

FOR PUBLICATION IN THE LEGAL NEWS ON WEDNESDAY, MARCH 19, 2025

NOTICE OF PUBLIC HEARING

ON APRIL 22, 2025

Proposed Administrative Rules for the Housing & Revitalization Department

Notice is hereby given that the City of Detroit Housing & Revitalization Department has scheduled a **PUBLIC HEARING** that will be held in Courtroom 3, 10th Floor, Suite 1004, of the Coleman A Young Municipal Center, on **TUESDAY, APRIL 22, 2025 AT 1:00PM**, at which time all interested persons are invited to be present and be heard as to their views on the above proposed administrative rules described as follows:

Summary

The proposed Administrative Rules for the Housing & Revitalization Department to set forth *General Provisions* including *Purpose, Title, Effective Date*; to set forth *Definitions* including *General, Terms*; to set forth *Eligibility* including *General, Project Size, General Requirements*; to set forth *Annual Service Charge* including *Calculation, PILOT Basis, Permanent Supportive Housing Payment, Non-Exempt Payment, Annual Service Charge Timing*; to set forth *Investment Threshold* including *Threshold Amounts, Threshold Documentation, Threshold Time Period, Cap*; to set forth *Process and Timing* including *When to Apply, Initial Application Content, Application Process, Term of the PILOT, Renewal*; to set forth *Rents and Tenancy* including *Rent Limits, Affordability Agreement, Tenant Retention Plan*; to set forth *Compliance and Monitoring* including *Annual Reporting Requirements, Monitoring, Non-compliance and Remedies*; to set forth *City Reporting Requirements* including *Administrative Approval*.

Copies of the proposed rules are available online at www.detroitmi.gov/PILOT or from the Housing & Revitalization Department, 2 Woodward Avenue, Suite 908, Detroit, MI 48226 during regular business hours. Additional information may be obtained from Michele Oberholtzer Zimmerman, Housing Program and Policy Advisor for the Housing & Revitalization Department.

Any written comments and recommendations intended to be considered prior to the adoption of the rules shall be submitted to the Housing & Revitalization Department no later than the conclusion of the public hearing.

Persons who wish to give oral presentations are encouraged to submit written copies to the Housing & Revitalization Department for inclusion in the record.

Please note, increased security measures for entrance into this building may cause delays. Therefore, allow sufficient time for prompt arrival.

Julie Schneider
Director
City of Detroit

NOTICE TO THE HEARING IMPAIRED:

With advance notice of seven calendar days, the City of Detroit will provide interpreter services at public meetings, including American Sign Language, language translation and reasonable ADA

accommodations. Please contact the Civil Rights, Inclusion and Opportunity Department at (313) 224-4950, through the TTY number 711, or email crio@detroitmi.gov within seven calendar days advance notice.

**RULES & PROCEDURES FOR THE
HOUSING & REVITALIZATION DEPARTMENT
PILOT FOR GOVERNMENT-AIDED, FAST TRACK,
AND WORKFORCE HOUSING DEVELOPMENT
AS PROVIDED IN
SECTION 44-4-118 OF THE 2019 DETROIT CITY CODE**

3-14-25

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PART 1. GENERAL PROVISIONS

R 44.101 Purpose

These administrative rules are created in accordance with Ordinance 2024-51, which went into effect on December 5, 2024. The purpose of these rules is to carry into effect the provisions outlined in Section 44-4-112, Section 44-4-113, Section 44-4-114, Section 44-4-117, and Section 44-4-118 of the 2019 Detroit City Code.

R 44.102 Title

These administrative rules shall be known and may be cited as the “City of Detroit Housing and Revitalization Department Payment In Lieu Of Taxes for Government-Aided, Fast Track, and Workforce Housing Development Administrative Rules.”

R 44.103 Effective Date and Publication

In accordance with Section 2-111 of the 2012 Detroit City Charter, these Rules and Procedures, and any subsequent amendments, shall become effective upon publication in a daily newspaper of general circulation following the conclusion of the public hearing and consideration of all comments and recommendations. All effective Rules and Procedures shall be printed and made available to the public at the City of Detroit Housing and Revitalization Department and the City Clerk’s Office.

