



301 W. MAIN • OWOSSO, MICHIGAN 48867-2958 • (989) 725-0599 • FAX (989) 723-8854

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# MEMORANDUM

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DATE: October 20, 2023

TO: OWOSSO CITY COUNCIL

FROM: Nathan Henne, City Manager

RE: FIRST READING: 219 North Water Street - PILOT Ordinance  
AMENDMENT – And Schedule Public Hearing for November 20, 2023

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In 2022, Venture, Inc. has successfully negotiated a purchase agreement with Owosso Schools to acquire the old Middle School property. They are proposing to reuse the existing Middle School for 50 Low Income Housing Tax Credit (LIHTC) residential units within the building along with common areas and business opportunity areas. All residential units will be subject to LIHTC rent control. After 3 application rounds for tax credits through MSHDA, the state has worked with the developer to suggest some updated language to the city's PILOT ordinance for the project. The city attorney has reviewed this amendment and shares my recommendation to approve. The estimated PILOT payments have not changed.

**This agenda item will set the public hearing to receive comment on the amended Payment in Lieu of Taxes (PILOT) ordinance for the Middle School redevelopment project for November 20, 2023 at 7:30 P.M.**

## Zoning

The property is zoned RM-2 (Residential Multi-Family Hi Rise). This zoning allows for the use proposed by the redevelopment as it accommodates a mixed residential/business plan. No rezoning is required. Furthermore, since the footprint of the building will not change with the redevelopment, no site plan is necessary. However, building permits will be required.

## Payment in Lieu of Taxes (PILOT)

Concerning the PILOT, this is a standard request with housing projects that meet a public need for some sort of affordable and/or senior housing component. The project needs approval by the Michigan State Housing Development Authority for low income housing tax credits. These credits are the financial assistance that enables the provision of affordable rents. In order to qualify for such credits the city needs to consider a PILOT for this project.

This means that the owner will pay the city a sum that is calculated based upon the project rents less utilities instead of paying real property taxes. The difference in what this amount is compared to projected taxes is not known at this time, but my estimation is that the PILOT will be about 1/4 of a normal tax payment, totaling ≈\$15,069 per year with the city portion being \$5,218 per year. This remainder of the estimated \$15,069 would be distributed to taxing entities in the same manner as a tax payment.

The PILOT proposed is reasonable. It will last only as long as the credits and affiliated rent controls are in place, and it will amount to 4% of the total of all shelter rents less provided utilities. The attached Estimated PILOT Calculation gives you an idea of the average tax assessment on a property with an SEV of \$50,000 and gives an example of a possible PILOT on the Middle School with a max schedule of 45 years.

I recommend setting the public hearing for this PILOT ordinance amendment for the Middle School development project for November 20, at 7:30 P.M.

### ATTACHED:

1. PILOT Ordinance Amendment
2. Estimated PILOT Calculation

**RESOLUTION NO.**

**AUTHORIZING FIRST READING & SETTING A PUBLIC HEARING  
FOR THE PROPOSED AMENDMENT OF  
DIVISION 2, VENTURE RIVERVIEW FLATS, LDHA, OF CHAPTER 32, TAXATION,  
OF THE CODE OF ORDINANCES  
TO AMEND THE PILOT AGREEMENT  
FOR THE RIVERVIEW FLATS**

WHEREAS, the Owosso Public Schools sold the former middle school building to Venture, Inc., a Michigan domestic nonprofit corporation, located in Pontiac, Michigan; and

WHEREAS, Venture, Inc., plans to convert the building into a mixed-use development with residential spaces catering to people with low incomes funded in part by low-income housing tax credits; and

WHEREAS, the City of Owosso agrees to forego property tax payments on the property to assist in the financial feasibility of the project; and

WHEREAS, the City of Owosso previously amended this ordinance on September 19, 2022, and after working with the State of Michigan and the developers, additional amendments were required to said ordinance.

