

# City of Detroit Fast Track Payment In Lieu of Taxes (PILOT) Affordable Housing Program

## Frequently Asked Questions

Updated February 2025

*Answers to these questions are based on preliminary policy.  
Formal Administrative Rules must still be promulgated through a public process, including a public hearing, and are anticipated to be finalized in late March.  
These Rules will supersede these FAQs.*

### Table of Contents

Eligibility.....	1
Affordability & Tenants .....	4
PILOT Payments .....	7
Process .....	8
Compliance .....	12
Notifications & Transparency.....	14

### Eligibility

#### What projects are eligible?

The primary requirements for eligible PILOT applicants are:

- Commit to provide affordable housing for a minimum of 15 years by leasing units to tenants of low or moderate income (up to 120% AMI) at rental rates limited by tenant income.
- Housing developments of four or more units undergoing rehabilitation or construction meeting minimum investment thresholds.
  - Occupied rehab: minimum investment threshold \$5,000/unit
  - Vacant rehab: minimum investment threshold \$15,000/unit
  - New Construction: No investment threshold applied

- Compliance with BSEED, including a Certificate of Compliance (CoC) or a Certificate of Occupancy (CoO) in the case of new construction
- Good standing with City of Detroit

## What are the different project types under the ordinance?

There are three types of projects under this program. Each type has different qualities and requirements:

- Fast Track Housing Projects (FTHPs): Projects with affordability averaging below 80% of the Area Median Income (AMI) or rehabs of long-term vacant properties with affordability averaging up to 120% of AMI are eligible for the streamlined approval process.
- Standard Workforce Housing Projects (SWHPs): Projects offering units with affordability averaging between 81% and 120% AMI, but which are not rehabilitations of long-term vacant structures. These will require City Council approval.
- Government Assisted Housing Projects (GAHPs): Projects with state or federal funding, such as Low Income Housing Tax Credits (LIHTC), are eligible under their own category.

## What are the requirements to qualify?

There are 3 basic requirements:

- 1) Projects must agree to an affordability restriction for a minimum of 15 years.
- 2) Projects must meet investment threshold per unit hard cost of at least \$15,000/unit for a vacant rehab, and \$5,000/unit for an occupied rehab. No investment threshold applies to new construction.
- 3) Projects must achieve and maintain Certificate of Occupancy and/or Certificate of Compliance issued by the City’s Building Safety Engineering and Environmental Division (BSEED) and maintain adherence to BSEED requirements.

## What qualifies as a long-term vacant rehab?

For a project to qualify and be eligible as an FTHP, applicant must demonstrate that property was continuously uninhabited for 60 months or more at time of application for PILOT, per the ordinance.

## When can I apply relative to when construction takes place?

In general, project must apply for PILOT prior to the start of construction. However, during the first year after the passage of the PILOT ordinance (December 5, 2024-December 5, 2025) a “look back” period applies, and projects that completed construction after December 13, 2022 will be eligible to apply. A Certificate of Occupancy (for new construction or change of use) and/or Certificate of Acceptance (for rehabs) issued after December 13, 2022 will suffice to satisfy this requirement.

## How can a project prove it has met the investment threshold?

A Certificate of Occupancy or Certificate of Acceptance issued by BSEED associated with permitted work budgeted at a specific dollar value can demonstrate the investment met the

threshold based on the overall value divided by the number of units. Investment that does not legally require permits *may* qualify if the applicant can prove their investment reached the investment threshold and was completed on the units/property in question through a third party cost certification or other documentation as acceptable to the City. Note that work that counts towards investment must be capitalizable costs, and may not include standard maintenance.

For renewals (including occupied projects exiting other tax abatements seeking a PILOT), the investment threshold period looks backwards over the initial PILOT/abatement period. Applicants must provide an investment summary within the PILOT Pro Forma workbook that demonstrates investment of at least \$5,000 per unit. Work counting towards the PILOT investment threshold must have been performed *after* the initial rehab was completed for the initial incentive.

