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City of Detroit PILOT (Payment In Lieu of Taxes) Program

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TAKE PART
Opportunity Rising



What exactly is a PILOT?

A Payment in Lieu of Taxes (PILOT) is a tax incentive that **ties taxes to rental revenue instead of property values.**

- Previously only available to “**A**ffordable” with federal subsidy
- Previously only available to developments under specific type of ownership (LDHAs, co-ops, nonprofits)



The Savannah
Hubbard Farms



Lakewood Manor
Jefferson Chalmers



Pablo Davis Senior Pavilion
Springwells

Why update our local PILOT program?

Once only available for “Affordable” housing with federal subsidy, Michigan now allows cities to approve a PILOT for any housing that commits to 15 years of affordability up to 120% AMI.

This update will make it faster and easier to build affordable housing in Detroit.



Program Status

- Application open through Neighborly, accessible at www.detroitmi.gov/PILOT
- Administrative Rules will undergo formal public comment process; estimated to be released on **February 21** and finalized by **April 1**
 - BEFORE FINAL RULE: Applications may be received, reviewed. Letters of eligibility can be provided upon request.
 - AFTER FINAL RULE: Administrative and conditional approvals may be issued.



PILOT RATES

How does a PILOT work?



7850 E Jefferson Ave, East Riverfront

150 units

4% PILOT

Calculating PILOT	
Average rent	\$750
	X 150 units x 12 months
Annual Rental Income	\$1,350,000
	X 4% PILOT rate
Annual Payment	\$54,000

What is Area Median Income (AMI)?

Median income for a region is calculated by HUD based on Census data.

Affordable rents are based on 30% of monthly income for people at a given income level.

Example:

- 50% AMI for a single person is \$33,600, which is a monthly income of \$2,800.
- The maximum rental expense per month would be \$840, or 30% of that monthly income.
- If residents have to pay their own utilities, the maximum rent may be reduced to account for that, which is known as a “utility allowance.”

Detroit-Warren-Livonia AMI:
\$67,200

% of AMI	Household income (single)
30%	\$20,160
50%	\$33,600
100%	\$67,200
120%	\$80,640

PILOT Rates

PILOT rates for restricted units are prescribed by the ordinance as detailed below:

Average Affordability	Standard PILOT Rate	Long-Term Vacant Rehab PILOT Rate
81-120% AMI	*	3.5%
61-80% AMI	4.0%	2.0%
Up to 60% AMI	1.0%	0.5%

*PILOT rate will be determined by HRD underwriting and subject to City Council approval.

Permanent Supportive Housing (PSH) units will provide payments of \$1/unit, and are not part of the calculations above.



ELIGIBLE PROJECT TYPES

Government Assisted Housing Project (GAHP)

Fast Track Housing Project (FTHP)

Standard Workforce Housing Project (SWHP)

Definition:

Any project that includes government subsidies (CDBG, HOME, LIHTC, PBVs). This used to be the only project type eligible for a PILOT.

Requires specific ownership structure (i.e., LDHA LLC, LDHA LP)

Approval:

Administrative

Benefits:

- No lengthy Council Approval process
- Works **together with other subsidy** to enable very low rents
- Helps projects compete for funding (like LIHTC)



Xavier Square, Mack & Alter



La Joya Gardens, Mexicantown

Government Assisted Housing Project
(GAHP)

Fast Track Housing Project
(FTHP)

Standard Workforce Housing Project
(SWHP)



The Arthur Murray, East English Village



The Deco, East English Village

Definition: Projects with average affordability at or below 80% AMI, OR long-term vacant rehab with average affordability up to 120% AMI.

Approval: Administrative

- Benefits:**
- No lengthy Council Approval process
 - 15 year term; renewable for up to 45 years

Government Assisted Housing Project (GAHP)

Fast Track Housing Project (FTHP)

Standard Workforce Housing Project (SWHP)

Definition: Project with average affordability between 81% and 120% AMI (that aren't long-term vacant rehab).