R 44.104 Amendment of Rules and Procedures

These Rules and Procedures shall be subject to amendment by the Director of the Housing and Revitalization Department in accordance with Section 2-111 of the 2012 Detroit City Code.

PART 2. DEFINITIONS

R 44.201 General

All terms in these administrative rules shall be in addition to the Payment In Lieu Of Taxes for Government-Aided, Fast Track, and Workforce Housing Development Ordinance 2024-51, unless otherwise specified herein.

R 44.202 Terms

As used in these rules:

Affordability agreement means an agreement between the City and housing project owner that outlines the terms of the PILOT and affordability restrictions, which is recorded with the Wayne County Register of Deeds.

Applicant means the individual or entity, with authority to sign on behalf of the owner or developer, that completes the PILOT application on behalf of the owner and/or developer.

Annual PILOT payment means the payment in lieu of taxes for housing projects exempt from taxation that is levied and paid each year to the municipality for public services.

Annual service charge means the same as annual PILOT payment.

Certificate of Acceptance means a certificate issued by the City of Detroit Buildings, Safety Engineering, and Environmental Department after a building, mechanical, plumbing or electrical permit has been pulled, work has been completed, an inspection has been conducted, and either repairs have been confirmed or improvements have been completed in compliance with current codes to the satisfaction of the Buildings, Safety Engineering, and Environmental Department.

Certificate of Compliance means a certificate issued by the City of Detroit Buildings, Safety Engineering, and Environmental Department for all properties meeting certain safety and habitability requirements.

Certificate of Occupancy means a certificate issued by the City of Detroit Buildings, Safety Engineering, and Environmental Department, which is acceptable for new construction projects in their first year of occupancy.

Controlling interest means the entity with the power to make decisions on behalf of a development through either majority ownership stake or another designated authority.

Conditional approval means the PILOT application has completed Housing and Revitalization Department review and will be presented to the Detroit City Council for approval.

Developer means the development company that has controlling interest with the property owner at the time of application.

Eligible units means those low or moderate income housing units, which are exempt under the PILOT, inclusive of both restricted and permanent supportive housing units.

Expanded PILOT means the Ordinance 2024-51 passed by Detroit City Council on October 29, 2024, which allows for government-aided housing projects, fast track housing projects, and workforce housing projects to qualify for Payment In Lieu of Taxes sometimes with administrative approval rather than Council approval. Ordinance 2024-51 became effective on December 5, 2024.

Good standing means the status of an entity for which all of the following are true:

- (1) The entity has no outstanding blight tickets, past due property tax payments, or past-due water bills for parcels in which they have a controlling interest in the ownership entity;
- (2) The entity is not in default to the City, including but not limited to default on City loans, outstanding unpaid principal or interest on loan payments due to the City, delinquent property taxes, or any other unpaid taxes, fees, fines or penalties owed to the City, or default under any other contract with the City with entities in which they have a controlling interest; and
- (3) The entity is in compliance with any existing tenant retention plan(s) and affordability agreement(s) for parcels in which they have a controlling interest.

Gross potential rent means a representation of rental revenue based on the maximum amount of rent money an owner or investor can expect to make from a property in a year. Gross potential rent assumes 100% occupancy, and can be calculated by adding together the market rent of every market-rate unit in a project and the maximum allowable rent for every rent-restricted unit in the project based on tenant area median income and unit size. Gross potential rent is the default value used in calculation of PILOT basis for projects that do not provide data necessary for calculation of net shelter rent or utility-adjusted gross potential rent.

Long-term vacant rehabilitation means rehabilitation of a structure(s), that has been continuously uninhabited for 60 months or more at the time of application for PILOT, that is eligible for the reduced service charge rate based on the average affordability of the eligible units to be rented.

Low Income Housing Tax Credit, or LIHTC, means a federal affordable housing program involving the issuance of tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households.

Maximum allowable rent means the maximum rent that may be charged for restricted units based on household income limits, published annually by the Authority for Wayne County, adjusted for household size.

Net shelter rent means a representation of rental revenue based on the actual amount of rent money an owner or investor yielded from a property in a year, and is used in calculation of PILOT basis for projects that provide audited financial statements to the Assessor.

New construction means a project that involves the creation of a new structure rather than the rehabilitation of an existing structure(s). Eligibility for such projects to qualify for the standard service charge rate is determined by the average affordability of the restricted units to be rented.