## Can projects with existing PILOTs or tax incentives receive a PILOT?

Abatements and tax incentives cannot occur simultaneously to PILOT. However, projects with an existing PILOT or other tax incentive can transition to PILOT subject to the rates established in the ordinance before their previous PILOT/ abatement expires. Different requirements may apply depending on the timing and investment:

- Projects with existing PILOT that will undergo a renovation meeting *occupied rehab investment threshold* of \$5,000/unit may apply for a new PILOT without City Council approval.
- Projects with existing PILOT that do not intend to undergo rehabilitation meeting the \$5,000 investment threshold must demonstrate financial need and receive City Council approval. Such projects email [PILOT@detroitmi.gov](mailto:PILOT@detroitmi.gov) with audited financial statements from the past three years to be considered.
- Projects with existing abatements can apply for PILOT at the end of their existing abatement period. If they apply as SWHP, they will require Council approval; if they apply as FTHP, they will not. They will be required to meet the investment threshold, but will be considered a renewal for this purpose, meaning the investment threshold time period is 15 years or the life of the existing abatement, whichever is less.
- Projects with existing abatements that wish to transition to PILOT before the end of their existing abatement will always require City Council approval. They will be required to meet the investment threshold, but will be considered a renewal for this purpose, meaning the investment threshold time period is 15 years or the life of the existing abatement, whichever is less.

## How does PILOT work with other tools?

PILOTs have traditionally been layered with various government subsidy programs, including LIHTC, HOME, and Section 8 project-based vouchers, and continue to be an important tool for projects with these funding sources.

However, on a given parcel, PILOTs cannot be layered with traditional tax abatements, as they are calculated based on rental income rather than property values. However, a phased project with multiple parcels or condos may consider a PILOT on one parcel and an abatement on another.

PILOT may be paired with a Brownfield/Housing TIF incentive, if the PILOT payment is large enough to generate substantial TIF reimbursement.

### Are scatter-site projects with multiple parcels eligible?

A PILOT project may consist of multiple properties as long as the following criteria are met:

- overall project must consist of four or more restricted units
- all properties must be either contiguous lots or within the same census tract, and be considered part of the same development/housing project
- All properties in the PILOT must have the same owner
- All properties in the PILOT must individually meet the program requirements such as investment threshold, Certificate of Compliance, etc.

### Are there any rules about which developers can apply?

Any developer in good standing with the City may apply. Good standing refers to a developer not being in default with the City for projects in which they have majority/controlling interest. Issues that would affect good standing include but are not limited to default on a City loan, breach of a contract with the City, delinquent taxes or PILOT payments, and outstanding blight tickets.

### Can a project with a ground lease access the PILOT?

Yes, so long as the lease runs the length of the PILOT, and so long as the signatory of the Affordability Agreement or other documents has the authority to make the agreements.

## Affordability & Tenants

### What is AMI and how is it calculated?

Area Median Income (AMI) is the median income for a region calculated by HUD based on Census data. Developments with affordable units almost always layer local funding tools with others that use national standard for AMI.

Affordable rents are calculated based on 30% of monthly income for people at a given income level. (Example: 50% AMI for a single person is \$33,600, which is a monthly income of \$2,800. The maximum rental expense per month would be \$840, or 30% of that monthly income. If residents have to pay their own utilities, the maximum rent may be reduced to account for that, which is known as a “utility allowance.” )

## What are restricted units?

Restricted units are those in which rental rates and tenant income are limited to a maximum AMI level per an affordability agreement, not including those designated for permanent supportive housing (PSH). The tenant household income must be verified at the time the lease is entered, and must be within the designated AMI restriction for that unit. However, tenants will not be subject to ongoing annual income verification.

Restricted units cannot exceed the “Maximum Allowable Rent,” which is the maximum rent that may be charged for restricted units based on household income limits as published annually by MSHDA for Wayne County, adjusted for household size. These income limits are derived from the Detroit-Warren Livonia MSA Area Median Income. For any tenant-paid utilities, maximum rents must be inclusive of the applicable utility allowance(s). More detail on calculation of utility allowances can be found in the “data” tab of the PILOT Pro Forma.