Approval: Requires City Council approval

- Benefits:**
- Provides benefit for "missing middle"/ "workforce" housing projects that don't qualify for other affordable housing resources
 - Can help projects facing expiration of other tax abatements



OSI Art Apartments, Woodbridge



Heather Hall, Cass Corridor

Other Eligibility Requirements

- Projects must be 4+ units
- Applicants must be in good standing with City of Detroit

Application Types

New:

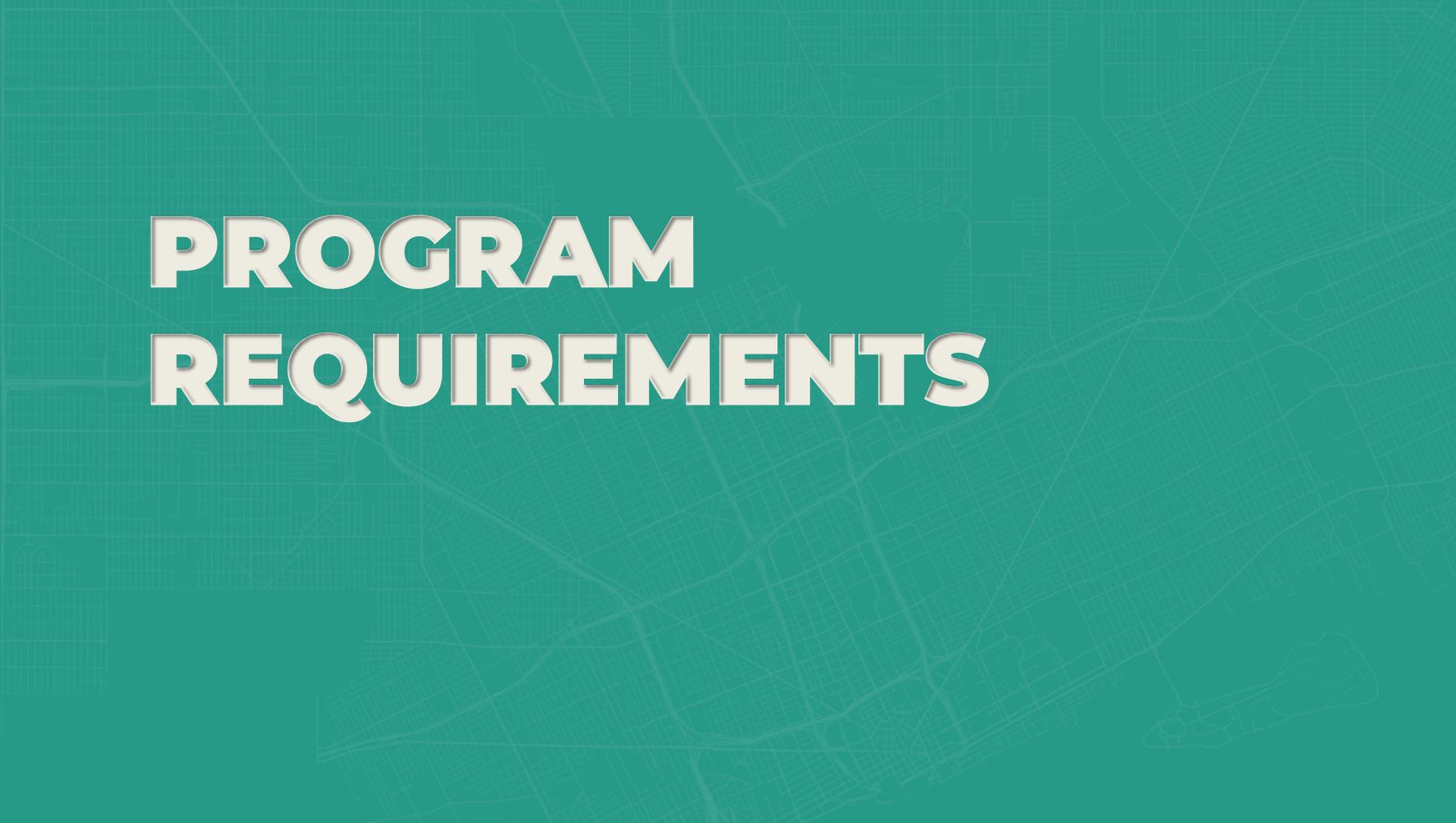
- Any eligible GAHP, FTHP or SWHP project that meets program requirements
- Previously-approved PILOTs seeking PILOT thru the expanded ordinance may apply if they meet the investment threshold