Non-exempt payment means a service charge paid each year in lieu of taxes for that part of any fast track or workforce housing project that is tax exempt under Section 44-4-113 of the 2019 Detroit City Code.

Occupied rehabilitation means rehabilitation of a structure(s) that is occupied at the time of the application for PILOT and/or renovation project. Eligibility for such projects to qualify for the standard service charge rate is determined by the average affordability of the restricted units to be rented.

Ownership entity means the entity that owns the property or properties associated with the housing project.

Payment In Lieu Of Taxes, or PILOT, means housing projects for persons of low and moderate income and the property on which they shall be constructed shall be exempt from all property taxes and the City will accept payment of an annual service charge for public services in lieu of all property taxes.

Payment In Lieu Of Taxes, or PILOT, *Period* means the time period during which an approved PILOT is exempt from all property taxes.

Permanent Supportive Housing, or PSH, *units* means eligible units in a housing project that are designated for Permanent Supportive Housing.

Personally Identifiable Information means any representation of information that permits the identity of an individual to whom the information applies to be reasonably inferred by either direct or indirect means.

Renewal means the process of renewing a PILOT for either a fast track or standard workforce housing project. All renewals will be considered occupied rehabilitation with a standard service charge rate regardless of whether the initial PILOT was a long-term vacant rehabilitation.

Restricted units means eligible units, excluding permanent supportive housing units, for which tenant income and rental rate is restricted per the affordability agreement, loan agreement, or restrictive covenant running with the land.

Scattered-site developments mean housing projects consisting of more than one non-contiguous parcel that are developed and owned by the same entity. For housing projects that are not government-aided, no two properties within a scatter-site property may be further than two miles apart.

Short term vacant rehabilitation means unoccupied projects eligible for the standard service charge rate based on the average affordability of the restricted units to be rented which are not for long-term vacant rehabilitation.

Standard workforce housing project means a workforce housing project, excluding vacant structure rehabilitations, for persons of moderate income based on the average affordability of the eligible units to be rented.

Tenant retention plan means a plan, created by the project owner, that adheres to tenant retention standards and plan requirements and outlines the protections for existing tenants of an occupied rehabilitation, and is approved by the City of Detroit Housing and Revitalization Department.

Tenant retention standards means a document published by the City of Detroit Housing and Revitalization Department that outlines expectations for projects that involve rehabilitation of occupied structures that protect the rights of existing tenants, including guidance for notification, allowable increases in rental rates for low income tenants, and additional support that may be triggered.

Utility adjusted gross potential rent means a representation of rental revenue based on gross potential rent less owner paid utilities, and can be used in calculation of PILOT basis for projects with 12 or fewer units that provide utility statements to the Assessor.

PART 3. ELIGIBILITY

R 44.301 General

(A) Projects approved for PILOT must provide housing units to tenants whose income meets established household maximums, based on area median income, at rates that are restricted based on household size and the corresponding income threshold, per the Authority.

(B) In the case of fast track and standard workforce housing projects, rent will be restricted per the affordability agreement.

(C) Tenant income will be qualified at the time they enter a lease for a restricted unit.

(D) In the case of government-aided housing projects, rent will be restricted per the loan agreement and/or land use restriction.

R 44.302 Project Size

All housing projects eligible for the PILOT must consist of four or more residential units. Eligibility can also apply to scattered-site developments where all the rental properties are developed and owned by the same entity within the City of Detroit.

R 44.303 General Requirements

(A) While each of the differing applications will entail additional documentation, projects of each category shall satisfy the following requirements:

- (1) For approval of PILOT:
 - a. Completed application;
 - b. Good standing;

- c. Tenant Retention Plan (if applicable);
- d. Affordability Agreement (fast track and standard workforce housing projects only); and
- e. City Council approval
 - i. Standard workforce housing project; or
 - ii. Certain previously council-approved PILOTs or abatements seeking PILOT

(2) To initiate or renew PILOT period:

