

*Formal Agenda
July 10, 2018*

**BUDGET,
FINANCE, AND
AUDIT STANDING
COMMITTEE**



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER
OFFICE OF THE ASSESSOR



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July 2, 2018

Honorable City Council

CITY CLERK 2018 JUL 3 PM 2:02

RE: The Sanctuary Limited Dividend Housing Association LLC – Payment in Lieu of Taxes (PILOT)

Neighborhood Service Organization (NSO) and MHT Housing, Inc. (MHT) have formed The Sanctuary Limited Dividend Housing Association LLC in order to develop the Project known as Clay Apartments. The Project is a newly constructed building on the site of the former Detroit Police Department's 7th Precinct in an area bounded by Mack on the north, Ellery on the east, Ludden on the south and Elmwood on the west.

The Project will feature forty-two (42) one-bedroom/one-bath fully furnished units of Permanent Supportive Housing (PSH) targeted for men and women located on the second floor of the two story building. The first floor will house an emergency shelter and social services offices. Build out of the first floor will be completed as a separate project however the services offered will be readily available to the PSH residents living in the affordable units.

Financing for the Project consists of a City of Detroit HOME Loan of \$1,900,000 and a Cinnaire Permanent loan in the amount of \$1,160,399. City Real Estate Advisors ("CREA") will make an equity contribution of \$7,519,173 which includes the purchase of Low Income Housing Tax Credits. The partnership has applied for a Federal HOME Loan Bank Grant in the amount of \$630,000. MHT has committed to a temporary loan until its dispersal. The Sponsors have further agreed to defer \$93,930 of the developer fee.

Rents for all units have been set at or below sixty percent (60%) of the area median income, adjusted for family size. All residents will contribute only thirty percent (30%) of their adjusted gross income towards the rent amount. All forty-two (42) units will be subject to the PILOT based on Section 15a of the State Housing Development Authority Act of 1966, as amended.

In order to make this development economically feasible, it is necessary for it to receive the benefits of tax exemption under Section 15a of the State Housing Development Authority Act of 1966 (P.A. 346 as amended, MCL 125.1415A). Adoption of the resolution by your Honorable Body will therefore satisfy the requirements of Public Act 346 and City Ordinance 9-90, as amended, by establishing a service charge of four percent (4%) of the annual net shelter rent obtained from this housing project.

Respectfully submitted,

Alvin Hornh

Deputy CFO/Assessor

Attachment

JB/jb



BY COUNCIL MEMBER

WHEREAS, pursuant to the provisions of the Michigan State Housing Development Act, Act 346 of the Public Acts of 1966, as amended, being MCL 125.1401 se seq. (the "Act"), a request for exemption from property taxes has been received on behalf of Neighborhood Service Organization and MHT Housing, Inc. (the "Sponsors"); and

WHEREAS, a housing project as defined in the Act is eligible for exemption from property taxes under Section 15a of the Act (MCL 125.1415a) if the Michigan State Housing Development Authority ("MSHDA") provides funding for the housing project, or if the housing project is funded with a federally-aided mortgage as determined by MSHDA; and

WHEREAS, Section 15a of the Act (MCL 125.1415a) provides that the local legislative body may establish by ordinance the service charge to be paid in lieu of taxes, commonly known as a PILOT; and

WHEREAS, the City of Detroit has adopted Ordinance 9-90, as amended, being Sections 18-9-10 through 18-9-16 of the Detroit City Code to provide for the exemption from property taxes of eligible housing projects and to provide for the amount of the PILOT for said housing projects to be established by resolutions of the Detroit City Council after review and report by the Board of Assessors; and

WHEREAS, the Sponsors are proposing to undertake the construction of a building to be known as Clay Apartments consisting of forty-two (42) units located on five (5) parcels of property owned or to be acquired by the Sponsors as described by street addresses and tax parcels in Exhibit A to this resolution, with forty-two (42) units for low and moderate income housing (the "Project"); and

