



MEMORANDUM

TO: VICTOR CARDENAS, CITY MANAGER
FROM: REGINA SWICK, ECONOMIC DEVELOPMENT /
SUBJECT: LINCOLN AVENUE UPDATED REQUEST
DATE: SEPTEMBER 16, 2026

Mayor and Council –

Please see an update on Lincoln Communities' request for a PILOT arrangement for the property at the NW corner of Taft and Grand River.

- Victor

This memorandum summarizes the updated Payment in Lieu of Taxes (PILOT) request submitted by Lincoln Avenue Communities, the developer of the current Demaria Construction Headquarters at Grand River and Taft Avenues.

Following feedback from Councilmembers at the August 10th Council meeting, Lincoln Avenue Communities contacted the Michigan State Housing Development Authority (MSHDA) to explore restructuring its PILOT request.

In short, Lincoln is proposing to reduce the PILOT term from 40 years to 30 years and divide the proposed 3%/10% payment between a PILOT and a **Municipal Services Agreement (MSA)**. This structure would increase the City's projected revenue while reducing the amount captured by the CIA compared with a straight PILOT.

Shelter Rents Alone vs. Shelter Rents + MSA

Shelter rents⁽¹⁾ only, with no MSA:

State law requires shelter rents to be distributed among all taxing jurisdictions (City, Schools, County, CIA, and OCC) in the same proportion as they would normally share property tax revenue. Based on Lincoln Avenue's assumptions, if the entire 3%/10% payment were structured as shelter rents, **with no MSA**, the City's 30-year share would be **\$2,517,831**, assuming the CIA doesn't capture shelter rents.

Shelter rents + MSA combined:

Lincoln Avenue has proposed dividing the 3%/10% payment between shelter rents and an MSA. Under the proposal, the PILOT would be 1% in years 1–15 and 3.33% in years 16–30, with the remaining 2% and 6.67%, respectively, structured as an MSA.

Lincoln's original proposal would have allocated 75% of the MSA to Novi Community Schools and 25% to the City. However, the City Attorney's Office has advised that it does not see legal authority for a municipality to redirect MSA revenue to a school district. Based on this guidance, **the City would retain 100% of the MSA**. **Novi Community Schools would continue to receive its statutory share of the PILOT, and its per pupil funding.**

(1) "Annual shelter rent" means the total collections during an agreed annual period from all occupants of a housing project representing rent or occupancy charges, exclusive of charges for gas, electricity, heat, or other utilities furnished to the occupants. <https://www.legislature.mi.gov/Laws/MCL?objectName=mcl-125-1411>

The total MSA would be \$8,492,233 over 30 years. Combined with the City's \$839,277 share of the PILOT, the City's total 30-year revenue would be **\$9,331,510**. Importantly, an MSA must be tied to the actual cost of identifiable municipal services provided to the property, such as police, fire, and water/sewer services. Under Michigan case law, an MSA must be proportionate to the cost of those services to function as a service fee rather than an impermissible tax. It cannot simply be structured as an additional revenue source for the City.

Current Ad Valorem (total base)	\$58,059	
	FIRST YEAR TOTALS	30 YEAR TOTALS
Shelter Rents	\$4,475,455	\$181,560,629
Municipal Services Agreement (2%)	\$89,509	\$8,492,233 *
CITY		
Straight PILOT	\$26,538	\$2,517,831
PILOT + MSA	\$98,355	\$9,331,510
<i>*2% years 1-15, 6.67% 16-30 These figures are based on Lincoln's rent assumptions These figures assume the CIA does not capture shelter rents</i>		

How This Affects the CIA

The Corridor Improvement Authority currently captures roughly 50% of the ad valorem taxes generated on this site under its existing TIF plan. Whether that 50% capture carries over to a PILOT structure is not yet resolved.

