MEMORANDUM

Request for Tax Relief in Support of an Attainable Housing Development

TO: Novi City Council

FROM: Erica Meissner, Director & Kyle Brasser Vice President and Regional Project Partner

DATE: August 5, 2026

RE: 45500 Grand River Avenue

Lincoln Avenue Communities ("Lincoln Avenue") respectfully requests the City Council's support for the redevelopment of 45500 Grand River Avenue, a 10.7-acre site at the eastern gateway of the City West District, into approximately 267 units of high-quality, income-restricted rental housing. This memorandum summarizes the project, the market and policy context that support it, and our request for tax relief in the form of a Payment in Lieu of Taxes (PILOT) or Tax Increment Financing (TIF). We are sharing this memo, together with the accompanying presentation, in advance of Monday's Council meeting so that members have the full record ahead of our discussion.

1. THE OPPORTUNITY: CITY WEST DISTRICT REDEVELOPMENT

Grand River Avenue is currently characterized by aging industrial buildings, vacant parcels, and underutilized office properties. The City of Novi's own Master Plan (June 2025) envisions repositioning this corridor as a vibrant, walkable, people-centered neighborhood, and establishes City West District standards built on three principles: (1) walkability and connectivity through mixed-use design, (2) human-scale streetscapes with active frontages, and (3) preservation of natural features and public amenities.

45500 Grand River Avenue is positioned to be the first residential community built to this standard in the district. As such, this project is not simply a housing development — it is an opportunity for the city to set the tone, identity, and expectations for the growth that will follow along this corridor.

2. NOVI'S DOCUMENTED HOUSING NEED

The City's Master Plan identifies a housing supply shortage that is driving increased housing costs and disproportionately impacting renter households. The data, drawn directly from the City of Novi Master Plan (June 2025), is unambiguous.

Novi is housing supply constrained. Between 2010 and 2020, the number of housing units in Novi grew by only 13% while the total population grew by 20%. Over roughly the same period, the average home sale price rose 80%, placing homeownership out of reach for more than half of Novi households. This dynamic pushes sustained demand into the rental market, where nearly one-third of all households rent, and 40% of those renters spend more than 30% of their income on rent and utilities. This project is a direct response to a need the city has already documented and quantified.

3. THE EXISTING RENTAL MARKET IS OLD — AND STILL UNAFFORDABLE

A Lincoln Avenue survey of 5,885 rental units across 19 multifamily properties in Novi (Lincoln Avenue, July 2026) found that the weighted average age of existing rental housing is nearly 35 years, and the weighted average rent among 3,418 two-bedroom units surveyed is $1,834 per month. That average rent is 38% higher than the $1,416 per month considered affordable for a household earning 60% of Area Median Income (AMI). In other words, Novi's rental stock is aging, yet renters are not benefiting from lower costs typically associated with older inventory — they are cost-burdened regardless of unit age. A new supply of income-restricted, professionally managed housing is needed to correct this imbalance.

4. THE PROPOSED PROJECT

Lincoln Avenue proposes to redevelop 45500 Grand River Avenue with approximately 267 units of high-quality rental housing reserved for low- and moderate-income households. The project is designed as Novi's “front porch”, with two residential buildings oriented around a large public park intended to serve the broader Novi community.

The community is designed to deliver quality living without compromise. In-unit amenities include stainless steel appliances, natural stone countertops, luxury vinyl plank flooring, and in-unit washer/dryers. Community amenities include a clubroom, fitness and wellness center, co-working lounge, and a maker space — amenities more typically associated with market-rate communities, made accessible at income-restricted rents.

5. A MEANINGFUL, VERIFIABLE AFFORDABILITY COMMITMENT

All units will be reserved for low- and moderate-income households earning an average of 60% of Area Median Income. Depending on unit size, projected average rents will be 13% to 77% lower than average rents at existing comparable multifamily properties in Novi (Lincoln Avenue, July 2026), while offering a level of quality comparable to the City's newer multifamily inventory.