Renewal:

- Projects with existing tax abatements (ie, NEZ, PA210, OPRA) seeking PILOT may apply as a renewal.
- In the future, FTHP and SWHP projects may renew in the 14/15th year of their current PILOT

Other:

- Previously-approved PILOTs seeking PILOT thru the expanded ordinance that cannot meet investment threshold need City Council approval to change PILOT rate



PROGRAM REQUIREMENTS

Property owners must provide quality affordable housing to receive PILOT by meeting 3 requirements:



1

Commit to restrict units for affordable and/or workforce housing



2

Meet investment threshold
- \$15k/unit vacant rehab
- \$5k/unit occupied rehab



3

Achieve and maintain Rental Certificate of Compliance

1

Affordability: Agreement

- FTHP and SWHP projects will enter an affordability agreement contingent on the PILOT to restrict rent and tenant income.
- Tenant incomes for every new household in affordable units verified only once, upon initial lease up
- Affordable rent includes utilities per standard MSHDA or DHC utility allowances for tenant-paid utilities (Not parking)
- New tenants must sign Tenant Authorization Forms to enable income and rent compliance

1

Affordability: Tenant Retention

- The City of Detroit's Tenant Retention Standards Apply to occupied rehabs
- Applicants will complete a Tenant Retention Plan with HRD team
- Key terms include:
 - Notice to residents in advance of construction
 - Limits to rent increases for returning residents that are low income (80% AMI or below):
 - Initial rent increases limited to 5% OR set at 30% of household income
 - 3% year-to-year subsequent

2

Investment Threshold

- ❑ PILOTs are for development/rehabilitation projects and therefore require investment.
- ❑ Investment thresholds per project type:
 - ❑ \$5,000/unit occupied rehab
 - ❑ \$15,000/unit long-term vacant rehab, short-term vacant rehab
 - ❑ No investment threshold- New Construction
- ❑ Time-period
 - ❑ New PILOT: Construction should begin after application and be completed within 3 years of application. However, thru 12/5/25, a "lookback" applies during which work completed 12/13/22 or later may apply.
 - ❑ Renewal: Investment may take place over the life of the existing PILOT/abatement, or 15 years, whichever is less

3

BSEED Certifications

- ❑ Applicable BSEED certificates must be provided to Assessor by Nov 1 of year preceding first year on PILOT
 - ❑ New construction and vacant rehab projects must produce Certificate of Occupancy (C of O)
 - ❑ Rehab projects requiring permits must produce Certificate of Compliance (C of C); should provide Certificate of Acceptance (C of A) for any permitted work
- ❑ All projects must have active Certificate of Compliance (C of C) for the life of the PILOT