## How is average affordability determined? How are PSH and/or market rate units incorporated?

The PILOT basis will be calculated as the average of restricted units. Restricted units can have various income thresholds (taken at 5% increments of AMI). If the average is 60% AMI or below, there can be some units above that range so long as no unit exceeds 120% of AMI. If the average is 61-80% AMI, there can be some units above and below that range, so long as no unit exceeds 120% AMI. Unrestricted (“market rate”) units will not factor into the PILOT rate and will be taxed on an ad valorem basis unless they are necessary for provision of the affordable units as determined by both the City and MSHDA. Similarly, PSH units will not factor into the average used to determine the PILOT rate, as they are taxed at \$1/yr rather than as a rate applied to rental revenue.

Note that some developers with market-rate units within the housing project may chose to condoize the property to separate restricted units from market-rate units. In this case, the parcels relating to the restricted units would be included in PILOT and the others would not.

See “PILOT Payments” below for more detail.

## What qualifies as permanent supportive housing (PSH)?

Permanent Supportive Housing (PSH) is housing in which housing assistance, such as long-term leasing or rental assistance, and supportive services are provided to assist households facing or at risk of homelessness, more specifically defined in section 44-4-112 of the ordinance.

## What are the affordability requirements for occupied units?

Tenant Retention Standards limit future rent for returning households earning 80% AMI or less in occupied rehabs. Such limits include initial rent increases of no more than 5% for original occupants or initial lease rent set at no greater than 30% of household income, and ongoing rent increases of no more than 3%. These standards can be found on the PILOT website.

Projects seeking PILOTs on occupied projects must provide a Tenant Retention Plan that describes how the project will adhere to the Tenant Retention Standards and prevent displacement for current residents. Templates for this plan can be found on the PILOT website.

## Must tenants receive written lease agreements?

Yes, PILOT projects will be required to offer written leases with a minimum term of 1 year.

## Are there rules about the size of the units and number of bedrooms?

Affordability Agreements will require that affordable units are distributed across the project by unit type, size, and location in the building, and are comparable in design & construction standards to unrestricted units.

## How can a project make changes to its affordability agreement?

Affordability agreement will be signed and recorded and should not be amended if possible. However, a project may wish to alter its affordability agreement for a number of reasons, for example:

- the owner wishes to alter the average affordability range of the project and change the PILOT rate
- Change in ownership

In such a case, the Owner must contact HRD. Changes may or may not require the owner legally modify the affordability agreement. The City of Detroit's Tenant Retention Standards will apply to all occupied units from time of application to prevent displacement of existing residents. A new tenant retention plan may be required.

Any adjustment to the PILOT rate for an SWHP requires Council approval. Any other changes to the affordability agreement for a SWHP will be reviewed by HRD and may be subject to Council approval.

# PILOT Payments

## What will my PILOT rate be?

The PILOT service charge rate will be determined based on the average affordability of the restricted units at the project. Rates are set as follows:

Average Affordability	Standard PILOT Rate	Long-Term Vacant Rehab PILOT Rate
81 – 120% AMI	TBD based on underwriting	3.5%
61 – 80% AMI	4.0%	2.0%
Up to 60% AMI	1.0%	0.5%

The service charge rate is applied to the annual rental revenue for the calculation of the annual PILOT basis. Note that PSH units are taxed at a rate of \$1/yr and do not have a PILOT rate applied to rental revenue.

There are three methods that may be used in the calculation of rental revenue that require different levels of annual documentation to the Assessor. Project owner can select/adjust their calculation method each year based on what they are prepared to provide to the Assessor. The PILOT Pro Forma allows applicants to compare the 3 methods for planning purposes and has additional information about these calculations.

Method	Description	Documentation required
Gross Potential Rent	Maximum amount of rent collectable based on affordability restrictions	N/A
Utility-adjusted Gross Potential Rent	Gross potential rent less owner-paid utilities	Paid utility bills
Net Shelter Rent	Actual rental revenue yielded from the property; allows for deduction of vacancy and owner-paid utilities	Audited financial statements

## How will my PILOT payment be calculated?

The Total PILOT payment may consist of three parts:

1. **PILOT basis:** the service charge rate multiplied by the annual rental revenue
2. **Permanent Supportive Housing (PSH) payment:** a one-dollar service charge for each permanent supportive housing unit
3. **Non-exempt payment:** a service charge relating to the portion of the property used for non-exempt purposes, if applicable, for FTHP or SWHP, equal to the full amount

of the taxes that would be paid on that portion of the project if the housing project were not tax exempt.

$$\textit{Annual Service Charge} = \textit{PILOT basis} + \textit{PSH Payment} + \textit{Non-Exempt Payment}$$

## When will the annual service charges be issued?

The Annual Service Charge will be calculated based on rental revenue for the previous year. As such, the service charge “lags” the PILOT by one year. For example, in a 15-year PILOT:

- The year prior to the PILOT start will be taxed as normal, based on ad valorem property value
- Year 1 of the PILOT will have neither annual service charge, nor ad valorem taxes
- Year 2 of the PILOT will have an annual service charge based on rental revenue for Year 1 (... and so on through Year 15).
- Year 16 (the year after the PILOT ends) will have both an annual service charge based on rental revenue for Year 15 and ad valorem property taxes

Annual Service Charge reporting is due to the Assessor by May 31 of each year. The bill for annual service charge will be printed and issued beginning July 1.

## Process

### How will my PILOT be approved?

Developers will submit applications for eligible projects through the [Neighborhoodly PILOT application](#). Part 1 of the application establishes basic eligibility. At the completion of Part 1, applicants may request an Eligibility Letter which can be shared with lenders/investors to secure LOIs needed to complete the full application. Letters will affirm the project is within the administrative approval cap, if applicable. HRD will review Part 1 for eligibility and move the application to Part 2.

FTHP and SWHP projects (aka non-Government Assisted Housing Projects) must enter an affordability agreement, which must be recorded, contingent on receipt of the PILOT. The City will issue administrative approval for GAHP or FTHP projects, or conditional approval for SWHP projects as those require council approval.

Projects can prepare for this process by reviewing the Affordability Agreement template and sample Tenant Retention Plan documents at [detroitmi.gov/PILOT](http://detroitmi.gov/PILOT).

### Where is the PILOT application?

The PILOT application is housed within the Neighborhoodly platform. Links can be found at [detroitmi.gov/PILOT](http://detroitmi.gov/PILOT).



To complete an application, you must first create a Neighborly account. Visit <https://portal.neighborlysoftware.com/cityofdetroitmi/Participant> to do so and select “PILOT program” to begin your application for this program.

For help, you may watch the “[Neighborly Participant Training Video](#)” or read the “[Getting Started Manual](#).”

## What is required within the PILOT application?

This is a two-part application. The application must be completed by a person or entity who has the ability to act of behalf of the owner or entity with controlling interest in the owner.

### Part 1 Application Requirements:

- Property Information
- Addresses and Parcel IDs
- Ownership and developer information
- Development information
- Scope of work
- Construction schedule (if construction not complete)

Note: At this stage, you may request a letter explaining the by-right nature of the ordinance, and/or holding space for your units within the annual cap, if needed for securing financing.

### Part 2 Application Requirements:

- Completed pro forma (the Detroit PILOT pro forma template is available at [detroitmi.gov/PILOT](http://detroitmi.gov/PILOT))
- Trade Payment Breakdown (SWHP only)
- Capital Needs Assessment (Rehab only)
- Letters of intent/proof of funds
- Occupancy information
- Proof of site control
- Zoning approval or zoning verification letter (if applicable)
- Site Plan Approval (if applicable)
- Blight clearance
- List of properties controlled by entity with controlling interest

## What if I need additional support to secure financing?

Projects may find themselves in the difficult position of being unable to secure financing without PILOT, and unable to get PILOT approval without proof of funds. In such a case, it is recommended the applicants complete Part 1 of the PILOT application on Neighborly and, rather than proceeding to Part 2, select the option to receive a letter of support “I require a Letter from HRD”. HRD will produce a custom letter for this project explaining the “by right” nature of the PILOT ordinance (if the project GAHP or FTHP) and securing space for the project within the annual cap (if the program

type is subject to the cap). This letter may be used to secure additional financing, which will enable the applicant to complete Part 2 of the PILOT application and ultimately, to be approved.

