City of Novi City Council
September 28, 2026

SUBJECT: Consideration of a potential Payment in Lieu of Taxes (PILOT) and Municipal Services Agreement for the Lincoln Avenue Communities affordable housing development at 45500 Grand River Avenue.

SUBMITTING DEPARTMENT: City Manager's Office

KEY HIGHLIGHTS:

- Lincoln Avenue Communities is proposing a 267-unit mixed-income multifamily development at the former DeMaria site at the northwest corner of Taft Road and Grand River Avenue, with all units income-restricted to households earning no more than 80% of Area Median Income (AMI) and a weighted average not to exceed 60% AMI
- Lincoln Avenue Communities presented the project to City Council on August 10, 2026. Following Council feedback, the Developer revised its request, reducing the term of the proposed tax incentives from 40 years to 30 years and restructuring the proposed PILOT payment rates.
- The Developer is requesting conditional approval of a Payment in Lieu of Taxes (PILOT) and Municipal Services Agreement (MSA) or, in the alternative, MSHDA Housing Tax Increment Financing.
- The City has reviewed no land use plans for this development, so any action by Council can only amount to a tentative or conditional indication that, if the development were approved by the City, a PILOT/MSA along the lines indicated by the applicant could be granted.

BACKGROUND INFORMATION:

Lincoln Avenue Communities (LAC) is an affordable housing developer, owner, and operator proposing to develop a project at 45500 Grand River Avenue and has requested City participation in the project's financing structure through a Payment in Lieu of Taxes (PILOT) and Municipal Services Agreement (MSA), or, alternatively, Housing Tax Increment Financing under the Brownfield Redevelopment Financing Act.

The proposed development is intended to be financed through federal Low-Income Housing Tax Credits (LIHTC), together with funding through the Michigan State Housing Development Authority (MSHDA) and Oakland County.

The Developer initially proposed a 40-year incentive structure. Following its August 10, 2026 presentation to City Council and subsequent Council feedback, the Developer revised its request to a 30-year term and restructured the proposed PILOT and also proposed an MSA payment to the City in addition to the PILOT.

Under the revised proposed PILOT structure now proposed by Lincoln, the property owner proposes to make payments based on shelter rents, defined as rent collected less utility costs paid by the owner. The proposed total annual payment would equal 3% of shelter rents for years 1 through 15 and 10% of shelter rents for years 16 through 30.
One-third of the total payment (1% of shelter rents in years 1–15; 3.33% in years 16–30) is distributed as a standard PILOT payment, pro rata by millage, to all six taxing jurisdictions. The remaining two-thirds (2% of shelter rents in years 1–15; 6.67% in years 16–30) is proposed as an MSA payment that the City would determine distribution of.

The additional MSA payment to the City is now proposed to be made directly to the City for municipal services (unless the City agreed to a payment of a portion of that to another entity). The specific terms of the PILOT and MSA would need to be established through a definitive agreement with the City and in accordance with Michigan law.

As an alternative, the Developer has requested Housing Tax Increment Financing with 90% of the incremental taxable value captured for a 30-year term, subject to the requirements of the Act.

The issue here is one of the order in which the project is reviewed and approved. The City has not reviewed the proposed development plans and certainly has not approved any such plans. Therefore, any approval of a PILOT or MSA would be premature. However, the proposal being presented now is different from that proposed previously, so it is being placed before Council again.

The proposed motion below would be used only if the Council would like to indicate that, if the City approves the development plans for the project, it would consider a PILOT and MSA along the lines outlined by the developer. This action does not limit or affect the City's rights to deny the requested land use approvals if plans are submitted and is not intended to bind the City to approving a PILOT/MSA on specific terms.

RECOMMENDED ACTION: Tentative indication that a Payment in Lieu of Taxes (PILOT) and Municipal Services Agreement for the Lincoln Avenue Communities affordable housing development at 45500 Grand River Avenue that the project arrangement as described above, with a Municipal Services Agreement with distribution to be determined by the City, would be favorably considered if all land use approvals for the project were approved.

MEMORANDUM

PILOT + MSA / TIF Financial Comparison

TO: Novi City Staff and City Council
FROM: Erica Meissner, Director & Kyle Brasser, Vice President and Regional Project Partner
DATE: August 25, 2026
RE: 45500 Grand River Avenue — PILOT + MSA / TIF Financial Comparison

1. Purpose

This memorandum provides financial backup comparing the proposed PILOT + Municipal Services Agreement (MSA) and TIF structures to a standard ad valorem taxation scenario for 45500 Grand River Avenue, requested by the City Council at the August 10, 2026 meeting.

2. Project Description

- The proposed residential program is consistent with that which was presented on August 10. It will include 267 units of income-restricted rental housing with all units reserved for households earning no more than 80% AMI.
- As presented on August 10, a park will be provided for community use. The park program is in development and will include, at minimum, a playground and walking trails. Other programmatic elements, including a terraced open-air amphitheater, are being evaluated for financial feasibility. Long-term ownership and operation of the park have not yet been determined and remain subject to negotiation with the City.
- Note that the project will require improvements to Taft Road and Grand River Avenue. These improvements will be provided by the project and defined through the site plan approval process.

