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.

Area Median Income

Area Median Income (AMI) is a measure used by the U.S. Department of Housing and Urban Development (HUD) to establish income limits for affordable housing programs. For Novi, HUD uses the Detroit-Warren-Livonia, MI HUD Metro FMR Area, which includes Oakland County. HUD establishes income limits annually and adjusts them based on household size. The limits are then expressed as percentages of AMI, such as 30%, 50%, 60%, and 80%, to establish income eligibility for housing programs.

For 2025, the applicable income limits for Oakland County are:

Household Size	30% AMI	50% AMI	60% AMI	80% AMI
2 Person	$24,240	$40,400	$48,480	$64,640
3 Person	$27,270	$45,450	$54,540	$72,720
4 Person	$30,300	$50,500	$60,600	$80,800

For the proposed Lincoln Avenue Communities project, the developer has indicated that the units would be income-restricted to households earning no more than 80% of AMI, with a weighted average income not to exceed 60% of AMI. Based on prior communications from the developer, the anticipated distribution by income tier was approximately:

- 32 units at 30% AMI
- 27 units at 50% AMI
- 149 units at 60%
- 61 units at 80% AMI

To illustrate what these income limits can mean in practical terms, the following examples compare 2024 median annual wages for selected occupations in Oakland County with the AMI limits for a one-person household:

Occupation	Annual Wage	Approx AMI Range
Home Health Aide	$32,987	30–50% AMI
Nursing Assistant	$40,215	50–60% AMI
Paramedic	$49,008	60–80% AMI
Machinist	$60,647	Above 80% AMI
Elementary School Teacher	$63,381	Above 80% AMI

Human Resources Specialist	$76,074	80–120% AMI

A one-person household supported by the income of a home health aide earning approximately $33,000 would fall within the lower income tiers represented in the project. A nursing assistant earning approximately $40,000 would fall near the 50% to 60% AMI range, while a paramedic earning approximately $49,000 would fall within the project's 60% to 80% AMI range.

Relationship Between AMI and Rent

AMI income limits are also used to establish maximum affordable rents for income-restricted housing.

Unit Type	30% AMI	50% AMI	60% AMI	80% AMI
1 Bedroom	$568	$946	$1,136	$1,515
2 Bedroom	$681	$1,136	$1,363	$1,818
3 Bedroom	$787	$1,313	$1,575	$2,101
4 Bedroom	$879	$1,465	$1,758	$2,344

Example: Income and Rent at 50% AMI

For example, a 3-person household earning up to the 50% AMI limit of $45,450 annually, consistent with occupations such as a nursing assistant, would generally qualify for a 2-bedroom unit, based on the standard occupancy guideline of approximately 1.5 persons per bedroom. At the 50% AMI tier, the maximum rent for a 2-bedroom unit is set at $1,136 per month, ensuring that housing costs remain affordable relative to the household's income.

TIF Recap

Under a TIF, the City and other taxing jurisdictions continue to receive the taxes currently generated by the property (the "base"). Only the *increase* in taxable value above that base, generated by the redevelopment, is captured as increment. If the property does not increase in value, there is no increment to capture, and the developer receives no reimbursement.

