



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.