3. Relevant Financing Structure Updates

Per our request, MSHDA has approved a permanent financing structure with a 30-year term and 40-year amortization. Based on their approval of this term, the requested duration of tax relief can be reduced from 40 years to 30 years for both the PILOT + MSA and TIF scenarios.

MSHDA has also confirmed that they will allow for the PILOT + MSA rate and the TIF capture rate to vary over time.

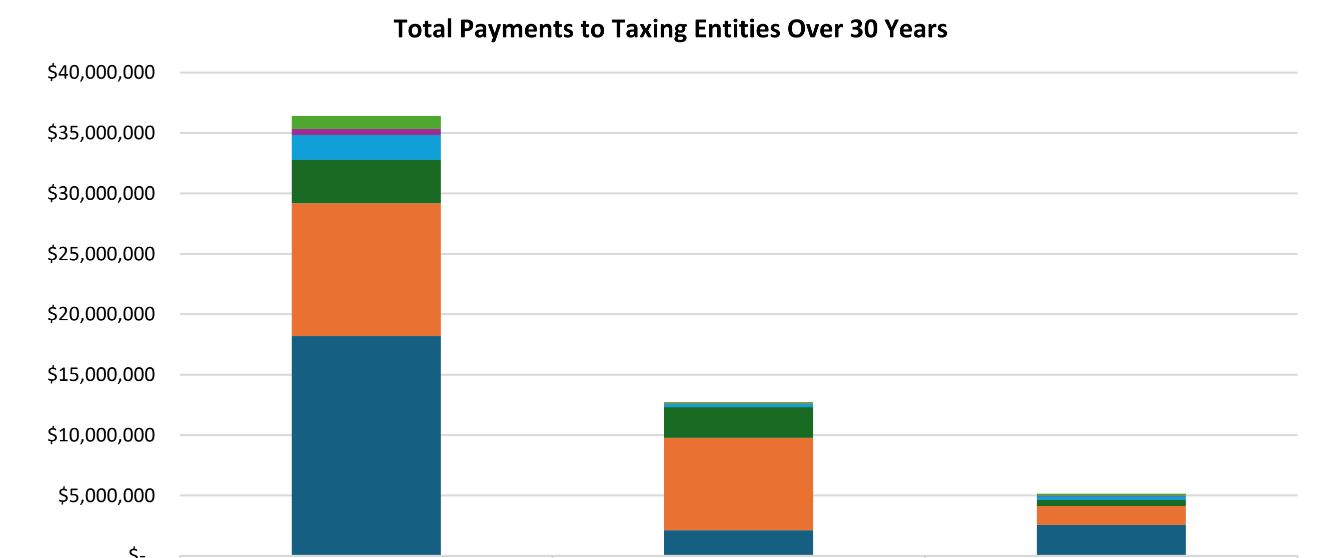
4. Scenarios

The following analysis considers three scenarios: (1) ad valorem taxes, (2) a PILOT + MSA, and (3) TIF.

The ad valorem scenario reflects full, unrestricted taxation. It is included for reference only, as the proposed project — 267 income-restricted units — is not financially feasible without a PILOT or TIF and would not be built under an ad valorem tax structure.

Under the PILOT + MSA scenario, a PILOT is paired with a MSA as conceptualized in the City's August 10, 2026 staff memo. Under the proposed structure, a total payment equal to 3% of shelter rents is required in years 1–15. Thereafter, in years 16–30, the total payment increases to 10% of shelter rents. One-third of the total payment (1% of shelter rents in years 1–15; 3.33% in years 16–30) is distributed as a standard PILOT payment, pro rata by millage, to all six taxing jurisdictions. The remaining two-thirds (2% of shelter rents in years 1–15; 6.67% in years 16–30) is proposed as an MSA payment. For purposes of this analysis, the MSA payment is allocated 75% to Novi Community Schools and 25% to the City of Novi. The City may direct this allocation as it sees fit.

Under the TIF scenario, a TIF with 90% capture is required for the 30-year term. The TIF capture rate must remain constant in order to support deal economics comparable to those produced by the proposed PILOT + MSA structure. This is a result of the property tax reserve MSHDA requires during construction, which reduces available debt capacity relative to the PILOT + MSA structure.



	Ad Valorum	PILOT + MSA	TIF
OIS	$1,070,332	$124,841	$151,318
OCC	$503,499	$58,727	$71,182
County	$2,052,269	$239,372	$290,140
City	$3,597,796	$2,542,697	$508,639
School	$10,978,269	$7,649,654	$1,552,055
CIA	$18,202,164	$2,123,058	$2,573,335

These three scenarios yield the following observations.

- Total 30-year payments to taxing entities: $12,738,349 under PILOT + MSA; $5,146,671 under TIF; $36,404,328 under the ad valorem reference scenario.
- Novi Community Schools: $7,649,654 (PILOT + MSA) vs. $1,552,055 (TIF).
- City of Novi: $2,542,697 (PILOT + MSA) vs. $508,639 (TIF).
- TIF produces higher payments than PILOT + MSA for CIA, Oakland County, Oakland Community College, and Oakland ISD; the combined difference across those four entities is $539,978.