WHEREAS, the purpose of the Project is to serve low to moderate income persons as defined by Section 15a(7) of the Act, being MCL 125.1415a(7); and

WHEREAS, MSHDA has provided notice to the Sponsor that it intends to approve federal-aided financing for the Project in the form of Low Income Housing Tax Credits, provided that the Detroit City Council adopts a resolution establishing the PILOT for the Project; and

WHEREAS, pursuant to Section 15a of the Act, being MCL 125.1415a(1), the tax exemption is not effective until the Sponsors first obtain MSHDA certification that the housing project is eligible for exemption, and files an affidavit, as so certified by MSHDA, with the Board of Assessors; and

WHEREAS, pursuant to Section 18-9-13(G) of the Detroit City Code, the tax exemption shall be effective on adoption, with the tax exemption and PILOT payment to occur only upon bona fide use and physical occupancy by persons eligible to move into the project, in accordance with the Act, which must occur as of December 31 of the year preceding the tax year in which the exemption is to begin;



NOW, THEREFORE, BE IT

RESOLVED, that in accordance with City Code Section 18-9-13, the Project known as Clay Apartments as described above is entitled to be exempt from taxation but subject to the provisions of a service charge of four percent (4%) for payment in lieu of taxes as set forth in Act No. 346 of the Public Acts of 1966, as amended, being MCL 125.1401, et seq.; and be it further

RESOLVED, that arrangements to have collections of a payment in lieu of taxes from the Sponsors be established upon occupancy for future years with respect to the same be prepared by the Finance Department; and be it further

RESOLVED, that specific legal description for the Project shall be as set forth in the certification from MSHDA; and be it further

RESOLVED, that in accordance with Section 15a(3) of the Act, MCL 125.1415a(3), the exemption from taxation shall remain in effect for as long as the MSHDA-aided or Federally-aided financing is in effect, but not longer than fifty (50) years, and shall terminate upon the determination by the Board of Assessors that the Project is no longer eligible for the exemptions; and be it further

RESOLVED, that the City Clerk furnish the Finance Department – Assessment Division one (1) certified copy of this resolution; and be it further

RESOLVED, that this resolution is adopted with a waiver of reconsideration.



EXHIBIT A

The Sanctuary Limited Dividend Housing Association LLC

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

PARCEL 1:

Lots 1 through 10, both inclusive, including the North 9 feet of vacated alley adjacent, of Smith's Subdivision of Lots 1 to 20 both inclusive, of Mrs. Rich's Subdivision of part of Lots 38 and 39 of Geo. Hunt Farm, according to the plat thereof as recorded in Liber 23 of Plats, Page 32, Wayne County Records. ALSO Lots 15 through 20, both inclusive, including the South 9 feet of vacated alley adjacent of Smith's Subdivision of Lots 1 to 20 both inclusive of Mrs. Rich's Subdivision of part of Lots 38 and 39 of Geo. Hunt Farm, according to the plat thereof as recorded in Liber 23 of Plats, page 32, Wayne County Records. ALSO Lots 11 through 16 both inclusive, of Meier's Subdivision of the part of out Lot 37, P.C. 182 between Ludden St. and Gratiot Ave., according to the plat thereof as recorded in Liber 27 of Plats, Page 100, Wayne County Records. ALSO that part of Out Lot 36 lying between Ludden Street and Mack Avenue of Plat of the George Hunt Farm South of the Gratiot Road as subdivided by A.R. Hathon, 1846, according to the plat thereof as recorded in Liber 27 of Deed, Pages 251, 252 and 253, Wayne County Records.

Tax Parcel No. Ward 13, item 001621-37

Property Address: 3364 Mack Avenue

PARCEL 2:

Lots 12 through 14, both inclusive and South 9 feet of vacated alley adjacent thereto, of Smith's Subdivision according to the plat thereof recorded in Liber 23 of Plats, Page 32, Wayne County Records.

