



# CITY OF GRAND RAPIDS AGENDA ACTION REQUEST

**DATE:** August 13, 2024

**TO:** Mark Washington, City Manager

**COMMITTEE:** Fiscal Committee

**LIAISON:** Molly Clarin, Chief Financial Officer

**FROM:** Connie M. Bohatch, Senior Managing Director of Community Services  
Community Development

**SUBJECT:** **Resolution authorizing conditional approval of tax exemption and payment in lieu of taxes (PILOT) – Browning Claytor Town Homes**

Attached is a resolution authorizing conditional approval of a tax exemption and payment in lieu of taxes (PILOT) for the Browning Claytor Town Homes project located near the southwest corner of Hall Street, SE and Madison Avenue, SE. The project includes twelve (12) affordable rental units at 1221, 1227, 1229, 1231, 1233, 1235, 1237, 1239, 1241, and 1243 Madison Avenue, SE. The developer was LuDell-White Development I, LLC. The ownership entity is the Browning Claytor Town Homes I Limited Dividend Housing Association Limited Partnership (Browning Claytor Town Homes I LDHA LP).

The State Housing Development Authority Act authorizes such exemptions for assisted housing developments with a federally-aided mortgage, an Authority-aided mortgage, or an advance or grant from such authority. The City also has an ordinance (Article 5, Chapter 9 of the City Code) that allows the City Commission to grant property tax exemptions. Housing projects approved for such an exemption shall make payment in lieu of taxes for the rent restricted units by paying one of the following:

1. A service charge in an amount equal to 4% of annual shelter rent, or
2. A service charge in an amount equal to 1% of annual shelter rent in addition to making an annual contribution into the City's Affordable Housing Fund in an amount equal to 2% of annual shelter rent.

**Background.** This project was developed in 2005 and includes two buildings. The first is a mixed-use building at 1221 Madison Avenue, SE which features commercial space on the first floor and three (3) two-bedroom apartments above. The second building immediately adjacent to the south contains nine (9) three-bedroom townhomes with the addresses 1227 - 1243 Madison Avenue, SE, each with a two-stall garage. Other amenities include air conditioning, second floor clothes washers and dryers, and dishwashers.

At the time of its initial development, the project was awarded Low Income Housing Tax Credits (LIHTC) by the Michigan State Housing Development Authority (MSHDA). The project was granted a 15-year tax exemption and 4% PILOT by the City in 2004 (Proceeding Number 72242). At such time, implementation of the local ordinance conditionally approved PILOT requests for the initial compliance period rather than through the LIHTC Extended Use Period.

The project is currently in a LIHTC Extended Use Period that will be in effect through 2036 and has a City HOME mortgage with a term ending December 14, 2034. A conventional loan will be pursued to fund the capital improvements and deferred maintenance described above. For the project to remain financially viable, Browning Claytor Town Homes I LDHA LP is requesting a new, 12-year PILOT for the years 2025 through 2036.

The owner plans to complete capital improvements and deferred maintenance over the next one to two years. This work is likely to include roof replacement, new garage doors, window replacement, asphalt repair, and playground upgrades. The interior of each unit will also be refreshed with new paint, flooring, and other work as needed.

**Unit Detail.** The project includes 12 units available to households with income at or below 60% of Area Median Income (AMI). The following is further detail regarding the units:

Unit Type	Number of Units	Average Unit Size (sq. ft.)	Projected Monthly Rent per Unit (including utility allowances)
Two Bedroom	3	1,085	\$1,122
Three Bedroom	9	1,376	\$1,358

**PILOT Option.** The owner has certified election of PILOT option 2 – a service charge in an amount equal to 1% of annual shelter rent in addition to making an annual contribution into the City’s Affordable Housing Fund in an amount equal to 2% of annual shelter rent.

**Anticipated Benefit.** The anticipated benefit of approving the PILOT is based on the estimated ad valorem tax bill minus the estimated PILOT service charge and Affordable Housing Fund contribution. The following is a summary of the anticipated benefit for the project:

Unit Type	Estimated Ad Valorem Tax Bill	Estimated Service Charge with PILOT	Estimated Affordable Housing Fund Contribution	Benefit
Affordable	\$18,286	\$1,347	\$2,694	\$14,245

**Recommendation.** The Community Development Department recommends conditional approval of a tax exemption with the housing project paying a 1% service charge annually as payment in lieu of taxes for the rent-restricted units and an annual contribution into the City’s Affordable Housing Fund in an amount equal to 2% of annual

shelter rent. This would remain in place for the life of the federally-aided or Authority-aided mortgage with the Browning Claytor Town Homes I LDHA LP, not anticipated to exceed 12 years. Approval is conditional upon City receipt of the "Notification to Local Assessor of Exemption" from the Michigan State Housing Development Authority.