- a. Authority certified Notification of Exemption;
- b. Satisfaction of investment thresholds, where applicable;
- c. Certificate of Compliance (or Certificate of Occupancy for new construction);
- d. Good standing;
- e. Payment of all current-year property taxes;
- f. Filed deed and property transfer affidavit;
- g. Owner name listed as taxpayer with Assessor;
- h. Complete the process to condo or merge parcels, if applicable;
- i. Recorded Affordability Agreement (fast track and standard workforce housing projects only); and

- j. Compliance with Uniform Relocation Act (government-aided housing project only, if applicable).
- (3) To maintain PILOT:
- a. Buildings, Safety Engineering, and Environmental Department compliance, including maintenance of the Certificate of Compliance;
 - b. Payment of annual service charge;
 - c. Annual affordability compliance reporting to Housing and Revitalization Department designee (fast track and standard workforce housing projects only); and
 - d. Maintain Authority certification (government-aided housing project only).

PART 4. ANNUAL SERVICE CHARGE

R 44.401 Calculation

- (A) The Annual Service Charge may consist of three parts:
- (1) PILOT basis, which is the service charge rate multiplied by the annual rental revenue of restricted units; or
 - (2) Permanent Supportive Housing payment, which is a one-dollar service charge for each permanent supportive housing unit; and
 - (3) Non-exempt payment, which is a service charge relating to the portion of the property used for non-exempt purposes, where applicable, for fast track or standard workforce

housing projects, 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.

(B) The calculation for the annual service charge is as follows: PILOT basis + PSH Payment + Non-Exempt Payment

(C) Properties on PILOT may receive an annual bill separate from their annual service Charge reflecting elements of a property tax bill that are fees rather than millages applied to an assessed value, such as solid waste fee. These will still be charged if not otherwise exempt.

R 44.402 PILOT Basis

(A) The service charge PILOT rate that is used to calculate the PILOT basis 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	N/A	3.5%
61 – 80% AMI	4.0%	2.0%
Up to 60% AMI	1.0%	0.5%

(B) The service charge rate is applied to the annual rental revenue for the calculation of the annual PILOT basis as follows: *PILOT Rate x Rental Revenue*

(C) There are three methods that may be used in the calculation of rental revenue: gross potential rent (default), utility adjusted gross potential rent, and net shelter rent.

R 44.403 Permanent Supportive Housing Payment

If a project has PSH units, the annual service charge calculation associated with those units is as follows: *PSH Payment = # of PSH units * \$1.00*

R 44.404 Non-Exempt Payment

(A) Some fast-track housing projects or standard workforce housing projects may include non-exempt uses. Non-exempt uses within the property are those that are not determined by the Authority or the City to be necessary for the project per the definition of *housing project*. Non-exempt can also pertain to unrestricted rental units.

(B) The non-exempt payment must be equal to the full amount of the taxes that would be paid on that portion of the housing project if the housing project were not tax exempt, calculated as follows: *Ad Valorem Millage x Taxable Value of Non-Exempt Portion*

R 44.405 Annual Service Charge Timing

The annual service charge will be calculated based on the annual rental revenue for the previous year, as such, the service charge lags the PILOT by one year.

PART 5. INVESTMENT THRESHOLD

R 44.501 Threshold Amounts

(A) Rehabilitation projects must meet minimum investment thresholds relative to the number of residential living units in the project. New construction projects are presumed to have met the minimum investment threshold. Investment threshold amounts are as follows:

- (1) The occupied rehabilitation investment threshold is \$5,000 per unit, and will pertain to new PILOT applications for already occupied properties, or PILOT renewals that are occupied at the time of renewal but may have previously been vacant; and
- (2) The vacant rehab investment threshold is \$15,000 per unit, which applies to both short-term vacant rehabilitations and long-term vacant rehabilitations.

R 44.502 Threshold Documentation

(A) Satisfaction of the rehabilitation threshold must be demonstrated through a Certificate of Acceptance for permitted work or third-party cost certification. In some cases where rehabilitation does not require permitting, invoices of work completed with attestation may be accepted.

(B) In the case of projects that include multiple properties, investments must independently apply to all properties in the PILOT.

R 44.503 Threshold Time Period

(A) Typically, applicants for PILOT projects that have not yet begun construction on a development or rehabilitation. However, within one year of December 5, 2025, a “lookback” period applies, where new PILOT applicants may attribute development or rehabilitation investments that completed on or after December 13, 2022, and within a continuous three-year period, to their investment threshold.