Provided with this memo is an Excel workbook detailing each scenario. All assumptions are documented within this workbook.

5. Request

We respectfully request that the City Council consider the proposed PILOT + MSA structure described in this memorandum and take action to grant conditional approval of the payment rates presented above: a total payment equal to 3% of shelter rents in years 1–15 and 10% of shelter rents in years 16–30.

We are not asking the Council to finalize the allocation of those payments at this time. The division of the total payment between the PILOT component and the MSA component, and the allocation of the MSA payment among entities, remain subject to negotiation and would be documented in the definitive PILOT and Municipal Services Agreement. The 3% and 10% rates are the figures that determine the project's financial feasibility and MSHDA's underwriting, and those rates are what we ask the Council to approve at this stage.

Full and final approval of the PILOT + MSA would be contingent upon (i) site plan approval for the project and (ii) receipt of funding through MSHDA's Direct Lending Program. The conditional approval would expire at the earlier to occur of execution of the PILOT + MSA or December 31, 2028.

We look forward to your feedback and welcome any questions that may arise from your review of the submitted materials.

Respectfully submitted,

Erica Meissner
Director, Lincoln Avenue Communities

Kyle Brasser
Vice President and Regional Project Partner, Lincoln Avenue Communities

MEMORANDUM

TO:	VICTOR CARDENAS, CITY MANAGER
FROM:	REGINA SWICK, ECONOMIC DEVELOPMENT /
SUBJECT:	LINCOLN AVENUE UPDATED REQUEST
DATE:	SEPTEMBER 16, 2026

Mayor and Council –

Please see an update on Lincoln Communities' request for a PILOT arrangement for the property at the NW corner of Taft and Grand River.

- Victor

This memorandum summarizes the updated Payment in Lieu of Taxes (PILOT) request submitted by Lincoln Avenue Communities, the developer of the current Demaria Construction Headquarters at Grand River and Taft Avenues.

Following feedback from Councilmembers at the August 10th Council meeting, Lincoln Avenue Communities contacted the Michigan State Housing Development Authority (MSHDA) to explore restructuring its PILOT request.

In short, Lincoln is proposing to reduce the PILOT term from 40 years to 30 years and divide the proposed 3%/10% payment between a PILOT and a **Municipal Services Agreement (MSA)**. This structure would increase the City's projected revenue while reducing the amount captured by the CIA compared with a straight PILOT.

Shelter Rents Alone vs. Shelter Rents + MSA

Shelter rents[1] only, with no MSA:
State law requires shelter rents to be distributed among all taxing jurisdictions (City, Schools, County, CIA, and OCC) in the same proportion as they would normally share property tax revenue. Based on Lincoln Avenue's assumptions, if the entire 3%/10% payment were structured as shelter rents, ***with no MSA***, the City's 30-year share would be **$2,517,831**, assuming the CIA doesn't capture shelter rents.

Shelter rents + MSA combined:
Lincoln Avenue has proposed dividing the 3%/10% payment between shelter rents and an MSA. Under the proposal, the PILOT would be 1% in years 1–15 and 3.33% in years 16–30, with the remaining 2% and 6.67%, respectively, structured as an MSA.

Lincoln's original proposal would have allocated 75% of the MSA to Novi Community Schools and 25% to the City. However, the City Attorney's Office has advised that it does not see legal authority for a municipality to redirect MSA revenue to a school district. Based on this guidance, **the City would retain 100% of the MSA.** Novi Community Schools would continue to receive its statutory share of the PILOT, and its per pupil funding.

(1) "Annual shelter rent" means the total collections during an agreed annual period from all occupants of a housing project representing rent or occupancy charges, exclusive of charges for gas, electricity, heat, or other utilities furnished to the occupants. https://www.legislature.mi.gov/Laws/MCL?objectName=mcl-125-1411

The total MSA would be $8,492,233 over 30 years. Combined with the City's $839,277 share of the PILOT, the City's total 30-year revenue would be **$9,331,510**. Importantly, an MSA must be tied to the actual cost of identifiable municipal services provided to the property, such as police, fire, and water/sewer services. Under Michigan case law, an MSA must be proportionate to the cost of those services to function as a service fee rather than an impermissible tax. It cannot simply be structured as an additional revenue source for the City.

Current Ad Valorem (total base)	$58,059		
	FIRST YEAR TOTALS	**30 YEAR TOTALS**	
Shelter Rents	$4,475,455	$181,560,629	
Municipal Services Agreement (2%)	$89,509	$8,492,233	*
CITY			
Straight PILOT	$26,538	$2,517,831	
PILOT + MSA	$98,355	$9,331,510	

**2% years 1-15, 6.67% 16-30*
These figures are based on Lincoln's rent assumptions
These figures assume the CIA does not capture shelter rents

How This Affects the CIA

The Corridor Improvement Authority currently captures roughly 50% of the ad valorem taxes generated on this site under its existing TIF plan. Whether that 50% capture carries over to a PILOT structure is not yet resolved.

