Frequently Asked Questions
City of Detroit PILOT
(Payment In Lieu of Taxes) Program

Updated June 2025

This document is intended to provide additional detail to the PILOT policy.

The Administrative Rules guiding this program supersede these FAQs.

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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 eligible 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:

- <u>Fast Track Housing Projects (FTHPs):</u> Projects with affordability averaging at or 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.
- <u>Standard Workforce Housing Projects (SWHPs):</u> 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.
- <u>Government Assisted Housing Projects (GAHPs):</u> Projects with state or federal funding, such as Low Income Housing Tax Credits (LIHTC),

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 complete construction of renovation of the property, satisfying investment thresholds. The investment threshold is $15,000/unit for a short-term or long-term 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?

Projects should not apply for PILOT until they are advanced enough to have the information required in the PILOT application. Depending on the project and timing, different rules determine when a project may apply:

- **Thru June 30, 2026:** Until June 30, 2026, a "lookback" period applies, during which all projects may apply for the expanded PILOT on the basis of construction or rehabilitation work completed December 13, 2022 or later, and within a three-year period.
- **After June 30, 2026**
    - **Occupied rehabilitation projects with active PILOT or abatement** that are seeking the expanded PILOT may submit a complete application up to two years prior to the time that the applicant wants the expanded PILOT to go into effect, which may or may not coincide with the expiration of their current incentive.
    - **Occupied rehabilitation projects that do no have active PILOT/abatement** must submit a complete application prior to the commencement of work associated with the rehabilitation.
    - **New construction, short term vacant rehabilitation and long term vacant rehabilitation projects** seeking the expanded PILOT must submit a complete application prior to the issuance of a Certificate of Occupancy or Certificate of Compliance, or sooner, and prior to occupancy.

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

Proof of investment may be provided in three ways:

- A Certificate of Acceptance (CoA) issued by BSEED associated with permitted work;
- Third-party cost certification; or
- Invoices for all work completed and a completed "investment summary" (template available within PILOT pro forma and on PILOT website "Investment Summary")

Note that projects applying for PILOT after work has been completed will show proof of investment in their PILOT application, whereas applicants who have not yet completed work will demonstrate proof of investment in the "packet" submitted to the Assessor to initiate PILOT.

What investments can count toward the investment threshold?

Investments that contribute to the investment threshold are capitalizable expenses that are improvements to the property. They may occur in individual living units, or to common areas that benefit the individual units e.g. HVAC, roof, common areas, etc. Regular building maintenance items are not considered investments for the purposes of this program.

What types of projects are considered "government-aided"?

Government aided housing projects (GAHPs) are "financed with a federal-aided or authority-aided mortgage or advance or grant from the Authority." If a project receives a mortgage loan or a grant from MSHDA that includes income restrictions, it is eligible for the City's "government-aided" exemption.

If a project receives a mortgage loan from anyone else, AND that project also participates in a federal program for affordable housing, then it is considered "federally-aided" under our statute and it too is "government-aided." Examples of federally-aided mortgages that would qualify as "government-aided" are: HUD's HOME and HTF (Housing Trust Fund) programs, the Section 8 project-based program (including project-based vouchers, but excluding portable tenant vouchers), LIHTC, and USDA-Rural Development rental assistance or loans that require rent or income restrictions

Can projects with PILOT receive a different rate under the new ordinance?

Projects with an existing PILOT may be eligible to receive the rates made available under the new ordinance. Different requirements may apply to each project depending on the status, investment, and category. However, all project types should apply through the Neighborly portal:

- Projects with existing PILOTs that completed work within the lookback period (12/13/22 or later) can apply for PILOT and be approved under the new rates without City Council approval.
- Projects with existing PILOTs that do not meet the lookback period, but which will undergo a rehabilitation meeting the occupied rehab investment threshold of $5,000/unit may apply for a new PILOT without City Council approval.
- Projects with existing PILOTs that do not meet the above criteria are considered "legacy conversions." These projects do not have to meet the investment threshold but must demonstrate financial need by showing audited financial statements from the past three years. These projects must receive City Council approval to receive a new PILOT rate.

Can projects with existing abatements receive a PILOT?