(B) After December 5, 2025, new PILOT applicants are no longer subject to the “lookback.” After this time, no work completed prior to the application may be attributed to the investment threshold. Work must be completed and projects should be in receipt of a Certificate of Compliance or Certificate of Occupancy within three years of administrative approval.

(C) PILOT renewals may apply any work that has been completed during the initial PILOT or abatement period to their investment threshold, or 15 years, whichever is less.

R 44.504 Cap

(A) Non-government-aided housing projects that involve the rehabilitation of an existing structure may be subject to an annual cap of 1,500 units as follows:

- (1) The cap will limit the number of fast track and standard workforce housing project rehabilitation projects that can be administratively approved in a given calendar year;
- (2) Projects that exceed the cap may be eligible for administrative approval in the subsequent calendar year; and
- (3) Exceptions may be allowed pending fiscal impact analysis.

PART 6. PROCESS AND TIMING

R 44.601 When to Apply

Applications for a new PILOT should be submitted prior to the commencement of construction or rehabilitation that will be applicable to the investment threshold. However, for one year following the effective date of the ordinance, December 5, 2024, a project may apply for an initial PILOT application based on construction or rehabilitation completed December 13, 2022, or later.

R 44.602 Initial Application Content

(A) Initial applications will be submitted for consideration to the Housing and Revitalization Department via its designated application site, Neighborly, or subsequent sites as provided on the Housing and Revitalization Department website.

(B) Application should be complete when filed; no partial applications will be accepted.

(C) The application will include the completion of a Housing and Revitalization Department provided operating pro forma. Elements of the application that will be covered by this pro forma are indicated with an asterisk (*).

(D) Contents of the application, which include, but is not limited to, the following:

- a. Project overview, including construction type, programming, unit summary (size, affordability levels), parcel(s);
- b. If scatter-site, demonstration of property distribution;
- c. Property Type (new construction, occupied rehabilitation, short-term vacant rehabilitation, or long-term vacant rehabilitation)
- d. Proof of long-term vacancy, when applicable;
- e. Average income range of restricted units;
- f. Presence of government subsidies (LIHTC, CDBG, HOME, etc.);
- g. Development team and narrative (owner, architect, contractor, or consultant);
- h. Organizational chart;

- i. Operating agreement;
- j. Detailed scope of work;
- k. Construction Schedule;
- l. Target project completion date (month/year);
- m. Last occupancy date (if vacant);
- n. Documentation of readiness to proceed, including:
 - i. Site Readiness;
 - ii. Proof of site control (deed, purchase agreement, development agreement, lease agreement and/or purchase option);
 - iii. For standard workforce housing projects: A preliminary plan review;
 - iv. For projects involving new construction or change of use; zoning approval or zoning verification letter;
 - v. For projects that require Site Plan approval from Buildings, Safety Engineering, and Environmental Department; approved site plan or preliminary plan review
- o. Financial Readiness;
- p. Project financials pro forma in the format provided by the Housing and Revitalization Department, including operating rent schedule, construction, permanent sources and uses, and 15-year cash flow (for standard workforce housing project);

- q. Trade Payment Breakdown (if new construction);
- r. Capital Needs Assessment and Certified budget (if rehabilitation);
- s. Letters of Intent or Proof of Funds for all funding sources listed in project sources and uses whether equity statements, letters of intent, grant awards (if government-aided or fast track housing project);
- t. Occupant Readiness;
- u. De-identified rent roll (included in pro forma) including unit size, tenant income, household size and rental rate, if available*;
- v. Trailing 12-month occupancy schedule;
- w. Good standing status and acknowledgement of good standing with City of Detroit
- x. Identification of development entity with controlling interest;
- y. Listing of all properties in which the development entity has controlling interest; and
- z. Abatement or Incentive Blight Clearance for the entity associated with the project through the Department of Administrative Hearings.

R 44.603 Application Process

(A) The application and approval process for all PILOT types under the expanded PILOT program begins with completing an application to the City of Detroit Housing and Revitalization Department via the Neighborly portal.

(B) Applications should be completed by the developer or a person with the authority to sign on behalf of the developer.