A CIA's capture authority applies only to specific taxing jurisdictions (Oakland County operating, County Parks & Rec, and OCC). Under a PILOT, the property no longer generates those taxes at all; it generates a service charge instead. The open question is whether the CIA's TIF plan can capture a share of that service charge the same way it captures ad valorem tax today, or whether it has no claim on it.

The City is awaiting formal guidance from the City Attorney on how CIA capture is treated under a PILOT structure

How the Property Will Be Valued

Once construction is complete, the property will still be assessed at its market value *for assessment purposes*. However, under a PILOT, **the property is exempt from normal ad valorem property taxes for the term of the agreement.** In effect, the property tax bill is replaced by the PILOT (shelter rents) and, if the City negotiates one, an MSA.

Shelter Rents

The project will include 267 units, restricted to households earning between 30% and 80% of Area Median Income (AMI). The unit mix is as follows:

Beds	Units	Income Limit	Comp Mkt Rent	2026 Gross Rent	Utility Allowance	2026 Net Rent
1	5	30%	$1,825	$1,573	$70	$1,503
2	15	30%	$2,244	$1,888	$86	$1,802
3	9	30%	$2,376	$2,180	$98	$2,082
4	3	30%	$3,000	$2,432	$114	$2,318
1	4	50%	$1,825	$983	$70	$913
2	13	50%	$2,244	$1,180	$86	$1,094
3	8	50%	$2,376	$1,362	$98	$1,264
4	3	50%	$3,000	$1,520	$114	$1,406
1	21	60%	$1,825	$1,179	$70	$1,109
2	68	60%	$2,244	$1,416	$86	$1,330
3	42	60%	$2,376	$1,635	$98	$1,537
4	15	60%	$3,000	$1,824	$114	$1,710
1	9	80%	$1,825	$1,573	$70	$1,503
2	29	80%	$2,244	$1,888	$86	$1,802
3	17	80%	$2,376	$2,180	$98	$2,082
4	6	80%	$3,000	$2,432	$114	$2,318
Total/Weighted Ave		**60%**	**$2,297**	**$1,631**	**$90**	**$1,541**

Rents are set below comparable market rates as a condition of the AMI restrictions required for MSHDA financial support. Based on Lincoln's projections, the weighted average net rent to the property, after the standard utility allowance, is $1,541 per month, compared to a weighted average comparable market rent of $2,297 per month.

Planning Department Next Steps

Lincoln has been in contact with the planning department and is now entering the formal planning review process. The steps below outline the full sequence from pre-application through building permits. Lincoln Avenue Communities is currently at Step 1, with its pre-application meeting completed on September 9, 2026.

1. Pre-Application Submittal, Review and Meeting
   Completed September 9, 2026
2. Preliminary MDO Submittal and Review
3. Initial Review by Planning Commission and City Council *R*
   Regular meetings, no public hearings involved.
4. Revised Preliminary MDO Submittal based on feedback
5. Planning Commission Public Hearing and Recommendation

6. City Council Decision on Preliminary Site Plan & MDO
7. Final Site Plan Submittal and Review
   Administrative review, including Final Site Plan, Electronic Stamping Set & Final Stamping Set approvals.
8. Building permits and Pre-Construction meetings

What Council Is Being Asked to Approve

Lincoln Avenue Communities is asking Council to grant **conditional approval of the 3% and 10% total payment rates**. The specific split between the PILOT and MSA remains open for negotiation, provided the combined payment does not exceed those rates.

