City of Lathrup Village
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TO: Mayor & City Council
FROM: Mike Greene – City Administrator
DATE: November 16, 2026
RE: 1st Reading – PILOT Ordinance Amendment

Background Brief: In July 2025, the City Council approved Ordinance #2025-01, which amended the City of Lathrup Village Code of Ordinances at Chapter 77. Urban Redevelopment, by Adding a New Article, Article III. Workforce Housing PILOT, to Provide for Approval of an Exemption From Ad Valorem Property Taxes for Housing, as Authorized by Provisions of the State Housing Development Authority Act of 1966, Public Act 346 of 1966, As Amended, MCL 125.1401, ET SEQ.

Since that time, the Council has also approved a PILOT agreement for the redevelopment of the Annie Lathrup School Property. The proposed amendment to the City's Workforce Housing PILOT Ordinance is recommended in response to feedback received from the Michigan State Housing Development Authority (MHSDA) during its review of the financing structure for the proposed workforce housing project.

The current ordinance requires City Council approval for all PILOT extensions. MSHDA has advised that projects financed with an Authority-aided mortgage necessitate a more predictable, by-right extension mechanism tied to the duration of the MSHDA financing. This approach provides the long-term certainty needed to underwrite and finance affordable and workforce housing developments.

The proposed amendment creates a separate extension provision specifically for government-financed projects while retaining the City's existing extension requirements for all other PILOT projects. Under the amendment, government-financed projects would be eligible for an automatic extension beyond the initial 15-year term, provided the government (ex: MSHDA) mortgage remains outstanding and the required restrictive covenant remains in effect, up to a maximum of 40 years. The property owner would be required to provide annual documentation verifying the government financing remains active.

These revisions align the City's ordinance with MSHDA's model tax abatement ordinance and practices utilized by other Michigan communities. They also ensure consistency with the PILOT resolution previously approved for the project by linking the duration of the tax exemption to the period of MSHDA financing and other governmental support, improving the project's financial feasibility while maintaining the City's oversight of non-MSHDA PILOT projects.

The packet includes:

- Letter from MHSDA Chief Legal Affairs Officer, Clarence Stone, addressing questions raised at previous meetings.
- Email from Jordan Sherman, Surnow Company, addressing voucher questions raised at previous meetings.

Bruce Kantor	Kelly Garrett	Jalen Jennings	Jason Hammond	John Sousanis
Mayor	Mayor Pro-Tem	Council Member	Council Member	Council Member

- Updated pro forma valuation from Justin Prybyiski, City Assessor, for tax capture comparison. Our assessor also noted that the $42 million in total construction costs sounds typical for building this project at $225/sf, and that construction value and taxable value are drastically different. Construction costs do not equate to the value, though, because a developer will be making that investment and paying back the loans in their debt service over the term; they hold the project, and then if they sell it, it gets a reversion. The total value is often 1/3, more or less, of the investment made to construct. Mr. Prybyiski errs on the conservative side of his estimates. He stated that these apartment projects typically range in value between $95,000 - $125,000 per unit. Without seeing the finished construction, he went with $106K per unit as a starting point. If the project is finished with top-quality finishes and has nice amenities, he believes the project could be worth $18.125 million on the high end.

Previous Action:
7-21-25 – Adoption of PILOT Ordinance
9-14-26 – Study Session Discussion
9-21-26 – Tabled First Reading
10-5-26 – Study Session Discussion
10-19-26 – Tabled First Reading

Economic Impact: N/A

Recommendation: It is my recommendation to approve the 1st reading and schedule a 2nd reading.

Recommended Motion:

Moved by Councilmember, _____ seconded by Councilmember _____, to remove the 1st Reading of the PILOT Ordinance Amendment from the table.

Moved by Councilmember, _____ seconded by Councilmember _____, to approve the 1st Reading of Ordinance #2026-01 – An Ordinance to Amend Chapter 77. Urban Redevelopment, by Adding a New Article, Article III. Workforce Housing PILOT, to Provide for Approval of an Exemption From Ad Valorem Property Taxes for Housing, as Authorized by Provisions of the State Housing Amended, MCL 125.1401, et seq., and to schedule a 2nd Reading for November 23, 2026.