## How will an approved project begin its PILOT period?

Once approved, projects must complete construction/rehabilitation per the investment threshold, receive their MSDHA exemption and BSEED certification(s), and submit required information to the Assessor.

The process is as follows:

1. Close on the project and record the affordability restriction.
2. Request certified notification of exemption from MSHDA.
3. Complete construction/rehabilitation and gain the required BSEED Certifications.
  - a. *Note: timing may vary on this step, especially during the lookback period in 2025.*
4. Submit a final “Packet” to Assessor by November 1 of a given year.
5. Assessor will review the packet, confirm there are no outstanding taxes and exempt the project from traditional property taxes.
6. Project must have occupancy by December 31 of that year.
7. The project will begin its PILOT the following year.

## What is required in the “Packet” submitted to the Assessor to launch PILOT?

To initiate PILOT, the owner must submit to the Assessor documentation supporting the project is complete and ready for PILOT. The Assessor must receive the “packet” by November 1 of the year prior to the year the PILOT is to begin.

- BSEED Certifications- CoC (or CoA, if new construction)
- Certified MSHDA exemption (if not already sent)
- Proof of ownership held by PILOT entity
- Permit/other proof of investment
- Evidence of first lease (if New Construction)

Note, current-year property taxes must be paid in full at this time and projects may again be subject to “Good Standing” review.

## How does one receive a certified notification of exemption from MSHDA?

Receipt of a certified notification of exemption from MSHDA requires the following elements:

- proof of approval (Administrative Approval letter or Council Resolution)
- a copy of the relevant Ordinance
- recorded Affordability Agreement (if applicable).

## Can I begin PILOT if my project doesn't have a Certificate of Compliance by November 1?

In the rare situation where a property does not yet have a Certificate of Compliance (Coc) by November 1 of a given year, but will have both a CoC and physical occupancy of one or more units by December 31 of that year, they should submit their Packet to the Assessor on or before November 1 without the active CoC.

## Can I renew my PILOT and what is the process?

For FTHP or SWHP, PILOTs are renewable after 15 years. If the property owner commits to another 15 years of affordability, they may apply for a 15-year renewal. All renewals will be considered occupied rehab, with a standard service charge rate, even if the initial PILOT was a long-term vacant rehabilitation. To qualify, projects would need to meet the occupied rehab investment threshold of \$5,000/unit demonstrated over the life of the original PILOT, maintain good standing and have an active Certificate of Compliance.

For GAHP projects, there is no renewal option but projects may apply for a new PILOT when the initial PILOT expires or if they are recapitalizing as a new transaction.

## Are there limits as to how many PILOTs will be approved per year?

FTHP and SWHP PILOTs other than new construction will be approved on a first come, first-served basis up to 1,500 units per year. There is no proposed limit on new construction or for Government-Assisted Housing Projects (GAHP).

## Under what circumstances will City Council approval be required?

In general, City Council approval is not required for projects seeking PILOT under this ordinance. However, Council approval is required in a few scenarios:

- SWHP- A workforce housing project (restricted units averaging 81-120% AMI) which is not a rehabilitation of a long-term vacant structure requires council approval to receive PILOT
- A housing project with an existing abatement that is seeking PILOT prior to the expiration of its abatement will require council approval
- A housing project with an existing PILOT that was previously approved by Council that is seeking PILOT without undergoing a renovation that will meet the investment threshold will require Council approval.

# Compliance

## What oversight of the program will be required?

PILOTs may annually report data to the Assessor, for purposes of calculating annual service charge. Additionally, FTHP and SWHP PILOTs must annually send information to HRD's designee, National Consulting Services (NCS), for purposes of affordability compliance.

As such, HRD and the Office of the Assessor will both be involved in different aspects of compliance. The Assessor will monitor for active Certificate of Compliance issued through BSEED as well as payment of annual service charge and any penalties, if applicable. HRD will monitor for initial income certification for new renters and annual rental rate compliance through its third-party compliance provider. HRD will also produce required reporting to City Council, per the ordinance.

## What reporting is required of PILOTs during the PILOT period?

PILOTs may annually report to the Assessor information necessary for the calculation of their annual service charge. Additionally, FTHP and SWHP projects (aka projects with Affordability Agreements) must report to HRD's compliance agency.

