



OFFICE OF THE CHIEF FINANCIAL OFFICER
Office of the Assessor

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July 12, 2024

Honorable City Council

RE: Hive on Russell Limited Dividend Housing Association Limited Partnership – Payment in Lieu of Taxes (PILOT)

Develop Detroit, Inc. has formed Hive on Russell Limited Dividend Housing Association Limited Partnership in order to develop the Project known as The Hive on Russell. The Project is a newly constructed three-story building with seventy-eight (78) affordable housing units in an area bounded by Gratiot Avenue on the north, Russell Street on the east, Maple Street on the south and Rivard Street on the west.

The Project will include twenty-seven (27) 1-bed/1-bath and six (6) 2-bed/1-bath apartments. There will also be forty-five (45) studio apartments ranging from four hundred twenty four (424) to four hundred sixty eight (468) square feet each. Amenities will include a community lounge, playground and bike parking. Free parking will be available both on and offsite.

A construction loan in the amount of \$11,831,098, a permanent loan in the amount of \$4,019,452, a PA5 loan in the amount of \$2,919,446 and a Housing Trust Fund loan in the amount of \$1,262,979 will be provided by Michigan State Housing Development Authority ("MSHDA"). The City of Detroit will provide \$4,000,000 in American Rescue Plan Act funds. The sponsor will provide a loan in the amount of \$860,303. Bedrock Detroit will provide a loan of up to \$1,500,000. PNC Bank will make Capital Contributions of \$7,307,618 which includes the purchase of Low Income Housing Tax Credits. Additionally, the Sponsor has agreed to defer \$847,286 of the developer fee.

Rents for all units have been set at or below sixty percent (60%) of the area median income, adjusted for family size. All seventy-eight (78) 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 Develop Detroit, 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 Hive on Russell, consisting of seventy-eight (78) units in a three-story building with supportive parking 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 all seventy-eight (78) 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 Sponsor first obtains 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 The Hive on Russell 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

Hive on Russell Limited Dividend Housing Association Limited Partnership

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

LOT 2, OF LAFAYETTE PARK SUBDIVISION OF PARTS OF PRIVATE CLAIMS 6, 181, 7, 132, 12, 13, 8 AND 17, CITY OF DETROIT, WAYNE COUNTY, MICHIGAN, ACCORDING TO THE PLAT THEREOF AS RECORDED IN LIBER 80 OF PLATS, PAGES 87, 88, 89, 90 AND 91, WAYNE COUNTY RECORDS. ALSO, LOTS 179 THROUGH 184, BOTH INCLUSIVE, OF CASS SUBDIVISION OF PART OF THE MULLETT FARM, ACCORDING TO THE PLAT THEREOF AS RECORDED IN LIBER 1 OF PLATS, PAGE 6A, WAYNE COUNTY RECORDS. MORE PARTICULARLY DESCRIBED AS BEGINNING AT THE INTERSECTION OF THE SOUTHEASTERLY RIGHT OF WAY OF SERVICE STREET WITH THE SOUTHWESTERLY RIGHT OF WAY LINE OF RUSSELL STREET; THENCE ALONG SAID SOUTHWESTERLY RIGHT OF WAY LINE OF RUSSELL STREET, SOUTH 27 DEGREES 01 MINUTE 32 SECONDS EAST, 273.40 FEET TO THE NORTHEAST CORNER OF LOT 2; THENCE ALONG THE WESTERLY RIGHT OF WAY LINE OF MAPLE STREET, SOUTH 34 DEGREES 34 MINUTES 25 SECONDS WEST, 96.54 FEET; THENCE CONTINUING ALONG THE WESTERLY RIGHT OF WAY LINE OF MAPLE STREET, SOUTH 58 DEGREES 56 MINUTES 25 SECONDS WEST, 15.12 FEET TO THE SOUTHEASTERLY CORNER OF LOT 2; THENCE ALONG THE NORTHEASTERLY LINE OF THE 20' WIDE ALLEY, NORTH 27 DEGREES 01 MINUTE 29 SECONDS WEST, 252.53 FEET; THENCE ALONG THE SOUTHEASTERLY RIGHT OF WAY LINE OF SERVICE STREET, NORTH 28 DEGREES 48 MINUTES 49 SECOND EAST, 120.85 FEET TO THE POINT OF BEGINNING.

Tax Parcel No. Ward 05, item 003461-76

Property Address: 2033 Russell