Abatements are legislative programs that create a "specific tax," which replaces the ad valorem tax, and which, therefore, cannot coexist simultaneous with a PILOT on a single parcel. Projects with an existing abatement may be eligible to receive PILOT under the new ordinance. Different requirements may apply to each project depending on the status, investment, and category. However, all project types should apply through the Neighborly portal:

- A project with an existing abatement that wishes to transition to PILOT before the expiration of their abatement can be approved under the new rates without City Council approval. However, after approval for PILOT, these projects will have to receive Council approval to revoke their current abatement before PILOT can go into effect. It will be required to meet the investment threshold, but will be able to apply investments made over 15 years or the life of the existing abatement, whichever is less. Note that investments required to receive the abatement cannot be applied to the PILOT investment threshold, unless the abatement was received recently, subject to Council approval.
- Projects with expiring abatements can apply for PILOT at the end of their existing abatement period and will not require Council Approval to revoke the abatement. It will be required to meet the investment threshold, but will be able to apply investments made over 15 years or the life of the existing abatement. Note that investments required to receive the abatement cannot be applied to the PILOT investment threshold.

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.

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 can be paired with a Tax Increment Financing Authority, or TIF, as they do not reduce or adjust ad valorem millage rates. Examples include Brownfield Redevelopment Authorities (BRFA) and Historical Neighborhood Tax Increment Finance Authority (HNTIFA).

Are scatter-site projects with multiple parcels eligible?

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

- Overall project must consist of four or more eligible units
- For projects that are not government-aided, no two properties within a scatter site may be further than two miles apart
- 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.

*Note: it is recommended to change ownership prior to receiving a Certificate of Compliance because CoCs are not considered transferable.

Who can apply?

Any developer/property owner in good standing with the City may apply for projects which meet the program qualifications. “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.

Applicants can complete multiple PILOT application via Neighborly. There are no requirements to complete one application before starting another.

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.

Can I include a parking lot as part of my application?

You should include in your application all parcels that are associated with the housing project and which contribute to the function of the project. A parking lot would be considered as contributing to the function of the project.

Is there a limit on the number of approvals?

Yes, HRD is subject to a 1,500 cap on the number of units that can be administrative or conditional approved in a given year. The cap applies to rehabilitation projects that are fast track housing project (FTHP) or standard workforce housing project (SWHP). Projects that are not subject to the cap are government-aided housing projects (GAHP), or new construction projects of any kind.

Are properties purchased from Detroit Land Bank Authority (DLBA) eligible?

Properties purchased from the DBLA are subject to a five-year property tax arrangement in which 50% of the taxes collected are allocated to DBLA. This process involves placement on a special tax roll, which cannot occur simultaneously with PILOT. Therefore, properties being sold by DLBA or that were sold by DLBA within 5 years will require DBLA to issue a waiver if they are to be eligible for PILOT.

Process

What is the PILOT process?

Developers/Owners will submit applications for eligible projects through the Neighborly PILOT application. The City will issue administrative approval for GAHP or FTHP projects, or conditional approval for SWHP projects, as those require council approval. PILOT does not go into effect upon approval, but only after the program requirements are completed and a complete “packet” is provided to the Office of the Assessor.

The PILOT process can be summarized as follows:

1. Application
   - Complete Part 1
   - CDD Letter (option)
   - Submit Tenant Retention Plan*
   - Affordability Agreement**
2. Post-Approval
   - Notify of property transfer and/or changes to parcels, if applicable
3. PILOT Initiation
   - proof of investment, Good Standing, no outstanding
4. PILOT Period
   - Rent units at affordability restrictions/rent limits
   - by April 1**
   - Provide annual rental revenue data to Assessor May 31

**Properties with occupied units*
***FTHP/SWHP projects*
****SWHP projects*

How can I prepare for the Tenant Retention plan and Affordability Agreement?

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

Where is the PILOT application?

The PILOT application is housed within the Neighborly platform. Links can be found at 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

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)
- Trade Payment Breakdown (SWHP only)
- Capital Needs Assessment (Rehab only, construction not yet started)
- Letters of intent/proof of funds (if construction not complete) or proof of investment (if construction complete)
- 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.

Do I need BSEED certifications to apply for PILOT?

No, most projects will not have commenced construction prior to applying, and, therefore, will not have a BSEED Certificate of Occupancy (CoO) or Certificate of Compliance (CoC) at the time applying. However, occupied rehabilitations projects, or those that already completed rehabilitations within the "lookback" may already have these certifications at the time of their application. Note a project must have a Certificate of Occupancy or Certificate of Compliance at the time they contact the Assessor to initiate PILOT.

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, though earlier submission is encouraged.