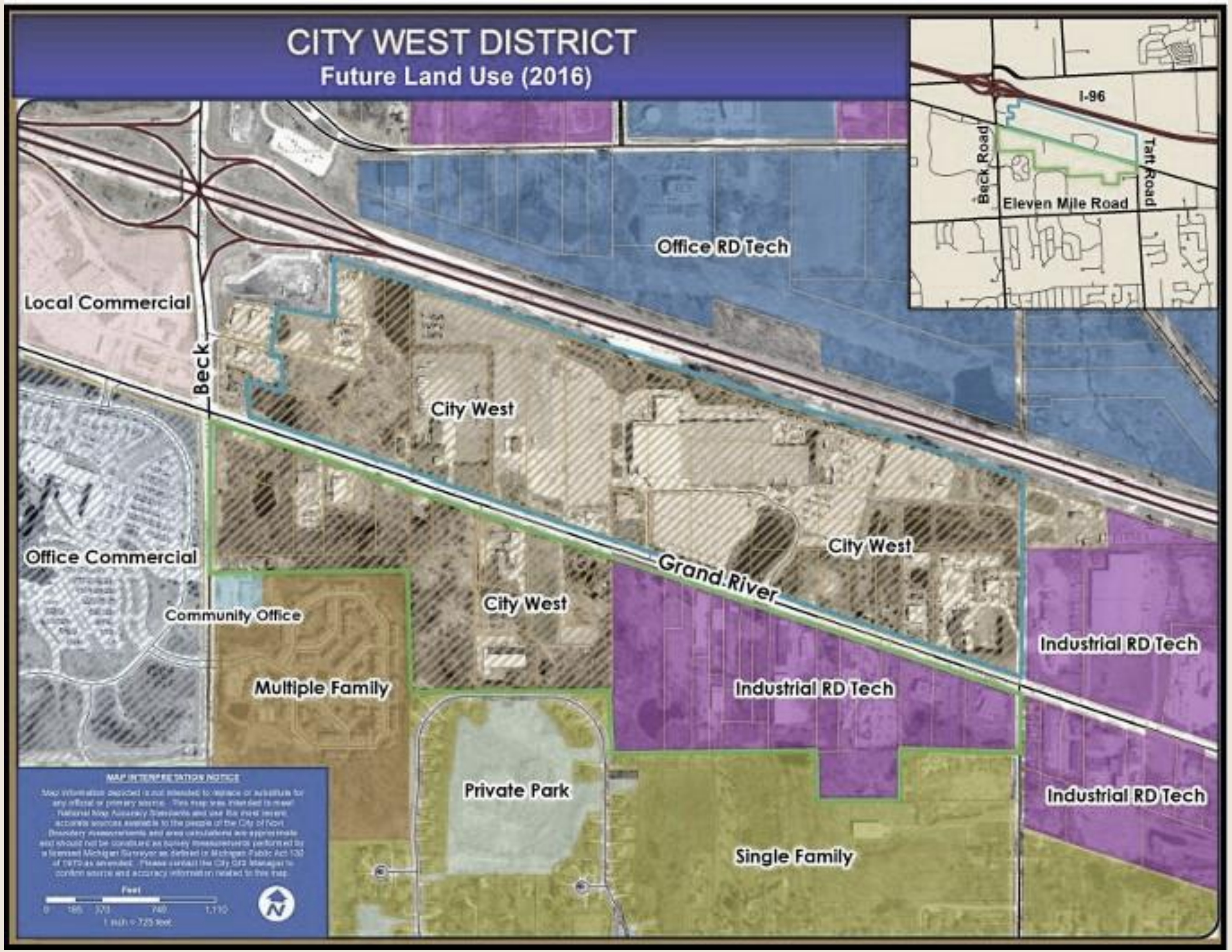
According to MSHDA, this conditional approval is sufficient to keep the project moving forward. However, final approval of the PILOT must be in place before Lincoln goes before the MSHDA Board. If final approval is not secured by that time, Lincoln would need to request a waiver from the MSHDA Board.

Additionally, the City Attorney's Office has advised that municipal action in the form of an ordinance would be required for final approval of the workforce housing tax exemption if the project proceeds. The City Attorney is continuing to review the specific requirements and form of municipal action needed.

LINCOLN AVENUE COMMUNITIES

45500 GRAND RIVER AVE

Novi's City West District presents a transformative opportunity to reimagine Grand River Avenue as a vibrant, mixed-use neighborhood.



City West has the potential respond to Novi's housing supply shortage – a shortage that is driving increased housing costs that disproportionately impact renter households.

NOVI'S HOUSING STORY

Housing stock growth vs. population growth

13% vs. 20%

Housing demand is outpacing supply. *Between 2010 and 2020 the number of housing units in Novi grew 13% while the total population grew by 20%*

Average home sale price

$457,440

Homeownership is increasingly out of reach. *Between 2010 and 2021 the average home sale price increased 80%. Today, affordable homeownership is out of reach for more than half of households.*

Share of households that rent

32%

Demand for rental housing persists. *With homeownership widely unattainable, nearly 1/3 of the population rents.*