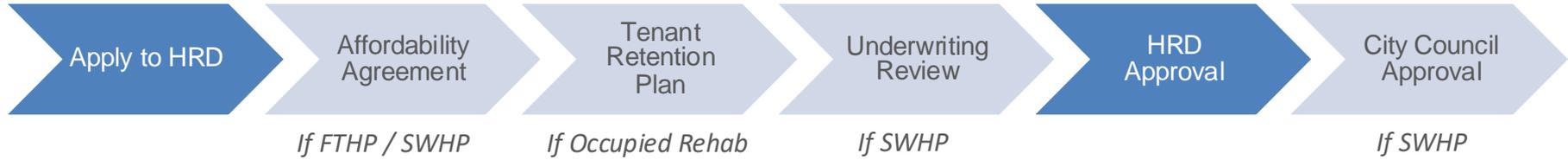
PROCESS



Approval Process

Pre-PILOT

PILOT Period



Approval Process

Pre-PILOT

PILOT Period

STATE &
COUNTY

Apply for
MSHDA
exemption

File MSHDA
exemption with
Assessor

Wayne County
Opt Out
(Assessor)

No later
than

If FTHP / SWHP`

ADDING PROJECT
TO PILOT ROLL

"Packet" to
Assessor by Nov.
1

Occupancy by
Dec. 31

PILOT begins
following year

No later
than

CONSTRUCTION /
REHAB

Complete Work
on Project

BSEED
Certification(s)

Approval Process

Pre-PILOT

PILOT Term

Compliance Reporting to
NCS by April 1 Annually

Service Charge reporting to
Assessor by May 31
Annually

Apply for renewal 14/15 yr

If FTHP / SWHP

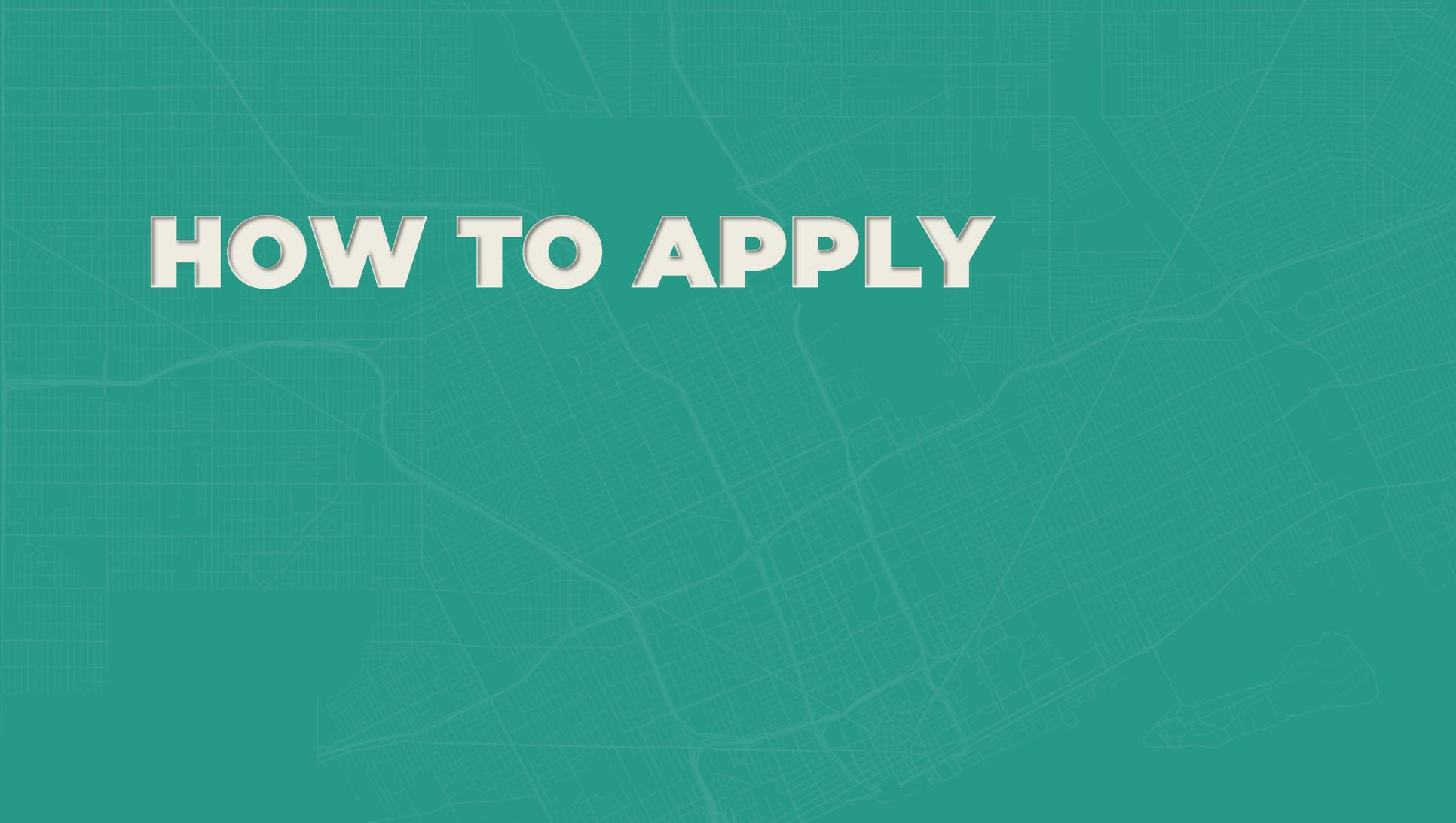
NOTE: Administrative Rules will
detail options for reporting rental
revenue applied to PILOT rate