NOW, THEREFORE, BE IT RESOLVED, THAT THE CITY OF OWOSSO ORDAINS THAT:

SECTION 1. AMENDMENT. Division 2, Venture Riverview Flats LDHA LP, of Article III, Service Charge in Lieu of Taxes for Certain Housing Developments, of Chapter 32, Taxation, of the Code of Ordinances of the City of Owosso shall be amended as follows:

**DIVISION 2. -VENTURE RIVERVIEW FLATS, LDHA LP**

**Sec. 32-50. - Preamble.**

It is acknowledged that it is a proper public purpose of the State of Michigan and its political subdivisions to provide housing for its citizens of low income and to encourage the development of such housing by providing for a service charge in lieu of property taxes in accordance with the State Housing Development Authority Act of 1966 (1966 PA 346. as amended, MCL 125.1401 et seq.). The City is authorized by this Act to establish or change the service charge to be paid in lieu of taxes by any or all classes of housing exempt from taxation under this Act at any amount it chooses not to exceed the taxes that would be paid but for this Act.

It is further acknowledged that such housing for persons of low income is a public necessity, and as the City will be benefited and improved by such housing, the encouragement of the same by providing certain real estate tax exemption for such housing is a valid public purpose; further, that the continuance of the provisions of this article for tax exemption and the service charge in lieu of taxes during the periods contemplated in this article are essential to the determination of economic feasibility of housing developments which are constructed and financed in reliance on such ordinance and service charge.

The City further acknowledges that Venture, Inc., a domestic nonprofit corporation (a sponsor), has offered, subject to receipt of a mortgage loan from the authority, to erect and/or reuse an existing structure, own and operate a housing development Identified as ~~Venture~~ Riverview Flats on certain property located at 219 N. Water Street (see legal description below) in the City to serve persons of low income, and that the sponsor has offered to pay the City on account of the development an annual service charge for public services in lieu of all taxes.

The City further acknowledges that Venture, Inc., a Michigan domestic nonprofit corporation, has offered, subject to receipt of low-income housing tax credits from the authority, to erect, own and operate ~~the a housing~~ development to the required standards of SHPO, identified as the ~~Venture~~ Riverview Flats on certain property located at 219 N. Water Street in the City, hereinafter referred to as the "Site" and further described as:

COM 70' S OF NE CORNER BLK 38 TH W 143.8' TH S 62' TH W 334.7' TH S TO SHIA RIVER TH SE'LY TO PT 6" N OF THE PT WHERE N LN OF EXCHANGE ST IF EXT'D W L Y WOULD INTERSECT E BANK OF SD RIVER TH ON A LN PAR'L WITH N LN OF EXCHANGE ST SO EXT D TO A PT 126' W OF W LN OF WATER ST TH N 2' TH EI YON A LN PAR'L WITH THE N LN OF EXCHANGEST SO EXT'D 38' TH S 2'6" TO N LN EXCHANGE ST SO EXT'D TH E ON LINE OF EXCHANGE ST SO EXT'D 88' TO THEW LN OF WATER ST TH N TO BEG BLK 38 ORIGINAL PLAT;  
Parcel Number: 050-470-038-002-00

to serve persons of low income, and that the sponsor has offered to pay the City on account of the development an annual service charge for public services in lieu of all taxes.

### **Sec. 32-51. - Definitions.**

The following words, ~~termsterms~~, and phrases, when used in this article, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

*Act* means the State Housing Development Authority Act, being Public Act 346 of 1966, of the State of Michigan, as amended.

*Annual ~~shelter~~ Rents* means the total collections during an agreed annual period from all ~~tenantsoccupants of a housing development~~ representing rents or occupancy charges exclusive of charges for gas, electricity, ~~heatheat~~, or other utilities furnished to the ~~tenants-occupants~~.

*Authority* means the Michigan State Housing Development Authority.

