



Item Number: 10

# 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) – Heron Courtyard**

Attached is a resolution authorizing conditional approval of a tax exemption and payment in lieu of taxes (PILOT) for the Heron Courtyard project located at 2100 Leonard Street, NE. The property is currently owned by the Heron Courtyard Limited Dividend Housing Association Limited Partnership, whose general partner is the Genesis Nonprofit Housing Corporation I.

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.** Heron Courtyard, a 33-unit permanent supportive housing project, was developed in 2003 by the Genesis Nonprofit Housing Corporation using 9% Low Income Housing Tax Credits (LIHTC), HOME Investment Partnerships Program (HOME) funding from the Michigan State Housing Development Authority (MSHDA), and other funding. On March 5, 2002, the City Commission granted PILOT for 30 years (Proceeding No. 69695).

The current request for PILOT results from planned financial restructuring to facilitate needed capital improvements. Renovations to the building envelope will include new siding, gutters, windows, and doors. Interior updates will include HVAC improvements, new kitchen cabinets, plumbing fixtures, light fixtures, and flooring. Accessibility

improvements within the units and common areas will take place along with updates to the property management office and community space. The restructuring will result in a change in property ownership to the Heron Courtyard Redevelopment Limited Dividend Housing Association LLC (Heron Courtyard Redevelopment LDHA LLC). Dwelling Place of Grand Rapids Nonprofit Housing Corporation is the current property manager and will continue in the role after the renovation.

**Unit Detail.** The project includes 33 units available to households with income at or below 50% of the Area Median Income (AMI). All units have project-based vouchers and will continue to be rented under the rent and income restrictions of the LIHTC program. Following is further detail regarding the units:

Unit Type	Number of Units	Average Unit Size (sq. ft.)	Projected Monthly Rent per Unit (including utility allowance & PBV)
One Bedroom	19	845	\$1,211
Two Bedroom	12	965	\$1,459
Three Bedroom	2	1,274	\$1,898
<b>Total</b>	<b>33</b>		

**PILOT Option.** The owner has certified election of the 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 Project Benefit.** The anticipated annual 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.

Unit Type	Estimated Ad Valorem Tax Bill	Estimated Service Charge with PILOT	Estimated Affordable Housing Fund Contribution	Project Benefit
Affordable	\$43,356	\$3,924	\$7,849	\$31,583

**Financing.** The total estimated project cost including acquisition by the new ownership entity is projected to be \$7,499,556. Sources will include \$2,071,928 from 4% LIHTC, a \$1,771,122 MSHDA TEAM direct loan, \$1,604,714 of transferred reserves, \$324,959 in deferred developer fee, and \$173,791 in income from operations. The project will also assume the existing debt of a MSHDA HOME loan currently calculated at \$1,553,042 in principle and interest.

**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 Heron Courtyard Redevelopment LDHA LLC, not anticipated to exceed 45 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 Heron Courtyard Redevelopment Limited Dividend Housing Association LLC Heron Courtyard project.

WHEREAS, the Grand Rapids City Commission hereby determines that the Heron Courtyard 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 Heron Courtyard Redevelopment Limited Dividend Housing Association LLC, and its successors and assigns, for the following parcel of property:

That part of the NE 1/4, Section 21, T7N, R11W, City of Grand Rapids, Kent County, Michigan, described as: Commencing at the N 1/4 corner of Section 21; thence N90°00'00"E 621.48 feet along the North line of said NE 1/4 to the Place of Beginning; thence N 90°00'00"E 325.00 feet along the North line of said NE 1/4 to a point which is 363 feet West of the NE corner of the W½ of said NE 1/4; thence S00°24'45"E 270.00 feet along the West line of Gabrielle Addition Plats; thence S49°25'15"W 240.00 feet; thence N40°34'45"W 67.50 feet; thence S 49°25'15"W 67.50 feet; thence N40°34'45"W 185.00 feet; thence N14°17'10"E 287.12 feet to the place of beginning. Subject to highway ROW for Leonard Street, over the North 40 feet thereof.

Parcel No: 41-14-21-201-047

Commonly known as 2100 Leonard Street, NE

for a term not to exceed forty-five (45) years, provided however, upon verification by the owner to the City of a different term of federal or Authority-aided mortgage, 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 Heron Courtyard Redevelopment Limited Dividend Housing Association LLC, 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, 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 for that portion of the project occupied by other than low income persons or families, 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
3. 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 1<sup>st</sup> a complete set of audited financial statements for each previous calendar year, as requested.

  
CORRECT IN FORM  
DEPARTMENT OF LAW