Your FISCAL COMMITTEE recommends the adoption of the following resolution authorizing conditional approval of tax exemption and payment in lieu of taxes for the Browning Claytor Town Homes I Limited Dividend Housing Association Limited Partnership, Browning Claytor Town Homes project.

WHEREAS, the Grand Rapids City Commission hereby determines that the Browning Claytor Town Homes project is qualified for, and should be granted, the exemption from all property taxes attributable to the rent restricted residential units occupied by low-income families and their pro-rated share of land and improvements, as provided in the State Housing Development Authority Act; therefore

RESOLVED:

1. That pursuant to Section 15(a) of the State Housing Development Authority Act and Article 5, Chapter 9 of Title I of the Code of the City of Grand Rapids, the City Commission hereby conditionally approves, subject to the receipt of the "Notification to Local Assessor of Exemption" from the Michigan State Housing Development Authority, an exemption from all property taxes attributable to the rent restricted residential units occupied by low-income families and their pro-rated share of land and improvements for the Browning Claytor Town Homes I Limited Dividend Housing Association Limited Partnership and its successors and assigns, for the following property:

Units 1 through 9, inclusive and Unit 11, Browning Claytor Townhomes, a Condominium, according to the Master Deed recorded in Instrument Number 20041217-0164089 on Pages 1 – 51, inclusive, in the Office of the Kent County Register of Deeds and designated as Kent County Condominium Subdivision Plan No. 703, together with rights in general common elements and limited common elements as set forth in said Master Deed and as described in Act 59 of the Public Acts of 1978, as amended.

Parcel Number: 41-18-06-130-011  
Commonly known as 1221 Madison Ave SE

Parcel Number: 41-18-06-130-009  
Commonly known as 1227 Madison Ave SE

Parcel Number: 41-18-06-130-008  
Commonly known as 1229 Madison Ave SE

Parcel Number: 41-18-06-130-007  
Commonly known as 1231 Madison Ave SE

Parcel Number: 41-18-06-130-006  
Commonly known as 1233 Madison Ave SE

Parcel Number: 41-18-06-130-005  
Commonly known as 1235 Madison Ave SE

Parcel Number: 41-18-06-130-004  
Commonly known as 1237 Madison Ave SE

Parcel Number: 41-18-06-130-003  
Commonly known as 1239 Madison Ave SE

Parcel Number: 41-18-06-130-002  
Commonly known as 1241 Madison Ave SE

Parcel Number: 41-18-06-130-001  
Commonly known as 1243 Madison Ave SE

for a term not to exceed twelve (12) years, provided however, upon verification by the owner to the City of a different term of a Federally-aided or Authority-aided mortgage, or Authority-aided advance or grant, the tax exemption shall be for the term of the actual assistance, not to exceed fifty (50) years. The tax exemption shall be effective on the December 31 immediately succeeding the receipt of the "Notification to Local Assessor of Exemption" from the Michigan State Housing Development Authority for said parcels. Notwithstanding the provisions of Section 15(a)(5) of the State Housing Development Authority Act to the contrary, a contract to provide tax exemption and accept payment in lieu of taxes, as previously described, between the City of Grand Rapids and the Browning Claytor Town Homes I Limited Dividend Housing Association Limited Partnership with the Michigan State Housing Development Authority as third party beneficiary under this contract, is effectuated by the adoption of this resolution; and

2. That pursuant to Article 5, Chapter 9 of Title I of the Code of the City of Grand Rapids, the project shall pay a service charge in the amount equal to one percent (1%) of the annual shelter rental receipts for the rent restricted units occupied by low-income families and their pro-rated share of land and improvements ("Annual Shelter Rent"), in addition to making an annual contribution to the City of Grand Rapids' Affordable Housing Fund in an amount equal to two percent (2%) of Annual Shelter Rent; and if the annual contribution to the Affordable Housing Fund is not made, the service charge shall revert to four percent (4%) of Annual Shelter Rent; and
3. If the project is occupied by other than low income persons or families, that portion of the project shall pay a service charge equal to the full amount of the taxes that would be paid on that portion of the project if the project were not tax exempt, as provided by the Michigan State Housing Development Authority Act; and
4. That pursuant to Article 5, Chapter 9 of Title I of the Code of the City of Grand Rapids, the project shall annually file with the City Assessor before August 1st a

complete set of audited financial statements for each previous calendar year, as requested.

~~CORRECT IN FORM~~  
*John A. Sant*  
\_\_\_\_\_  
DEPARTMENT OF LAW