Share of renters that are housing cost burdened

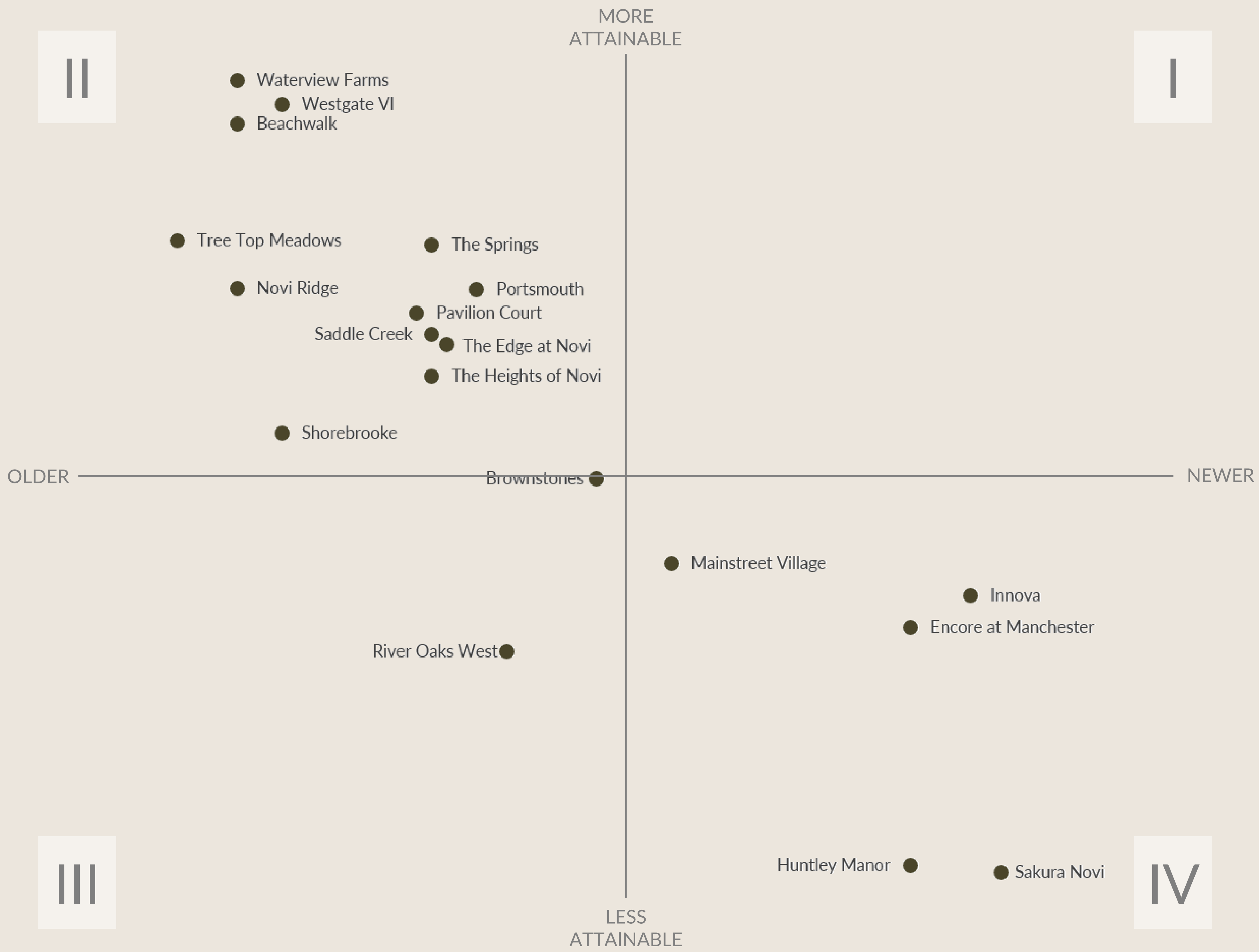
40%

Sustained demand for rental housing keeps rental costs high. *40% of renter households in are housing cost burdened, meaning they spend >30% of their income on housing costs – i.e., rent plus utilities.*

Notably, the cost burden carried by renters exists despite the age of Novi's rental housing stock.

	Units	Avg Age	Avg 2BR Rent
I	-	-	-
II	4,052	41	$1,426
III	680	31	$2,221
IV	1,153	13	$2,409

X-axis: age of property = 1 (newer) to 56 years old (older)
Y-axis: average rent = $1,150 (more attainable) to $2,850 (less attainable)



Redeveloping 45500 Grand River Avenue with affordable rental housing will activate a critical intersection in Novi's City West District while delivering attainable housing.

