

Referrals.

3-19-19.

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



March 11, 2019

Honorable City Council

**RE: 124 Alfred Limited Dividend Housing Association Limited Liability Company –  
Payment in Lieu of Taxes (PILOT)**

124 Alfred Developer LLC has formed 124 Alfred Limited Dividend Housing Association Limited Liability Company in order to develop the Project known as 124 Alfred. The Project will be a newly constructed five-story building in the Historic District of Brush Park comprised of fifty-four (54) senior housing units located in an area bounded by Alfred on the north, John R on the east, Adelaide on the south and Woodward on the west.

The Project will include forty-seven (47) one-bedroom/one-bath and seven (7) two-bedroom/two-bath apartments. Residents will have access to both below-grade and surface parking.

The Project has been financed by a twenty-four (24)-month Construction Loan Agreement with Aurora Financial LLC for up to \$5,400,000 at five percent (5%) interest with a Permanent Loan extension option for the amount of \$295,000 at six and 15/100 percent (6.15%) interest for an additional eighteen (18) years. Low Income Housing Tax Credits in the annual amount of \$918,804 have been reserved.

Rents for all units have been set at or below sixty percent (60%) of the area median income, adjusted for family size. All fifty-four (54) 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 ten percent (10%) of the annual net shelter rent obtained from this housing project.

Respectfully submitted,

Alvin Horhn

Deputy CFO/Assessor

Attachment

JB/jb



**BY COUNCIL MEMBER**

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**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 124 Alfred Developer LLC (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 construction of a building to be known as 124 Alfred consisting of fifty-four (54) units in a 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 fifty-four (54) 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 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 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 124 Alfred as described above is entitled to be exempt from taxation but subject to the provisions of a service charge of ten percent (10%) 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 two certified copies of this resolution; and be it further

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



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**EXHIBIT A**

**124 Alfred Limited Dividend Housing Association Limited Liability Company**

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

S ALFRED UNIT NO 3 WAYNE COUNTY CONDO PLANNO 1105 "124 ALFRED  
CONDOMINIUM" RECORDED L54660 P652 DEEDS WCR 1/40 51.53%

Tax Parcel No. Ward 01, item 000657.003

Property Address: 124 Alfred 3