CITY OF NOVI CITY COUNCIL
AUGUST 10, 2026

SUBJECT: Initial presentation of the project in the City West Corridor from Lincoln Avenue Communities, with the potential to utilize either a Payment in Lieu of Taxes arrangement or the MSHDA Housing TIF program.

SUBMITTING DEPARTMENT: Manager's Office

KEY HIGHLIGHTS:

- In 2023, Michigan amended the Brownfield Redevelopment Financing Act to allow tax increment financing for certain housing development activities, with Michigan State Housing Development Authority (MSHDA) providing review and oversight for qualifying affordable and subsidized housing projects.
- Lincoln Avenue Communities is proposing a 269-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
- The Developer is asking the City Council to consider approving housing construction incentives through either a MSHDA Tax Increment Housing (TIF) Program, or a Payment in Lieu of Taxes.

BACKGROUND INFORMATION:

Lincoln Avenue Communities (LAC) is a nationally recognized developer, owner, and operator of affordable housing, with more than 26,300 affordable units in its portfolio across 27 states. The company has significant experience in affordable housing development and financing, including its recent Ypsilanti projects, Huron Vista, a 156-unit affordable family housing community, and the 152-unit Residences at Huron, a 55+ senior community. Both developments opened in 2025 and were financed in part through MSHDA tax credits and a PILOT with the City of Ypsilanti.

The proposed project in Novi is a mixed-income, multifamily housing development consisting of approximately 269 units: 40 one-bedroom, 121 two-bedroom, 80 three-bedroom, and 28 four-bedroom units. Per the developer, all units would be income-restricted to households earning no more than 80% of Area Median Income (AMI), with a weighted average across the property not to exceed 60% AMI.

LIHTC financing generally requires the affordable units to remain subject to income and rent restrictions for a minimum of 30 years, regardless of a change in ownership. Additional affordability requirements may apply as a result of financing from MSHDA and Oakland County. The specific affordability requirements for the project's financing would be established through the project's financing and regulatory agreements.

The developer intends to finance the project using federal Low-Income Housing Tax Credits (LIHTC), together with funding through Oakland County and the Michigan State Housing Development Authority (MSHDA). Additionally, as part of this financing structure, the developer has requested that the City consider either an MSHDA Housing Tax Increment Financing (TIF) Program or a Payment in Lieu of Taxes (PILOT), each with a proposed term of 40 years.

Specifically, the developer is proposing a Housing TIF to capture 90% of the incremental increase in taxable value for 30 years, the maximum allowed by Act 381, followed by a 10-year PILOT period, for a combined 40-year term. The proposed capture would affect both City General Fund revenue and CIA revenue, since both draw from the same captured increment. Per the developer, a 90% capture ratio aligns with what has been permitted for similar Lincoln Avenue Communities projects in other municipalities and would provide additional financing capacity to help address anticipated increases in construction costs.

The developer has also proposed a PILOT arrangement as an alternative to the Housing TIF. Under the proposed PILOT structure, the property owner would make payments based on shelter rents rather than standard property taxes. The specific terms and duration of the proposed PILOT would be established through an agreement with the City and in accordance with Michigan law. The City of Novi has not previously used a PILOT structure for an affordable housing development.

The proposed PILOT is that the property owner will pay the amount equal to 3% of "shelter rents," defined as rent collected less utility costs paid by the owner. The PILOT payment would be made to the City and distributed to the applicable taxing jurisdictions based on the proportions used to distribute general property taxes in the previous calendar year. Based on the current distribution of property taxes, the City of Novi would receive approximately 21% of the (3%) PILOT payment.

As an additional possibility, the developer has discussed a Municipal Services Agreement (MSA) in conjunction with a reduced PILOT. Under this concept, the PILOT percentage would be lowered (for example, from 3% to 1% of shelter rents), while a separate service payment, proposed at approximately 2% of shelter rents, would be paid directly to the City under the MSA. Per the developer, this additional payment would not be distributed among the other taxing jurisdictions.

Following expiration of the approved TIF term, the property would return to the standard property tax structure. Any affordability requirements in place at that time would continue according to the terms of the project's financing and regulatory agreements. The developer may seek additional financing or incentives in the future to support capital improvements or other project needs; any future request would be subject to City consideration at that time.

Recommended ACTION: Receive presentation of the project in the City West Corridor from Lincoln Avenue Communities, with the potential to utilize either a Payment in Lieu of Taxes arrangement or the MSHDA Housing TIF program.