~~*Contract rents* are as defined by the U.S. Department of Housing and Urban Development in regulations promulgated pursuant to Section 8 of the U.S. Housing Act of 1937, as amended.~~

*Housing development* means a development which contains a significant element of housing for elderly persons of low income or persons of low income and such elements of other housing,

commercial, recreational, industrial, communal, and educational facilities as the authority determines improve the quality of the development as it relates to housing for persons of low income.

*HUD* means the U.S. Department of Housing and Urban Development ~~of the United States Government.~~

*Mortgage loan* means a loan that is Federally-Aided (as defined in Section 11 of the Act) or loan or grant made or to be made by the Authority, for the construction, rehabilitation, acquisition and/or permanent financing of a housing project, and secured by a mortgage on the housing project. ~~loan to be made by the authority or Fanners Home Administration or the Department of Housing and Urban Development to a sponsor for the construction and permanent financing of a housing development or a mortgage loan insured by HUD or a federally aided mortgage as otherwise defined by the Act.~~

*Persons of lowLow income Persons and Families* means persons and families eligible to move into a housing development project ~~families and persons who cannot afford to pay the amounts at which private enterprise, without federally-aided mortgages or loans from the authority, is providing a substantial supply of decent, safe, and sanitary housing and~~ who fall within income limitations set in this act or by the authority in its rules. ~~Among low income or moderate income persons, preference shall be given to the elderly and those displaced by urban renewal, slum clearance, or other governmental action.~~

*Sponsor* means persons or entities that receive or assume a Mortgage Loan ~~which have applied to either the authority for a mortgage loan to finance a housing development or to another governmental entity or is a federally-aided mortgage, as otherwise defined by the Act.~~

*State Historic Preservation Office* means The Michigan State Historic Preservation Office (SHPO) helps property owners, developers, and local and state agencies recognize and seize opportunities to maintain and rehabilitate structures that define communities and define Michigan. The SHPO encourages the rehabilitation of historic buildings so they can continue to enrich communities where people want to live and visit. Through the protection of historic and archaeological sites and other cultural resources, preservation provides a record of Michigan's history and creates a link between Michigan's residents: past, ~~present~~present, and future.

*Utilities* means fuel, water, sanitary sewer service and/or electrical service which are paid by the housing development.

### **Sec. 32-52. - Class of housing developments.**

It is determined that the class of housing developments to which the tax exemption shall apply and for which a service charge shall be paid in lieu of such taxes shall be multiple dwellings for persons

of low income and any social, recreational, commercial and communal facilities as may be necessary to serve residents of the housing development and the area in which it is located, which are financed or assisted by the authority, or which have a federally aided mortgage, as defined in the Act. It is determined that Riverview Flats~~Water Street Exchange~~ is of this class.

**Sec. 32-53. • Establishment of annual service charge for ~~Venture~~Riverview Flats.**

The housing development identified as ~~Venture~~Riverview Flats and the property on which it shall be constructed shall be exempt from all property taxes from and after the commencement of construction. The City, acknowledging that the sponsor and the authority have established the economic feasibility of the housing development in reliance upon the enactment and continuing effect of this article and the qualification of the housing development for exemption from all property taxes and a payment in lieu of taxes as established herein, and in consideration of the sponsor's offer, subject to receipt of a mortgage loan ~~from the authority~~, to construct, own and operate the housing development, hereby agrees to accept payment of an annual service charge for public services in lieu of all ad valorem property taxes. The annual service charges shall be equal to four ~~(4)~~ percent of the difference between annual~~contract~~ rents actually collected and utilities.

**Sec. 32-54. • Payment of service charge.**

The service charge in lieu of taxes as determined under this article shall be payable in the same manner as general property taxes are payable to the City except that the annual payment shall be paid on or before March 31 of each year. \_

Notwithstanding anything contained herein to the contrary, should the Sponsor fail to pay the final adjusted service charge in lieu of taxes granted hereunder by the due date, or fail to submit along with the payment such financial information as is necessary to support the calculations used to make a payment, the City may determine that the Sponsor has violated the Ordinance and may then follow the collection procedures pursuant to the provisions of the General Property Tax Act (1893 PA 206. As amended; MCL 211.1, et seq) in order to collect the service charge.