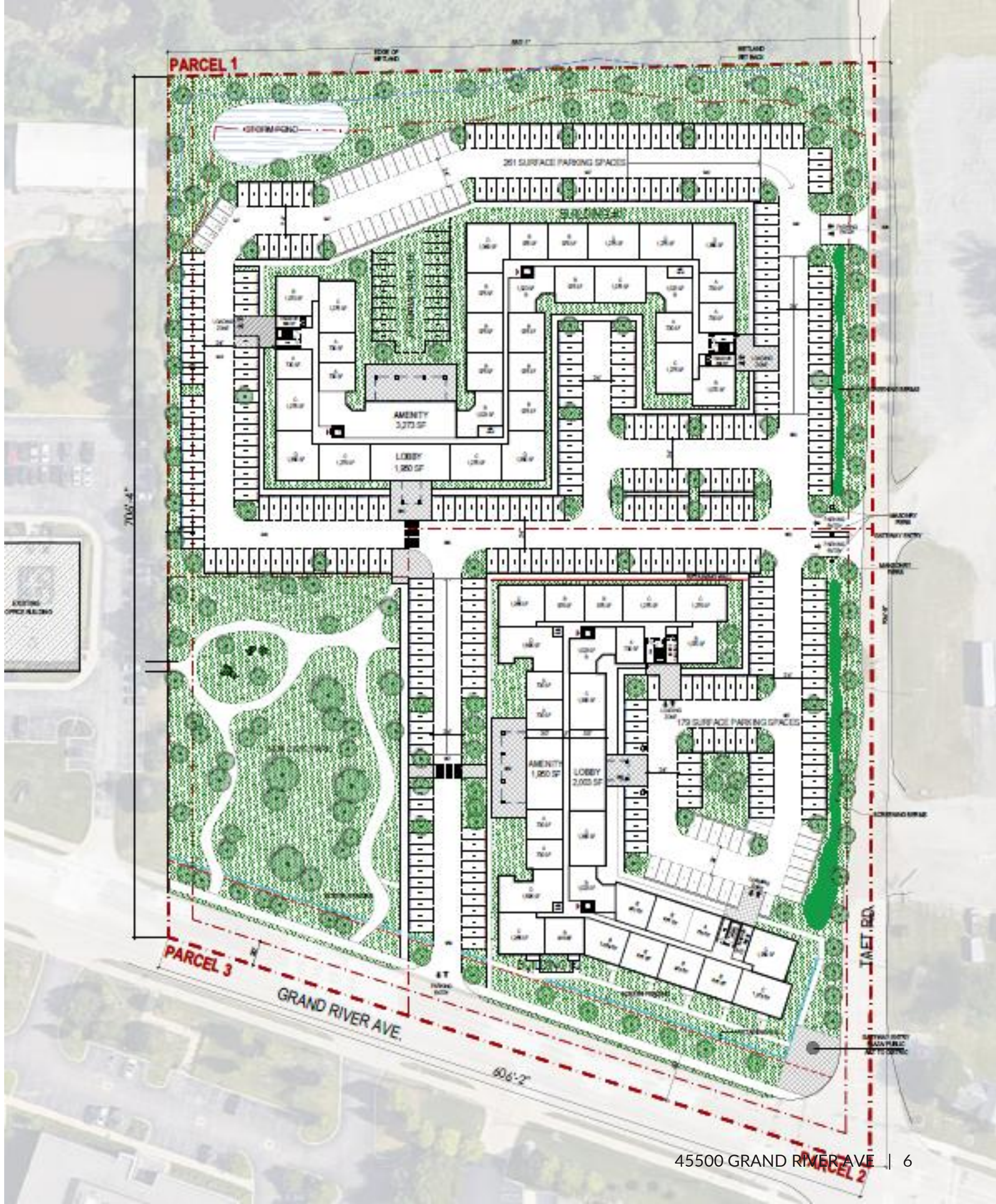
AERIAL VIEW, GOOGLE MAPS


STREET VIEW, GOOGLE MAPS

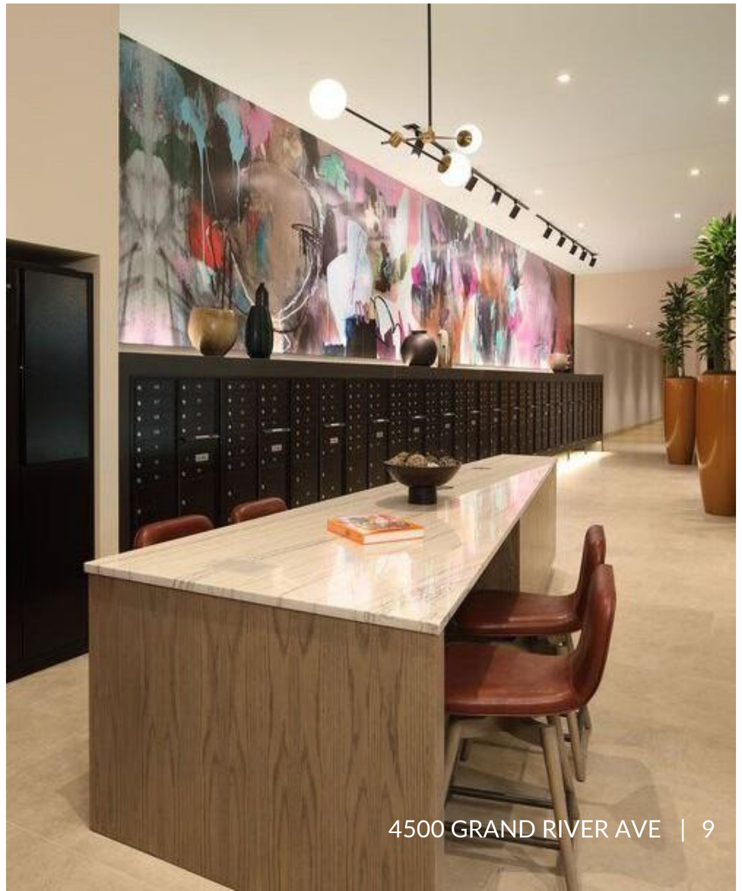

SOUTH PERSPECTIVE FROM NORTH PERIMETER, LINCOLN AVENUE


NORTHEAST PERSPECTIVE FROM WEST PERIMETER, LINCOLN AVENUE

Lincoln Avenue proposes to redevelop 45500 Grand River with approximately 267 units of high-quality rental housing for low- and moderate-income households.