Unit Type	Projected Average Rent	Comparable Market Rent	Discount to Market
1 BR / 1 BA	$1,110	$1,384	13%
2 BR / 2 BA	$1,330	$1,834	38%
3 BR / 2 BA	$1,536	$2,725	77%
4 BR / 2 BA	$1,710	$2,760	61%

This is affordability in the fullest sense: not a token set-aside, but an entire community priced to be accessible to teachers, first responders, healthcare workers, and other households earning below the area median — the same households the City's Master Plan identifies as increasingly priced out of Novi.

6. ECONOMIC IMPACT TO THE CITY AND REGION

Beyond its housing benefit, the project generates substantial, quantifiable economic activity for Novi and the surrounding region, both during construction and on an ongoing basis:

$31M Local income generated by construction activity	**430** Local jobs supported during construction

$7.1M Annual local income from operations, maintenance & resident spending	**120** Permanent local jobs supported on an ongoing basis

Construction generates immediate income and employment for local workers and suppliers, while the stabilized community produces lasting returns — supporting permanent jobs and recurring local spending well beyond lease-up. For Novi and the City West District, this project represents both a near-term economic boost and a durable, long-term contribution to the local economy.

7. THE FINANCING ASK: WHY TAX RELIEF IS NECESSARY

To deliver the proposed level of affordability, the project requires tax relief from the city, structured as either Tax Increment Financing (TIF) capture or a Payment in Lieu of Taxes (PILOT):

- TIF is a vehicle through which the property owner continues to pay ad valorem taxes but is reimbursed by a percentage of the incremental taxes generated by the redevelopment. Lincoln Avenue is requesting TIF capture rate of 90% for a term of 40 years, under which taxing entities would receive the property's current ad valorem taxes plus 10% of the tax increment. Each taxing entity would receive its pro rate share of the tax payment, as established by existing millage rates.
- A PILOT is an agreement under which the property owner makes a fixed annual payment to the local government in lieu of standard property taxes. Lincoln Avenue is requesting an annual PILOT payment equal to 3% of shelter rents for a term of 40 years. The PILOT is more flexible that TIF in that it can be structured in such a way so that the city receives up to 100% of the payment.

	TIF	PILOT
Term	40 years	40 years
Basis for Annual Payment	Current ad valorem 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 100% of the PILOT payment

	TIF	PILOT
Year 1 Payment to Taxing Entities	$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.*

Both structures are viable tools used to support attainable housing. **However, the data above shows that a PILOT is the stronger choice for both Novi and the project:**

- **It fully closes the project's financing gap.** The TIF structure leaves a $1,221,500 gap unfunded, which would require the project to find that financing elsewhere or reduce its scope. The PILOT structure closes that gap entirely, allowing the project to proceed as proposed — 267 units, full amenity package, and the public park — without delay or redesign.
- **It delivers more revenue to taxing entities, not less.** Contrary to the assumption that a PILOT costs the City more than TIF, the opposite is true here: the PILOT produces a higher Year 1 payment ($143,100 vs. $121,600), a higher average annual payment ($216,100 vs. $198,900), and a higher cumulative 40-year payment ($8,644,800 vs. $7,956,200) to taxing entities than the TIF.
- **It provides budget certainty.** Because the PILOT payment is fixed as a percentage of shelter rents, it is predictable and insulated from valuation disputes or appeals — giving the City and other taxing entities a stable, known revenue stream for 40 years, rather than a payment tied to future assessed value growth.

In short, the PILOT structure produces more revenue for the city and other taxing entities, provides more predictable revenue, and is the only one of the two structures that fully funds the project as proposed. We respectfully ask the Council to support the redevelopment of 45500 Grand River Avenue through a PILOT on the terms described above.

8. CONCLUSION

45500 Grand River Avenue offers Novi a rare combination: a policy-aligned response to a documented housing shortage, a catalytic first project for the City West District, and a durable source of local economic activity — all achievable at no net cost disadvantage to the City relative to the alternative structure. We look forward to discussing this request with the Council on Monday and are glad to provide any additional information that would be helpful in advance of that meeting.

Respectfully submitted,

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