

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.

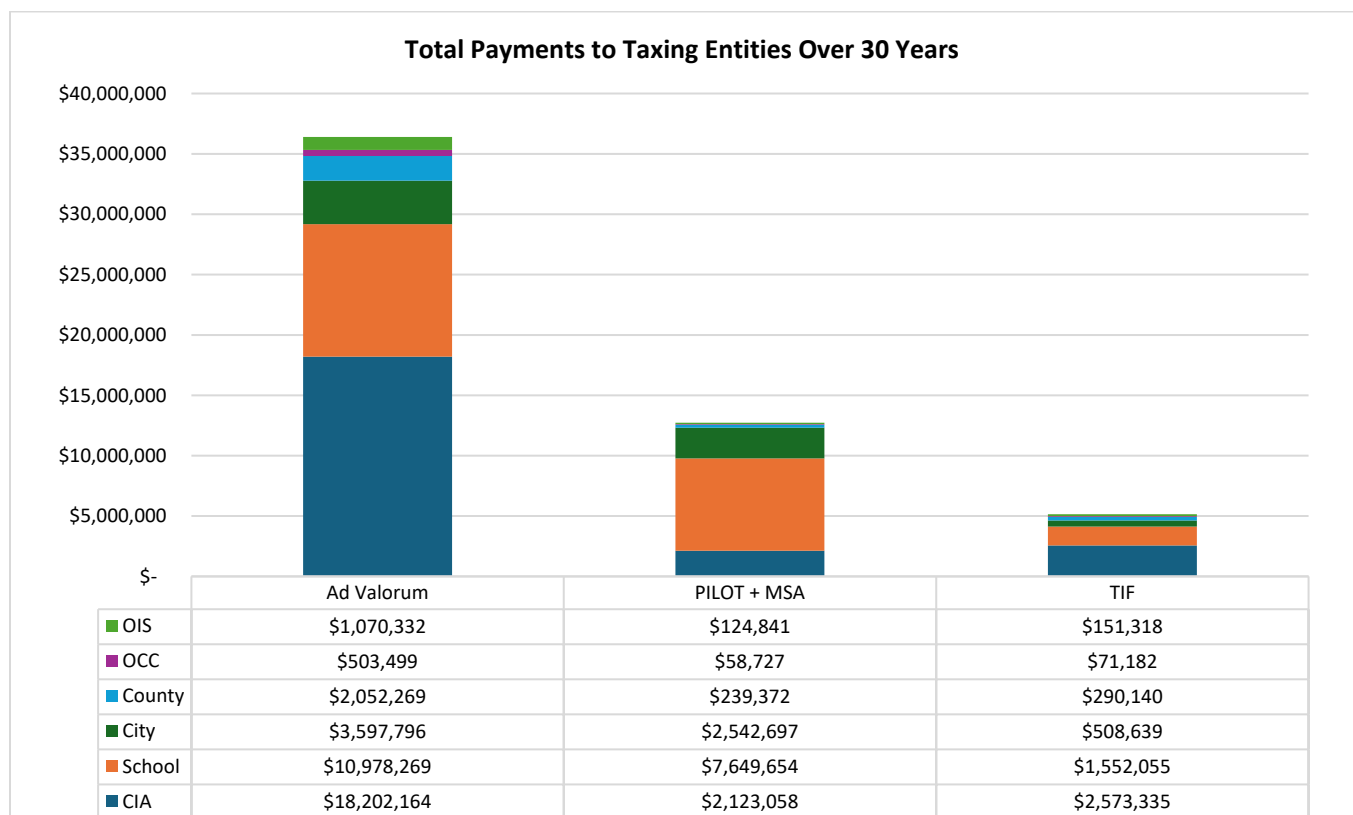
4. Scenarios

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.



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