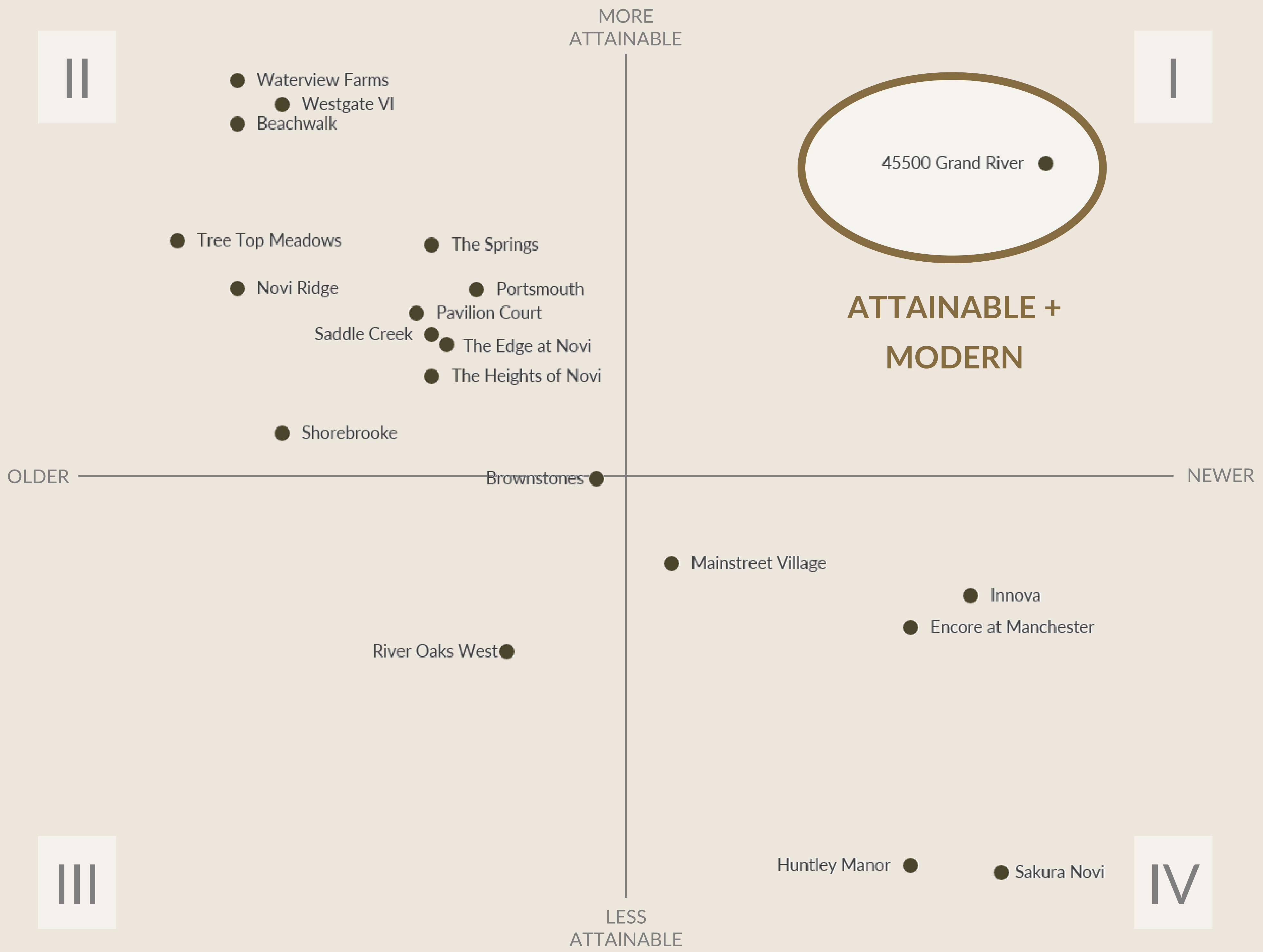


FLATS AT BISHOPS WOODS | LAC PROJECT



All units will be reserved for households earning an average of 60% of the area median income. In doing so, the project will fill a critical gap in Novi's rental housing supply.

	Projected Average Rent	Comparable Rents
1 BR / 1 BA	$1,110	$1,384
2 BR / 2 BA	$1,330	$1,834
3 BR / 2 BA	$1,536	$2,725
4 BR / 2 BA	$1,710	$2,760



To provide the proposed level of affordable, the project must receive tax relief. Lincoln Avenue is requesting tax relief in the form of a PILOT or TIF.

	TIF	PILOT
Term	40	40
Basis for Annual Payment	Current taxes + 10% of tax increment	3% of shelter rents
Payment	Each taxing entity receives its pro rate share of tax payment, as established by existing millage rates	Can be structured in such a way so that the city receive a greater share of the payment
Year 1 Payment	$121,600	$143,100
Average Annual Payment	$198,900	$216,100
Cumulative Payment (40 Years)	$7,956,200	$8,644,800
Remaining Financing Gap to Project	$1,221,500	$0

**All dollar values cited in relation to TIF and PILOT are estimates based on current underwriting. They are subject to change for a variety of reasons, including revisions to the building program that may result from site plan approval process, to-be-established lender and investor underwriting parameters, and changes to area median incomes and achievable rents.*

LINCOLN AVENUE COMMUNITIES

THANK YOU