(C) The process for each project category shall be as follows:

(1) Government-aided housing project:

- a. Submit initial application to the Housing and Revitalization Department;
- b. The Housing and Revitalization Department reviews for program requirements and issues Administrative Approval;
- c. Submit the affidavit form to the Authority for certification;
- d. Receive applicable Buildings, Safety Engineering, and Environmental Department certifications, which can include: Certificate of Acceptance, Certificate of Compliance, or Certificate of Occupancy;
- e. Submit packet to Assessor by November 1st that includes the following:
 - i. Buildings, Safety Engineering, and Environmental Department Certifications such as, a Certificate of Compliance if a rehabilitation project, or a Certificate of Occupancy if new construction;
 - ii. Certificate of Acceptance, permit, and/or other proof of investment;
 - iii. Certified Authority exemption;
 - iv. Proof of ownership held by PILOT entity; and
 - v. Evidence of first lease, as soon as available or no later than December 31 of that year, if new Construction.
- f. The PILOT will begin the following year.

- (2) Fast-track housing project:
- a. Submit initial application to the Housing and Revitalization Department;
 - b. Enter affordability agreement with the Housing and Revitalization Department, contingent on PILOT;
 - c. The Housing and Revitalization Department reviews for program requirements and issues administrative approval;
 - d. Submit the completed affidavit form to the Authority for certification. Applicants may send certified notification of exemption to Assessor as soon as it is received;
 - e. Receive applicable Buildings, Safety Engineering, and Environmental Department certifications such as Certificate of Acceptance, Certificate of Compliance, or Certificate of Occupancy.
 - f. Submit packet to Assessor by November 1st that includes:
 - i. Buildings, Safety Engineering, and Environmental Department Certifications such as, a Certificate of Compliance if a rehabilitation project, or a Certificate of Occupancy if new construction;
 - ii. Certificate of Acceptance, permit, and/or other proof of investment;
 - iii. Certified Authority exemption (if not already sent);
 - iv. Proof of ownership held by PILOT entity; and
 - v. Evidence of first lease when new construction.
 - g. The PILOT will begin the following year.

- (3) Standard workforce housing project:
- a. Submit initial application to the Housing and Revitalization Department;
 - b. Complete underwriting with the Housing and Revitalization Department;
 - c. Enter Affordability Agreement with the Housing and Revitalization Department, contingent on PILOT;
 - d. The Housing and Revitalization Department reviews for program requirements and issues conditional approval with recommended PILOT rate;
 - e. City Council votes to either to approve or deny;
 - f. Submit the completed affidavit form to the Authority for certification. Applicants may send certified notification of exemption to Assessor as soon as it is received;
 - g. Receive applicable Buildings, Safety Engineering, and Environmental Department certifications such as a Certificate of Acceptance, Certificate of Compliance, or Certificate of Occupancy.
 - h. Submit packet to Assessor by November 1st that includes:
 - i. Buildings, Safety Engineering, and Environmental Department Certifications such as, a Certificate of Compliance if a rehabilitation project, or a Certificate of Occupancy if new construction;
 - ii. Certificate of Acceptance, Permit, and/or other proof of investment;
 - iii. Certified Authority exemption (if not already sent);
 - iv. Proof of ownership held by PILOT entity; and

v. Evidence of first lease when new construction.

i. The PILOT will begin the following year.

R 44.604 Term of the PILOT

(A) Administratively approved projects should proceed through the steps to begin the PILOT in a timely manner. Projects should complete their rehabilitation/construction and receive their Certificate of Compliance or Certificate of Occupancy within three years of approval. The Housing and Revitalization Department may approve extended timelines if necessary. Once on PILOT, projects must maintain compliance with program requirements, including annual reporting requirements.

(B) For government-aided housing project PILOTs that are LIHTC projects, the term is equal to the initial 15-year LIHTC compliance period plus the length of the extended use commitment stated in the Authority agreement, not to exceed 45 years.

(C) For other government-aided housing project PILOTs, the length will be based on the applicable affordability restriction, such as the loan agreement or restrictive covenant, not to exceed 45 years.

(D) For fast track and standard workforce housing project PILOTs, the term is for an initial period of 15 years and may be renewed for up to two additional 15-year periods by applying for renewal and meeting the following requirements:

(1) Have an affordability agreement in place or modify the agreement to last the duration of the PILOT renewal;

(2) Meet the occupied rehabilitation investment threshold of at least \$5,000 per unit over the course of the initial PILOT; and

(3) Maintain compliance per program requirements.