- BSEED Certifications- Certificate of Compliance (or Certificate of Occupancy if new construction)
- Certified MSHDA exemption
- Proof of investment, if applicable and if not already provided
- Recorded affordability agreement (FTHP/SWHP) or written agreement to maintain affordability (GAHP)
- Proof of ownership held by PILOT entity
- Evidence of bona fide occupancy if available (occupancy must occur no later than Dec 31 of a given year for PILOT to begin the following year. First lease must be provided at this time or by Dec 31 if not yet available)

At the time the packet is submitted, there are a few other requirements:

- Current-year property taxes must be paid in full at this time
- Property taxes must be in the name of the property owner
- The process to parcel merge/condo affected parcels should be complete, if applicable
- Projects may again be subject to "Good Standing" review.

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

PILOT projects request certified notification of exemption from MSHDA by completing an Affidavit and providing:

- proof of approval (Administrative Approval letter or Council Resolution)
- a copy of the relevant Ordinance
- recorded Affordability Agreement (if Fast-track housing project or standard workforce housing project).

When should I get my certified notification of exemption from MSHDA?

A project may request their certified notification of exemption from MSHDA as soon as their project is approved (whether by HRD or by City Council, if applicable) and has the necessary elements to submit. For FTHP and SWHP projects, MSHDA may require the affordability agreement to be recorded before they will certify the exemption.

A project does not need to get their certified notification of exemption immediately after approval, but the exemption must be certified by MSHDA before the PILOT can go into effect, and so should be done with ample time before the "packet" is submitted to the Assessor on or before November 1 in the year prior to the year PILOT is to go into effect.

Projects that are not-government aided may wish to receive their MSHDA exemption certification as soon as possible, as provision of that exemption to the Assessor triggers the process wherein the Assessor sends the exemption to Wayne County so they can vote on whether to opt-out of "additional tax." Resolving the question as to whether or not the additional tax will be assessed is helpful for anticipating the financial burden of PILOT projects.

What if I cannot get 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? 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 should complete a new application on the Neighborly website. Such projects will 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, either 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 restricted units per year. There is no limit on new construction or for Government-Assisted Housing Projects (GAHP).

Under what circumstances will City Council action be required?

In general, City Council approval is not required for projects seeking PILOT under this ordinance. However, Council approval/action 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 "legacy PILOT," which a is housing project with an existing PILOT previously approved by Council that is seeking to convert to PILOT under rates now available, but does not have a rehabilitation within the lookback period nor otherwise meet the investment threshold.
- A housing project with an existing abatement that is seeking PILOT prior to the expiration of its abatement does not require Council to approve PILOT, but will require council to revoke the abatement before PILOT can go into effect.

Is a Certificate of Compliance transferable if I change ownership?

No, a Certificate of Compliance (CoC) is not considered transferrable, so if there is a change in ownership after a CoC is granted, the new ownership entity will need a new CoC.

BSEED may consider exceptions in case of a related party transfer, but this cannot be guaranteed. For this reason, properties applying for PILOT that anticipate having a change of ownership should complete the ownership transfer as soon as possible.

Affordability & Rental Restrictions

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 supporting 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.

Rent for restricted units cannot exceed the "Maximum Allowable Rent," which is the maximum rent that may be charged for restricted units based on unit restriction and unit size. For example, a 70% AMI tenant in an 80% AMI unit would have their rent limited to the "rent by bedroom" rate for an 80% AMI unit, depending on the number of bedrooms in the unit. Most properties will have income restrictions based on the annually published MSHDA values for Wayne County, adjusted for household size. 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.

Units with Project-Based Vouchers (PBV) are considered "restricted" for the purposes of this program. Units occupied by households with Housing-Choice Vouchers (HCVs) are not considered "restricted" unless they are subject to another form of affordability restriction.

How is average affordability determined?

The PILOT basis will be based on the average affordability limit of restricted units. Restricted units can have various income thresholds (taken at 5% increments of AMI). Individual units may exceed the income range for the property (e.g. a property with restricted units averaging 61-80% AMI may have units below 61% AMI, and above 120% AMI), but may not exceed 120% AMI.

Unit restrictions are not tied to an individual unit, but each property will designate the "unit schedule" for their property, indicating the unit restriction amount and the corresponding unit size. For example "*5 one-bedroom units and five two-bedroom units at 60% AMI, 5 one bedroom-units and three two-bedroom units at 80% 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 condo 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.

To receive the PILOT rate for PSH units, a project must be a government-aided housing project and must show evidence that their units are designated as PSH. Examples include:

- City NOFA award for supportive housing development
- MSHDA Addendum III application
- 811PRA MSHDA application approval
- LIHTC award letter
- VASH MOU

Must tenants receive written lease agreements?