**Sec. 32-55. • Duration.**

The tax exempt status of a housing development approved for such status by the City council shall remain in effect and shall not terminate so long as the mortgage loan for such housing development remains outstanding and unpaid, as long as the housing at the -property is subject to restrictive rents in compliance with the low income housing tax credit program administered by MSHDA, or for such period as the authority or other governmental entity has any interest in the property; provided, the construction of such housing development commences within two (2) years from the effective date the City council approves the housing development for tax exempt status as provided in this article.

**Sec. 32.56. • Contractual effect.**

Notwithstanding the provisions of section 15a(5) of the Act (MCL 125.1415a(5)), to the contrary, a contract between the City and the sponsor with the authority as third part beneficiary thereunder, to provide tax exemption and accept payments In lieu thereof as previously described is effected by enactment of this article.

Sec. 32.57 – Severability

The various sections and provisions of this Ordinance shall be deemed to be severable, and should any section or provision of this Ordinance be declared by any court of competent jurisdiction to be unconstitutional or invalid the same shall not affect the validity of this Ordinance as a whole or any section or provision of this Ordinance, other than the section or provision so declared to be unconstitutional or invalid.

Sec. 32.58 – Inconsistent Ordinances

All ordinances or parts of ordinances inconsistent or in conflict with the provisions of this Ordinance are repealed to the extent of such consistency or conflict.

SECTION 2. PUBLIC HEARING. A public hearing is set for Monday, November 20, 2023 at 7:30 p.m. in the City Hall Council Chambers for the purpose of hearing citizen comment regarding the proposed amendment to the Code of Ordinance.

SECTION 3. EFFECTIVE DATE. This amendment shall become effective twenty days after passage.

SECTION 4. AVAILABILITY. This ordinance may be purchased or inspected in the city clerk's office, Monday through Friday between the hours of 9:00 a.m. and 5:00 p.m.

Riverview Flats - former Owosso Middle School  
 Venture Riverview LDHA LP  
 50 Multifamily Units

**Sample Tax Summary in Owosso**  
**\$50,000 Taxable Value (SEV)**

		All Taxes	City Portion
		50	
City Operating	13.9172	695.86	695.86
City Debt	3.2000	160.00	160.00
SATA	0.3310	16.55	-
State Education	6.0000	300.00	-
County Operating	5.5105	275.53	-
Historic/Parks	-	-	-
Admin Fee		14.48	14.48
Seniors	0.4960	24.80	24.80
Med Care	2.0000	100.00	100.00
Veterans PA 214	0.1000	5.00	5.00
Veterans Voted	0.1989	9.95	9.95
MSU Extension	0.0752	3.76	-
INTMD Sch	4.4393	221.97	-
School Oper	18.0000	900.00	-
School Sinking	1.9922	99.61	
Library	1.2263	61.32	61.32
School Debt	4.7300	236.50	-
Admin Fee	-	16.63	16.63
Total Estimate	<u>62.2166</u>	<u>3,141.94</u>	<u>1,088.03</u>
		City Portion -	34.6%

**PILOT Calculation**

	Calculation	Non-City	City Portion
Total Gross Rents	445,416		
Less Vacancy	7% (31,179)		
Less Landlord Paid Utilities	(12,500)		
Less Water & Sewer	<u>(25,000)</u>		
Net Collected Rents	376,737		
PILOT Percentage	<u>4%</u>		
PILOT Payment	<u>15,069</u>	<u>9,851</u>	<u>5,218</u>



Riverview Flats - former Owosso Middle School  
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**PILOT Projections**