(E) After the full 45 years, the project may reapply for a new PILOT if it meets the investment requirements.

R 44.605 **Renewal**

(A) The subsequent PILOT term begins at the end of the previous 15-year term.

(B) Fast Track or Standard Workforce Housing Projects seeking PILOT renewal can apply in the 14th or 15th year of the active PILOT period, provided the renewal eligibility criteria are met, including the \$5,000 per-unit investment threshold over the life of the active PILOT.

(C) Government-Aided Housing Projects are not renewable, but application for a new PILOT may be made during an active or expiring PILOT if undergoing rehabilitation that will satisfy the investment threshold.

PART 7. **RENTS AND TENANCY**

R 44.701 **Rent Limits**

(A) For a government-aided housing project PILOT, restricted housing units must be leased to residents who qualify for applicable state or federal housing programs, including, but not limited to the Low-Income Housing Tax Credit, the HOME Investment Partnerships Program, and/or project-based Section 8. Rent limits for all government-aided housing project types are set by the applicable state or federal housing program.

(B) For fast-track and standard workforce housing project PILOTs, rent for restricted housing units must be limited to maximum allowable rent, and must be leased to eligible households as defined by the affordability agreement. In no case can the income of eligible households at the time of lease initiation either exceed 120% AMI for restricted units leased under

the PILOT, while these requirements establish a maximum for household incomes, or create any minimum income requirements.

(C) Occupied properties must abide by the tenant retention standards of the City of Detroit and establish a tenant retention plan. Occupied properties may not vacate residents prior to PILOT application to avoid adhering to tenant retention standards.

R 44.702 **Affordability Agreement**

(A) Fast track and standard workforce housing projects must enter into an affordability agreement with the City, which will be recorded with the Wayne County Register of Deeds.

(B) The affordability agreement will include many terms related to the PILOT, and an Affordable Housing Restriction detailing the average affordability for the project and the income limits assigned to the restricted units and unit affordability thresholds over the duration of the PILOT. Key terms of the agreement shall include:

(1) Creation of rent-restricted units that are generally comparable in design, unit type, size, and overall quality of construction to the market-rate rental units in the Project. Restricted units shall be distributed throughout the buildings and not concentrated on specific floors or wings;

(2) Written lease agreements with a minimum one-year tenancy term;

(3) Timelines for notification to the City of any transfer of ownership, or change in the project or legal entity, within 30 days of transfer;

(4) Specific cure periods, penalties, and other remedies for breach of agreement;

(5) Provision of a tenant authorization form to new lessees for verification of initial income and annual rental amount;

- (6) Adherence to the tenant retention plan, if applicable; and
- (7) Post available units to the Housing and Revitalization Department website, Detroit Home Connect, or subsequent sites as provided on the Housing and Revitalization Department website.

R 44.703 **Tenant Retention Plan**

(A) Every applicant for an occupied rehabilitation PILOT must provide a tenant retention plan, as defined in these rules, to the Housing and Revitalization Department. Tenant retention standards will apply to all occupied units from time of application to prevent displacement of existing residents. These standards include:

- (1) Voluntarily returning residents earning 80% area median income or below:
 - a. No more than 5% initial rent increases for original occupants OR initial lease rent set at no greater than 30% of household income
 - b. Ongoing rent increases of no more than 3% annually;
- (2) Provision of 90-day and 30-day notices for construction and/or temporary relocation, when applicable;
- (3) When temporary relocation is required:
 - a. Offer of relocation assistance; and
 - b. Right to return;

(B) Units already leased at the time of PILOT application, to tenants who chose to remain or return after rehabilitation, will be considered as compliant with the affordability standards for the duration of the active lease regardless of tenant income. Upon expiration of the

current lease, tenants must initiate a new lease and income-qualify for those units to be considered eligible. When any such unit becomes vacant, the subsequent lease and lessee will be subject to the affordability and rent standards established in the affordability agreement.