A CIA's capture authority applies only to specific taxing jurisdictions (Oakland County operating, County Parks & Rec, and OCC). Under a PILOT, the property no longer generates those taxes at all; it generates a service charge instead. The open question is whether the CIA's TIF plan can capture a share of that service charge the same way it captures ad valorem tax today, or whether it has no claim on it.

The City is awaiting formal guidance from the City Attorney on how CIA capture is treated under a PILOT structure

How the Property Will Be Valued

Once construction is complete, the property will still be assessed at its market value for assessment purposes. However, under a PILOT, **the property is exempt from normal ad valorem property taxes for the term of the agreement**. In effect, the property tax bill is replaced by the PILOT (shelter rents) and, if the City negotiates one, an MSA.

Shelter Rents

The project will include 267 units, restricted to households earning between 30% and 80% of Area Median Income (AMI). The unit mix is as follows:

Beds	Units	Income Limit	Comp Mkt Rent	2026 Gross Rent	Utility Allowance	2026 Net Rent
1	5	30%	\$1,825	\$1,573	\$70	\$1,503
2	15	30%	\$2,244	\$1,888	\$86	\$1,802
3	9	30%	\$2,376	\$2,180	\$98	\$2,082
4	3	30%	\$3,000	\$2,432	\$114	\$2,318
1	4	50%	\$1,825	\$983	\$70	\$913
2	13	50%	\$2,244	\$1,180	\$86	\$1,094
3	8	50%	\$2,376	\$1,362	\$98	\$1,264
4	3	50%	\$3,000	\$1,520	\$114	\$1,406
1	21	60%	\$1,825	\$1,179	\$70	\$1,109
2	68	60%	\$2,244	\$1,416	\$86	\$1,330
3	42	60%	\$2,376	\$1,635	\$98	\$1,537
4	15	60%	\$3,000	\$1,824	\$114	\$1,710
1	9	80%	\$1,825	\$1,573	\$70	\$1,503
2	29	80%	\$2,244	\$1,888	\$86	\$1,802
3	17	80%	\$2,376	\$2,180	\$98	\$2,082
4	6	80%	\$3,000	\$2,432	\$114	\$2,318
Total/Weighted Ave		60%	\$2,297	\$1,631	\$90	\$1,541

Rents are set below comparable market rates as a condition of the AMI restrictions required for MSHDA financial support. Based on Lincoln's projections, the weighted average net rent to the property, after the standard utility allowance, is \$1,541 per month, compared to a weighted average comparable market rent of \$2,297 per month.

Planning Department Next Steps

Lincoln has been in contact with the planning department and is now entering the formal planning review process. The steps below outline the full sequence from pre-application through building permits. Lincoln Avenue Communities is currently at Step 1, with its pre-application meeting completed on September 9, 2026.

1. Pre-Application Submittal, Review and Meeting
Completed September 9, 2026
2. Preliminary MDO Submittal and Review
3. Initial Review by Planning Commission and City Council R
Regular meetings, no public hearings involved.
4. Revised Preliminary MDO Submittal based on feedback
5. Planning Commission Public Hearing and Recommendation

6. City Council Decision on Preliminary Site Plan & MDO

7. Final Site Plan Submittal and Review

Administrative review, including Final Site Plan, Electronic Stamping Set & Final Stamping Set approvals.

8. Building permits and Pre-Construction meetings

What Council Is Being Asked to Approve

Lincoln Avenue Communities is asking Council to grant **conditional approval of the 3% and 10% total payment rates**. The specific split between the PILOT and MSA remains open for negotiation, provided the combined payment does not exceed those rates.

According to MSHDA, this conditional approval is sufficient to keep the project moving forward. However, final approval of the PILOT must be in place before Lincoln goes before the MSHDA Board. If final approval is not secured by that time, Lincoln would need to request a waiver from the MSHDA Board.

Additionally, the City Attorney's Office has advised that municipal action in the form of an ordinance would be required for final approval of the workforce housing tax exemption if the project proceeds. The City Attorney is continuing to review the specific requirements and form of municipal action needed.