If FTHP / SWHP

Process Summary by PILOT type

Step		GAHP	FTHP	SWHP
Approval Process (est. 4-6 weeks)	Application / Intake	X	X	X
	Affordability agreement		X	X
	HRD approval	X	X	X
	Council			X
Pre-PILOT	MSHDA exemption	X	X	X
	County opt out		X	X
	Packet to Assessor	X	X	X
During PILOT	Annual Compliance Reporting		X	X
	Annual Service Charge Reporting	X	X	X

HOW TO APPLY



PILOT Application

Part 1 Application Requirements:

- Property Information
- Addresses and parcel IDs
- Ownership and developer information
- Development information
- Scope of work
- Construction schedule (if not complete)

Following completion of part 1, applicants can request a letter verifying eligibility for lenders/investors. Letter will confirm eligibility and space under cap (if applicable) if part 2 is completed within 60 days.

Part 2 Application Requirements:

- Completed pro forma containing rent schedule, sources & uses, other key project data
- Investment summary (renewal only)
- Trade Payment Breakdown (SWHP only)
- Capital Needs Assessment (Rehab only)
- Letters of intent/proof of funds (Non-renewal only)
- Occupancy information (if occupied)
- Proof of site control
- Zoning approval / zoning verification letter
- Site Plan Approval (if applicable)
- Blight clearance
- List of properties controlled by entity with controlling interest

When to Apply

Prior to December 5, 2025:

(Lookback period)

Any project may apply that can demonstrate meeting the relevant investment threshold for a scope of work lasting no longer than 3 years and completed after Dec 13, 2022.

Projects exiting another tax abatement may apply as renewals for investment purposes and summarize non-maintenance investments made after completion of work that qualified them for the original abatement.

After December 5, 2025:

Projects must apply to City prior to construction start.

Renewals can apply in final years of expiration of PILOT or other incentive.

(Reminder that renewals can consider investment over the life of the initial incentive rather than a full rehab scope.)

Projects with existing PILOT that want to change their rate but are not undergoing investment are subject to Council approval. Email PILOT@detroitmi.gov with 3 years of audited financials to demonstrate need.

MORE INFORMATION

www.detroitmi.gov/PILOT

- PILOT application link
- FAQs
- PILOT Pro Forma
- Affordability Agreement Template
- Tenant Retention Standards
- Tenant Retention Plan Template
- Final Ordinance As Adopted
- *Draft Administrative Rules (when published)*

Virtual Office Hours

[Thursday Feb 20th 1-3pm](#)

Join our [contact list](#) to receive updates.

PILOT@detroitmi.gov