Year		Projected Rent Increase %	Total PILOT Amount	Non-City Portion	City Portion	Total Payments To Owosso
<b>PILOT Approved</b>						
2022						
2023-2024				Development Time	Construction and Lease up Time	
<b>PILOT Starts</b>						
Year 1	12/31/2025	n/a	15,069	9,851	5,218	5,218
Year 2	12/31/2026	1.00%	15,220	9,950	5,271	10,489
Year 3	12/31/2027	1.00%	15,372	10,049	5,323	15,812
Year 4	12/30/2028	1.00%	15,526	10,150	5,377	21,189
Year 5	12/31/2029	1.00%	15,681	10,251	5,430	26,619
Year 6	12/31/2030	1.00%	15,838	10,354	5,485	32,104
Year 7	12/31/2031	2.00%	16,155	10,561	5,594	37,698
Year 8	12/30/2032	2.00%	16,478	10,772	5,706	43,404
Year 9	12/31/2033	2.00%	16,808	10,987	5,820	49,225
Year 10	12/31/2034	2.00%	17,144	11,207	5,937	55,162
Year 11	12/31/2035	2.00%	17,487	11,431	6,055	61,217
Year 12	12/30/2036	2.00%	17,836	11,660	6,177	67,394
Year 13	12/31/2037	2.00%	18,193	11,893	6,300	73,694
Year 14	12/31/2038	2.00%	18,557	12,131	6,426	80,120
Year 15	12/31/2039	2.00%	18,928	12,373	6,555	86,674
Year 16	12/30/2040	2.00%	19,307	12,621	6,686	93,360
Year 17	12/31/2041	2.00%	19,693	12,873	6,819	100,180
Year 18	12/31/2042	2.00%	20,087	13,131	6,956	107,136
Year 19	12/31/2043	2.00%	20,488	13,393	7,095	114,230
Year 20	12/30/2044	2.00%	20,898	13,661	7,237	121,467
Year 21	12/31/2045	2.00%	21,316	13,934	7,382	128,849
Year 22	12/31/2046	2.00%	21,742	14,213	7,529	136,378
Year 23	12/31/2047	2.00%	22,177	14,497	7,680	144,058
Year 24	12/30/2048	2.00%	22,621	14,787	7,833	151,891
Year 25	12/31/2049	2.00%	23,073	15,083	7,990	159,881
Year 26	12/31/2050	2.00%	23,535	15,385	8,150	168,031
Year 27	12/31/2051	2.00%	24,005	15,693	8,313	176,344
Year 28	12/30/2052	2.00%	24,485	16,006	8,479	184,823
Year 29	12/31/2053	2.00%	24,975	16,326	8,649	193,472
Year 30	12/31/2054	2.00%	25,475	16,653	8,822	202,294
Year 31	12/31/2055	2.00%	25,984	16,986	8,998	211,292
Year 32	12/30/2056	2.00%	26,504	17,326	9,178	220,470
Year 33	12/31/2057	2.00%	27,034	17,672	9,362	229,832
Year 34	12/31/2058	2.00%	27,575	18,026	9,549	239,380
Year 35	12/31/2059	2.00%	28,126	18,386	9,740	249,120
Year 36	12/30/2060	2.00%	28,689	18,754	9,935	259,055
Year 37	12/31/2061	2.00%	29,262	19,129	10,133	269,188
Year 38	12/31/2062	2.00%	29,848	19,512	10,336	279,524
Year 39	12/31/2063	2.00%	30,445	19,902	10,543	290,067
Year 40	12/30/2064	2.00%	31,054	20,300	10,754	300,821
Year 41	12/31/2065	2.00%	31,675	20,706	10,969	311,789
Year 42	12/31/2066	2.00%	32,308	21,120	11,188	322,977
Year 43	12/31/2067	2.00%	32,954	21,542	11,412	334,389
Year 44	12/30/2068	2.00%	33,613	21,973	11,640	346,029
Year 45	12/31/2069	2.00%	34,286	22,413	11,873	357,902