Tax Parcel No. Ward 13, item 001583-91

Property Address: 3409 Ludden Street

PARCEL 3:

Lot 11 and South 9 feet of vacated alley in rear of Smith's Subdivision according to the plat thereof recorded in Liber 23 of Plats, Page 32, Wayne County Records.

Tax Parcel No. Ward 13, item 001592.001

Property Address: 3421 Ludden Street



EXHIBIT A (CON'T)

The Sanctuary Limited Dividend Housing Association LLC

PARCEL 4:

Lot 1, Block 7 of Zender's Subdivision, according to the plat thereof recorded in Liber 14 of Plats, Page 4, Wayne County Records.

Tax Parcel No. Ward 13, item 001620
Property Address: 3426 Mack Avenue

PARCEL 5:

Lot 2, Block 7 of Zender's according to the plat thereof recorded in Liber 14 of Plats, Page 4, Wayne County Records.

Tax Parcel No. Ward 13, item 001619
Property Address: 3434 Mack Avenue



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CITY CLERK 2018 JUL 8 PM 12:02

June 27, 2018

Honorable City Council

RE: Himelhoch 2016 Limited Dividend Housing Association, L.L.C. – Phase I, Payment in Lieu of Taxes (PILOT)

American Community Developers, Inc. has formed Himelhoch 2016 Limited Dividend Housing Association, L.L.C. (the "LDHA"). The LDHA owns Unit 3 of the Himelhoch Condominiums. The building is structured as three (3) separate condominium units with condo Unit 3 consisting of thirty-six (36) units of affordable housing for low-income seniors. The nine-story building is bounded by Park on the north, Woodward on the east, Clifford on the south and Washington Boulevard on the west.

The rehabilitation Project consists of floors four (4) through six (6) consisting of thirty (30) one-bed, one-bath units and three (3) two-bed, one-bath units. There will also be three (3) studio apartments. The renovation will not result in a rent increase for the existing tenants.

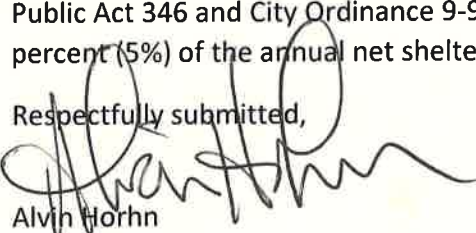
The Project will be financed by a Berkadia fifteen (15)-year loan through the Freddie Mac Conventional Cash Multifamily Standard Rate Lock Loan Program in the amount of \$2,624,000, Low Income Housing Tax Credits in the amount of \$418,985 per year for ten (10) years and an equity contribution of \$3,853,889 provided by Stratford Capital Group. The HUD Project Based Housing Assistance contract currently operating will stay with the property.

All thirty-six (36) units are tax credit units. Rents for all units have been set at or below sixty percent (60%) of the area median income, adjusted for family size. All residents will contribute no more than thirty percent (30%) of their adjusted gross income towards the rent amount. All thirty-six (36) units will be subject to the PILOT based on Section 15a of the State Housing Development Authority Act of 1966, as amended.

In order to make this development economically feasible, it is necessary for it to receive the benefits of tax exemption under Section 15a of the State Housing Development Authority Act of 1966 (P.A. 346 as amended, MCL 125.1415A).

Adoption of the resolution by your Honorable Body will therefore satisfy the requirements of Public Act 346 and City Ordinance 9-90, as amended, by establishing a service charge of five percent (5%) of the annual net shelter rent obtained from this housing project.