PART 8. COMPLIANCE AND MONITORING

R 44.801 Annual Reporting Requirements

(A) Approved PILOT projects with restricted units may be responsible for providing information to the Assessor for use in calculating the annual service charge. An annual service charge will be calculated and levied each year following the year a PILOT becomes active. Projects with restricted units must provide rental revenue data for a given year to the Assessor by May 31st of the following year, or the rental revenue will be calculated using Gross Potential Rent. Rental revenue data shall include:

(1) Provision of audited financial statements is required, if use of net shelter rent for PILOT basis is desired; and

(2) Provision of utility statements reflecting owner-paid utilities for projects with 12 or fewer restricted units is required, if utility-adjusted gross potential rent for PILOT basis is desired;

Or

(3) No provision is required if use of gross potential rent for PILOT basis is desired or if the *housing project* is comprised entirely of PSH units. Gross potential rent is the default method for projects that do not report by May 31st.

(B) Fast track and standard workforce housing projects must submit data for annual affordability compliance by April 1st of each year that the PILOT is active to the Housing and

Revitalization Department's designee, which includes rent rolls and income certification as detailed in the affordability agreement.

- (C) No tenant personally identifiable information shall be sent directly to the City.

R 44.802 **Monitoring**

- (A) During the PILOT period, the City reviews projects annually for:
 - (1) Active Certificate of Compliance;
 - (2) Annual Service Charge payment status;
 - (3) Penalty payment status, if applicable;
 - (4) Other defaults, e.g. active litigation;
 - (5) Affordability compliance for fast track and standard workforce housing projects;
 - (6) Annual Service Charge calculation; and
 - (7) Recertification of Authority exemption status for government-aided housing projects.

R 44.803 **Non-Compliance and Remedies**

(A) If monitoring reveals a non-compliance issue, the project owner will be notified in writing and provided with a timeline to cure based on the existing affordability agreement, type, and severity of issue.

(B) When applicable, noncompliance associated with affordability agreement violations can result in annual penalties payable to the Detroit Affordable Housing Development and Preservation Fund.

- (C) Noncompliance can include:
 - (1) Violation of affordability restriction, such as:

- a. Tenant income exceeds allowable level, which applies to tenant income at initial lease initiation;
- b. Rent exceeding allowable level; and
- c. Failure to report required data.

(2) Lapsed Certificate of Compliance or other non-compliance with City of Detroit property maintenance code for rental properties.

(3) Past-due annual service charge or penalty payment.

(4) Loss of exemption status from the Authority for government-aided housing project.

(D) When noncompliance occurs, actions taken may include:

(1) Issuance of a noncompliance letter that is sent to the project owner citing either requirements to cure within 60 days or 90 days, a 90-day final warning letter for projects with a 90-day cure period, or a final warning notice providing 30 days to meet requirements or risk removal from PILOT.

a. In the event of tenant income violations:

i. If the project contains unrestricted units, the next unrestricted unit vacancy must be leased at the rate of the noncompliant unit to an income qualified resident.

ii. If the project does not contain unrestricted units, the next vacancy must be offered as the lower of what is needed to maintain average area median income cited in the affordability agreement, or 30% area median income. Unit owner begins

monthly rent roll reporting until cured, or as specified in the noncompliance letter.

b. In the case of excess rental rates:

i. Owner begins monthly rent reporting until cured, or as specified in the noncompliance letter.

c. In the case of failure to report:

i. All units will be considered non-compliant until requested rental information is provided.

d. In the event of a lapsed Certificate of Compliance

i. The Certificate of Compliance is renewed or a plan, with a timeline established with the Buildings, Safety Engineering, and Environmental Department, is implemented and completed.

(2) Payment of fees or penalties by the housing project owner as detailed in affordability agreement.

(3) A project that maintains noncompliance for two consecutive years or contains units where more than 25% of eligible units are noncompliant risks loss or removal of PILOT.

(E) If the Authority notifies the Assessor that the project has lost its exemption status, the City will notify the owner and provide a reasonable period to rectify the issue.

PART 9. CITY REPORTING REQUIREMENTS

R 44.901 Administrative approval

(A) For any PILOT that receives administrative approval, the Housing and Revitalization Department will post these approvals on its website and provide notice to City Council within seven days of the approval.

(B) Cumulative program data will be published in an annual report to Mayor and Council, that includes the annual summary of units created and the annual fiscal impact.