtained from this housing project.

Respectfully submitted,


Alvin Horhn
Deputy CFO/Assessor

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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 John Stanley and Develop Detroit (the “Sponsors”); 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 existing housing to be known as Midtown Square Apartments consisting of the rehabilitation of seventy-three (73) units in one 9-story building located on one parcel of property owned or to be acquired by the Sponsors as described by street address and tax parcel in Exhibit A to this resolution, with seventy-two (72) 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, 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 Midtown Square Apartments as described above is entitled to be exempt from taxation but subject to the provisions of a service charge of five percent (5%) 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

Midtown Square II Limited Dividend Housing Association Limited Partnership

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

The East 7 feet of Lot 11, all of Lot 12 and the West 16.11 feet of Lot 13. Schmidt's Subdivision of Part of $\frac{1}{4}$ Section 56 10000 A.T., according to the plat thereof, as recorded in Liber 19 of Plats, page 66.

Tax Parcel No. Ward 02, item 001189

Property Address: 93 Seward