Yes, PILOT projects will be required to offer written leases with a minimum term of 1 year. Tenants cannot sub-lease their units to another person who has not income-qualified or is not on the lease.

How is tenant income verified?

For prospective tenants, Income is certified prior to the lease being entered, for current tenants who wish to remain, income is certified prior to the end of the term of their current lease, ideally at the time the tenant retention plan is established. Income certification includes signing of a tenant authorization form (see PILOT website) and proof of income for all adults, which may be demonstrated by:

1) Paystubs
2) Social security statements
3) Retirement/pension statements
4) Child support payments
5) Proof of receipt of scholarship grants/student verification form
6) Other income as approved by NCS and HRD Director, such as bank statements

If you have multiple tenants in one apartment, do applicants needs income verification of both tenants?

All adults in household need to be on the lease and need to income-verify. The total household income is what is considered for income verification.

How is income verified for a student who lives off student loans?

Any federal loans/grants/emergency funds may be considered as annual income, as would annual tax return refund amount.

A student income verification form may be used if a student is over the age of 18 and is still residing in the home as a dependent, or over the age of 24 and attending school and has dependents, and does not have (this form would be considered under category 3 from the question above).

Scenarios:

- If an applicant does not receive Section 8 assistance, all forms of educational financial assistance are excluded from the annual income calculations (grants, scholarships, entitlements, financial aid packages, work-study programs, etc.) If a student is receiving Section 8 assistance, all financial assistance in excess of tuition and required student fees and charges are included as income. The only two exceptions are for students who live with their parents and the parents are applying for or receiving Section 8 assistance or if the student is 24 years old or older and has dependent children. Note: extra expenses, such as room and board, books, supplies, meals, transportation, parking, and other similar charges are not part of a student's tuition.
- If a student is employed but is not the head of the household, a co-head of the household, or a spouse, and is a dependent, only $480 of the student's wages are counted as income for the entire 12-month period. All unearned income (unemployment, social security benefits, TANF, etc.) must be included.

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 agreements 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:

- To alter the affordability restrictions on the restricted units
- 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.

Tenant Retention Policies

Are Current Tenants considered compliant?

A Current Tenant is one who occupied a unit at the time of the PILOT application and is subject to in the Tenant Retention Plan. All Current Tenants in the property at the time of the PILOT application will be presumed to be compliant through the term of their active lease, regardless of their income. By the end of this period of presumed compliance, tenants must income-qualify to remain in the property and to be considered compliant.

The lease cannot, for example, transition to month-to-month without the tenant income qualifying. Tenants can income-qualify at any time prior to the end of their lease, and are encouraged to do so during the time the tenant retention plan is generated to establish their protections.

What are the affordability requirements for occupied units?

Current Tenants are subject to additional protections and rental restrictions beyond those associated with the unit restrictions.

The table below shows the City of Detroit policy for compliance and rental restrictions after the active lease for current tenants based on their certified income relative to the unit restriction. Note that affordability restrictions for Government-Aided Housing Projects

(GAHPs) are governed by the relevant funding or subsidy source and may differ from what is outlined below.

"Current Resident" Tenant Income

Unit Restriction	% AMI	30%	40%	50%	60%	70%	80%	90%	100%	110%	120%	>120
	30%	1a	2a	2a	2a	2a	2a	3a	3a	3a	3a	3b
	40%	1a	1a	2a	2a	2a	2a	3a	3a	3a	3a	3b
	50%	1a	1a	1a	2a	2a	2a	3a	3a	3a	3a	3b
	60%	1a	1a	1a	1a	2a	2a	3a	3a	3a	3a	3b
	70%	1a	1a	1a	1a	1a	2a	2b	3a	3a	3a	3b
	80%	1a	1a	1a	1a	1a	1a	2b	2b	3a	3a	3b
	90%	1a	1a	1a	1a	1a	1a	1b	2b	2b	3a	3b
	100%	1a	1a	1a	1a	1a	1a	1b	1b	2b	2b	3b
	110%	1a	1a	1a	1a	1a	1a	1b	1b	1b	2b	3b
	120%	1a	1a	1a	1a	1a	1a	1b	1b	1b	1b	3b
	MKT	1a	1a	1a	1a	1a	1a	4	4	4	4	4

