File #: 25-2037, **Version:** 1

Resolution to Approve a Payment in Lieu of Taxes (PILOT) for the Affordable Housing Project at 350 South Fifth Avenue
The Ann Arbor Housing Commission (AAHC), through its 501(c)(3), the Ann Arbor Housing Development Corporation (AAHDC), is developing the previously City-owned parcel at 350 S. Fifth Ave. as affordable housing.

The AAHC selected Related Midwest through a Request for Proposal (RFP) process, as a co-developer. The project includes a 329,242 square foot 20-story mixed-use building that includes approximately 330 1- and 2-bedroom apartments with tenant community space and staff offices, and approximately 6,500 square feet of commercial space. All residential units will be affordable to households with incomes at or below 80% of Area Median Income (AMI) with an income average of no more than 60% AMI, as restricted by Low Income Housing Tax Credits (LIHTC) and the City's PILOT ordinance. At least 110 of the 330 units (33%) will be targeted at households earning less than 30% of the Area Median Income and will be directly supported by the Ann Arbor Housing Commission ("AAHC") through both project-based rental vouchers and supportive services.

The primary source of funding for affordable housing development is the Low-Income Housing Tax Credit (LIHTC) Program. LIHTC provides the owner with tax credits that can be claimed annually over the course of ten years in exchange for a minimum of a 30-year commitment of affordability. In order to monetize the LIHTC for development of the project, AAHDC must form a limited partnership or limited liability company with an equity investor that will invest capital in exchange for the right to claim the future LIHTC.

The AAHDC will own the land and will execute a long-term ground lease with Fifth Avenue MI Limited Dividend Housing Association LLC; the limited liability company created for the improvements (buildings). The AAHDC formed a single-asset entity called AAHDC Fifth Avenue LLC that will be the co-managing member of Fifth Avenue MI Limited Dividend Housing Association LLC with LR Development Company LLC (d/b/a Related Midwest) or an affiliate. The equity investor has not yet been selected.

Fifth Avenue MI Limited Dividend Housing Association, LLC is applying for LIHTC from the Michigan State Housing Development Authority (MSHDA). The property is currently tax-exempt, as a property owned by the AAHDC. MSHDA requires the adoption of a service payment in lieu of taxes for LIHTC-funded project through a separate resolution specific to the tax credit project. The City's Tax Exemption for Housing Projects' ordinance (Chapter 19, Section 1:651 of Ann Arbor City Code) applies to all affordable housing projects that meet the requirements of the ordinance, but this resolution is needed to satisfy MSHDA's requirements. The AAHDC is requesting approval of a service charge of $1/unit/year in lieu of taxes for all the affordable residential units for the term of the LIHTC commitment of 45 years.
Prepared By: Jennifer Hall, Executive Director, Ann Arbor Housing Commission
Reviewed By: Christopher Frost, Senior Assistant City Attorney

Approved By: Milton Dohoney Jr., City Administrator

Whereas, The Ann Arbor Housing Commission, through its 501(c)(3), the Ann Arbor Housing Development Corporation, is co-developing the formerly City-owned property at 350 S. Fifth Avenue with Related Midwest as an affordable housing project;

Whereas, The apartments will be rent and income-restricted to households with incomes at or below 80% of Area Median Income (AMI) with an income average of no more than 60% AMI; and

Whereas, City Council has determined prospectively that, under Chapter 19 of City Code, the affordable housing project at 350 S. Fifth Avenue will be qualified for and should be granted a tax exemption and pay an annual service charge in lieu of taxes;

RESOLVED, The housing project to be developed at 350 South Fifth Avenue in the City of Ann Arbor is exempted from all ad valorem property taxes and shall pay an annual service charge in lieu of taxes equal to one dollar ($1.00) for each eligible housing unit in the housing project, as provided by Chapter 19 of City Code and the Michigan State Housing Development Authority Act, said housing project being the following real property:

Parcel 1
Lots 3 and 4 in Block 3 South of Huron Street, Range 5 East, Original Plat of the Village (now City) of Ann Arbor, as recorded in Transcripts, Pages 152 and 153, Washtenaw County Records

Parcel 2
Lot 5, Block 3 South of Huron Street, Range 5 East, Original Plat of the Village (now City) of Ann Arbor, as recorded in Transcripts, Pages 152 and 153, Washtenaw County Records

Parcel 3
The South 30 feet of Lot 6, and the North 36 feet of Lot 6, Block 3 South of Huron Street, Range 5 East, Original Plat of the Village (now City) of Ann Arbor, as recorded in Transcripts, Pages 152 and 153, Washtenaw County Records.

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RESOLVED, That the tax exemption shall be effective on December 31st of the year in which the City receives from the Michigan State Housing Development Authority a “Notification to Local Assessor of Exemption” for the project;

RESOLVED, That this resolution shall remain in effect for 45 years and shall not terminate so long as both (1) the housing project remains eligible for tax exemption under Chapter 19 of City Code and state and federal law, and (2) a state or federally-aided mortgage loan remains outstanding and unpaid on the housing project, as provided in Chapter 19 of City Code;

RESOLVED, That notwithstanding the provisions of Section 15(a) of the State Housing Development Authority Act to the contrary, a contract between the City of Ann Arbor and the Ann Arbor Housing Development Corporation affiliated entity, the Fifth Avenue MI Limited Dividend Housing Association, LLC, and its successors and assigns, with the Michigan State Housing Development Authority as third party beneficiary under the contract, to provide this tax exemption and accept payments in lieu of taxes, is effectuated by adoption of this resolution;

RESOLVED, That the owner or operator of the housing project shall, upon request by the City, provide evidence to verify continuing eligibility for tax exemption under Chapter 19 of City Code; and

RESOLVED, That the City Administrator is authorized to take all appropriate actions to implement this resolution.