### Annual Service Charge Reporting:

- PILOTs can submit rental revenue information to the Assessor on or before May 31 of each calendar year following a year that the PILOT was active.
- Rental revenue may be represented as follows:
  - Net Shelter Rent- Projects may provide audited financial statements if they wish to use Net Shelter Rent for their PILOT basis.
  - Utility-Adjusted Gross Potential Rent- Projects with 12 or fewer units may provide utility statements reflecting owner-paid utilities if they wish to use Utility-Adjusted Gross Potential Rent for their PILOT basis.
  - Gross Potential Rent- Projects who wish to use Gross Potential Rent need not provide additional annual information for this purpose. This is the default if other information is not provided.

### Affordability Compliance Reporting

- FTHP and SWHP projects must annually submit data to HRD's designee, NCS, to be used to determine affordability compliance. PILOTs must submit data by April 1 of each year that the PILOT is active.
- Reporting will include rent rolls and income certification as detailed in the affordability agreement and notifications from the City or NCS. No personally identifiable information shall be sent directly to the City.

## Will the City monitor the demographics of applicants and tenants on the PILOTs?

The NCS, HRD's third-party compliance manager, will collect income and household size information on renters in rent-restricted units. This does not include monitoring any demographic information for applicants.

## What happens if a project is sold to a new owner?

FTHP and SWHP PILOTs will be tied to the project through affordable housing restrictions that can be assigned to a new owner. The Affordability Agreement with the City will require that the City receive notification in advance of any change in ownership and provide consent for the conveyance of the property. The new owner may be required to accept the obligations of the Affordability Agreement.

PILOTs for GAHPs are currently approved for specific ownership entities. This is based on requirements in the state statute and will not change. Ownership entity change for these properties will require application for a new PILOT by the new entity.

## Can developers add units or convert some units to market rate during the PILOT period?

Applicants should include all restricted units in a single PILOT application. Unit mix cannot be changed without a legal amendment to the affordability agreement and accompanying restriction. See "How can a project make changes to its affordability agreement?" above.

## What penalties will apply to projects that violate their affordability agreements?

A project that violates the affordability agreement and does not correct the violation within the time-frame required by the non-compliance letter will be subject to a penalty, per the affordability agreement.

- The penalty amount for the first-year violation will be equal to three month's rent for all non-compliant units.
- The penalty amount for violations that persist a consecutive year will be equal to six month's rent for all non-compliant units.

Note that in the case of failure to report, all units will be considered non-compliant and will be subject to penalty.

## Are there claw-back provisions?

Yes. If a PILOT project fails to adhere to the affordability agreement, or fails other compliance requirements, it may be subject to penalties, correction and, ultimately, loss of PILOT. The

forthcoming Administrative Rules will detail penalties and remedies for different types of noncompliance, which can include removing the PILOT.

### If a property loses PILOT, how will property taxes be affected?

If a property loses PILOT status through failure to remedy compliance defects, the property taxes will be assessed based on ad valorem property value going forward and the property may be assessed retroactively from the point that non-compliance began. In such a case, delinquent property taxes will be payable to Wayne County Treasurer and will be subject to penalties, interest and property foreclosure.

## Notifications & Transparency

### How will the public know if the PILOT applications were approved?

Information of approvals will be available publicly when shared with City Council per the notification requirements in the ordinance. Per the ordinance, this would occur within 7 days of approval.

### How will Detroiters learn about affordable housing units developed with PILOTs?

City agreements will require that projects are listed on Detroit Home Connect, a resource for information on new affordable housing units coming online.

### How can Detroiters report rental issues to the City?

Tenants and citizens can file a complaint to BSEED by completing the following [form](#).

Additionally, the City will create a standard form on the City's website for specifically for tenants of PILOT properties to report suspected noncompliance, such as if a PILOT developer isn't maintaining the rental unit properly or charging higher than agreed-upon rents. This will trigger further investigation by the City compliance monitoring arm.

Renters are currently able to report poor property conditions to the Building Safety Engineering and Environment Department through the City's website and also through the Detroit Housing Resource Helpline (866-313-2520).