	Scenario	Compliance and Rent Limits after Term of Current Lease
1a	Tenant income 80% AMI or lower and at or below unit restriction (or in a market/unrestricted unit)	Compliant. Initial rent increase limited to the greater of +5% current rent or 30% of tenant income, increasing no more than 3% annually thereafter, capped at Max Allowable Rent
1b	Tenant income over 80% AMI and at or below unit restriction	Compliant. No rent restrictions relative to initial rent, max allowable rent for unit cap
2a	Tenant income 80% AMI or lower and over unit restriction	Compliant. Initial rent increase limited to the greater of +5% current rent or 30% of tenant income, increasing no more than 3% annually thereafter, capped at Max Allowable Rent
2b	Tenant income 81-120% AMI and no more than 20% AMI over unit restriction	Compliant. Rent is capped at Max Allowable Rent.
3a	Tenant income 81-120% AMI and more than 20% AMI over unit restriction	Not Compliant after the term of the current lease, tenant cannot stay in a restricted unit.
3b	Tenant income over 120% AMI or not reported, in a restricted unit	Not Compliant after the term of the current lease, tenant cannot stay in a restricted unit.
4	Tenant income over 80% AMI in a market/unrestricted unit.	Compliant. Market rent can be charged

Unit restrictions are not necessarily associated with a specific unit, but are set as totals by unit type: *(e.g. ten one-bedroom 60% AMI units; 5 two-bedroom 80% units*). As a result, current tenants can be linked with the most appropriate unit restriction, based on their verified income.

What are other tenant retention requirements?

Projects with occupied units seeking PILOT 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.

In addition to the affordability restrictions described above, the tenant retention plan must provide for adequate notice to tenants of upcoming affordability restrictions, changes to their rent, and displacement, if any.

Relocation assistance may also be required.

Can a Current Tenant income-qualify on the basis of old income data?

The following describes income-qualification for Fast Track Housing Projects (FTHP) and Standard Workforce Housing Projects (SWHPs). Income qualification processes for Government-Aided Housing Projects (GAHPs) will be governed by the funding or subsidy source.

Yes, a Current Tenant can income-qualify on the basis of data previously provided to their landlord, so long as (a) the landlord has the income information that NCS would require, and (b) the tenant signs a Tenant Authorization Form.

If the landlord doesn't have proof of income, the tenant will have to provide income documents as well as signing the tenant authorization form in order to income qualify.

Note that since the landlord has to provide proof of income information to NCS, they would be the one to determine if the tenant needs to provide new data. They can notify their Current Tenants if they do or do not need additional income information.

When should a Current Tenant Income-Qualify?

It is strongly recommended that Current Tenants income-qualify as soon as possible, ideally, at the time that the Tenant Retetnion Plan is being developed. This allows landlord and tenant alike the peace of mind of knowing if a tenant qualifies to remain in the unit after the term of their current lease, and will be subject to the affordability restrictions. On the other hand if the tenant will not qualify, knowing that as soon as possible is best for the tenant, so they can prepare to make other housing arrangements when the term of their lease elapses.

Again, a landlord may already have income information for a tenant, so all that may be needed to income-qualify is the signing of a Tenant Authorization Form.

Note that active leases almost certainly do not require that tenants sign a tenant authorization form, so it is not possible to require that tenants income-qualify, even if it is in their best interest to do so. For that reason, it is likely that many tenants will not income-qualify until the end of the term of their lease and, even then, only if they wish to remain.

Leases to new tenants after the PILOT begins will contain a requirement to income qualify.

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 of restricted units. Note 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	Proof of owner-paid utilities
Net Shelter Rent	Actual rental revenue yielded from the property; allows for deduction of vacancy and owner-paid utilities	Audited financial statements are expected

How will my PILOT payment be calculated?

The Total PILOT payment may consist of one or more of the following:

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.
4. **Additional Amount**: Additional amount, which refers to an increase that much be charged if the county board of commissioners passes a resolution to that effect, pursuant to the process outlined in the Act. This is not expected, but is possible for Fast Track Housing Projects and Standard Workforce Housing Projects.

Annual Service Charge = PILOT basis + PSH Payment + Non-Exempt Payment +Additional Amount

How is net shelter rent calculated?

Net shelter rent is taken as actual rental income, as paid by the tenant and/or voucher issuer (if applicable) and certain costs including subsidies paid on behalf of tenants, less Vacancy Losses, less Owner-Paid Utility costs, less bad debts, less rent-free unit, less/plus) loss/gain to lease. Net shelter rent is calculated by the Assessor based on audited financial statements. Projects that wish to use net shelter rent as the basis of their PILOT rate should provide an audited financial statement for the previous year to the Assessor by May 31 of the year for which the annual service charge is being calculated.

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.

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 will work with HRD to complete the assignment 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 or convert 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 at detroitmi.gov/PILOT and will be 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).

Summary of All Questions