Respectfully submitted,


Alvin Horhn
Deputy CFO/Assessor

Attachment
JB/jb



BY COUNCIL MEMBER _____

WHEREAS, pursuant to the provisions of the Michigan State Housing Development Act, Act 346 of the Public Acts of 1966, as amended, being MCL 125.1401 se seq. (the “Act”), a request for exemption from property taxes has been received on behalf of American Community Developers, Inc. (the “Sponsor”); and

WHEREAS, a housing project as defined in the Act is eligible for exemption from property taxes under Section 15a of the Act (MCL 125.1415a) if the Michigan State Housing Development Authority (“MSHDA”) provides funding for the housing project, or if the housing project is funded with a federally-aided mortgage as determined by MSHDA; and

WHEREAS, Section 15a of the Act (MCL 125.1415a) provides that the local legislative body may establish by ordinance the service charge to be paid in lieu of taxes, commonly known as a PILOT; and

WHEREAS, the City of Detroit has adopted Ordinance 9-90, as amended, being Sections 18-9-10 through 18-9-16 of the Detroit City Code to provide for the exemption from property taxes of eligible housing projects and to provide for the amount of the PILOT for said housing projects to be established by resolutions of the Detroit City Council after review and report by the Board of Assessors; and

WHEREAS, the Sponsor is proposing to undertake the rehabilitation of an existing housing project to be known as Himelhoch 3, consisting of the rehabilitation of thirty-six (36) units in the apartment building located on a parcel of property owned or to be acquired by the Sponsor as described by street address and tax parcel in Exhibit A to this resolution, with all units for low and moderate income housing (the “Project”); and

WHEREAS, the purpose of the Project is to serve low to moderate income persons as defined by Section 15a(7) of the Act, being MCL 125.1415a(7); and

WHEREAS, MSHDA has provided notice to the Sponsor that it intends to approve federal-aided financing for the Project, provided that the Detroit City Council adopts a resolution establishing the PILOT for the Project; and

WHEREAS, pursuant to Section 15a of the Act, being MCL 125.1415a(1), the tax exemption is not effective until the Sponsor first obtains MSHDA certification that the housing project is eligible for exemption, and files an affidavit, as so certified by MSHDA, with the Board of Assessors; and

WHEREAS, pursuant to Section 18-9-13(G) of the Detroit City Code, the tax exemption shall be effective on adoption, with the tax exemption and PILOT payment to occur only upon bona fide use and physical occupancy by persons and families eligible to move into the project, in accordance with the Act, which must occur as of December 31 of the year preceding the tax year in which the exemption is to begin;



NOW, THEREFORE, BE IT

RESOLVED, that in accordance with City Code Section 18-9-13, the Project known as Himelhoch 3 as described above is entitled to be exempt from taxation but subject to the provisions of a service charge of five percent (5%) for payment in lieu of taxes as set forth in Act No. 346 of the Public Acts of 1966, as amended, being MCL 125.1401, et seq.; and be it further

RESOLVED, that arrangements to have collections of a payment in lieu of taxes from the Sponsor be established upon occupancy for future years with respect to the same be prepared by the Finance Department; and be it further

RESOLVED, that specific legal description for the Project shall be as set forth in the certification from MSHDA; and be it further

RESOLVED, that in accordance with Section 15a(3) of the Act, MCL 125.1415a(3), the exemption from taxation shall remain in effect for as long as the MSHDA-aided or Federally-aided financing is in effect, but not longer than fifty (50) years, and shall terminate upon the determination by the Board of Assessors that the Project is no longer eligible for the exemptions; and be it further

RESOLVED, that the City Clerk furnish the Finance Department – Assessment Division one (1) certified copy of this resolution; and be it further

RESOLVED, that this resolution is adopted with a waiver of reconsideration.



EXHIBIT A

Himelhoch 2016 Limited Dividend Housing Association L.L.C.

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

W WOODWARD UNIT 3 WAYNE COUNTY CONDO PLAN NO 1088 "THE HIMELHOCH CONDOMINIUM" REC L54252 P12 DEEDS, WCR 2/1 43.5% SPLIT/COMBINED ON 06/27/2018 FROM 02001868.

Tax Parcel No. Ward 02, item 001868.003

Property Address: 1545 Woodward Avenue Unit 3