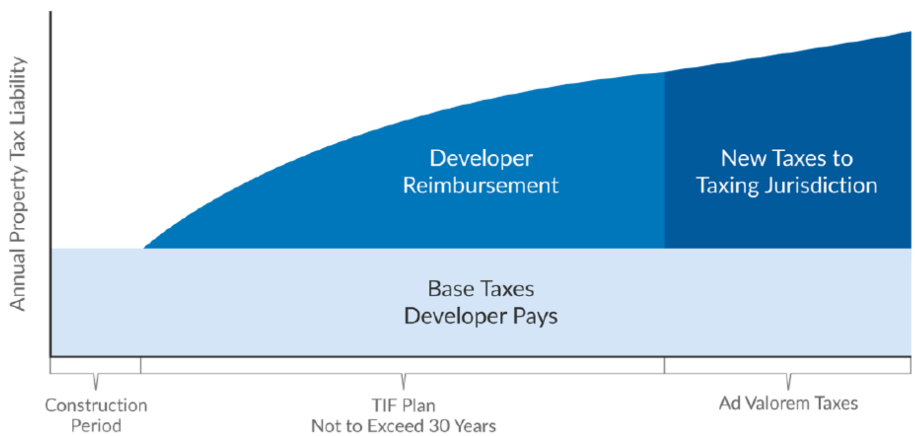
Captured increment is used to reimburse the developer for approved project costs over the term of the TIF. It is not a grant or upfront payment; the developer is reimbursed only as new tax revenue is actually generated by the completed project.

School operating taxes are held harmless under this structure. If school operating millage is included in the capture, the affected school district is reimbursed by the State School Aid Fund for the captured amount, so district funding is not reduced as a result of the TIF.

Without a TIF or PILOT, the project's financing gap would not be closed, and the developer has indicated the affordable housing component of the project could not otherwise move forward.

What Is "Tax Increment Financing"?

"Tax increment financing" or "TIF" is an incentive structure that exists in 49 out of 50 states in the United States. The structure allows a developer to capture incremental tax revenue generated by a development to reimburse for eligible activities (e.g. site clean-up, infrastructure, construction costs, etc.). The developer pays standard property taxes and is reimbursed for an applicable portion the following year. In Michigan, the new taxes created are eligible to be captured by the developer for up to 30 years.



PLANTE MORAN REALPOINT

What Are Michigan's Project-Specific "TIF"s?

	BROWNFIELD TIF	MSHDA HOUSING TIF	TRANSFORMATIONAL BROWNFIELD
Description	Supports the clean up of contaminated sites, the development of transit-oriented properties, or the redevelopment of blighted, functionally obsolete, and historic property	Supports the creation of new housing and the preservation of existing housing **Since 2023, ~$800 million in housing investment projects (~3,000 units) approved through the program**	Supports large-scale mixed-use developments on dirty sites that have a transformational impact on a City's population, commercial activity, or employment **Since 2017, supported billions in real estate development statewide**
Eligible Costs	Environmental testing and cleanup, demolition, lead/asbestos abatement, site preparation, public infrastructure	Infrastructure and safety improvements, parking, site preparation, demolition and renovation costs, financing losses associated w. affordable housing commitments	All construction activities
Reimbursement Mechanism	Property Taxes for up to 30 years – Excludes debt millages	Property Taxes for up to 30 years – Excludes debt millages	Property Taxes for up to 30 years – excluding debt millages + % of State Income, Withholding, & Sales Taxes for up to 20 years
Who Approves	Local Municipality, Local/Regional Brownfield Authority, EGLE, Michigan Strategic Fund	Local Municipality, Local/Regional Brownfield Authority, Michigan State Housing Development Authority	Local Municipality, Local/Regional Brownfield Authority, Michigan Strategic Fund

PLANTE MORAN REALPOINT 5

TIF vs. PILOT: How They Compare

	Housing TIF (+ PILOT)	PILOT Alone
What jurisdictions receive	Base taxes continue as normal during the TIF; only the *increase* above the base is captured	Standard property taxes are replaced entirely by the PILOT payment (3% of shelter rents), distributed proportionally among jurisdictions
Tied to property value	Yes, during the TIF portion. Capture depends on the property's taxable value increasing	No. The payment is calculated from shelter rents, independent of assessed value
How the developer benefits	Reimbursed over time from the captured increment, structured to support debt financing	Pays a reduced, predictable amount instead of standard property tax, improving project operating economics
Duration	30-year TIF (Act 381 maximum), followed by a 10-year PILOT. 40 years combined	40 years
School operating taxes	May be captured only with MSHDA approval; if captured, the school district is reimbursed by the State School Aid Fund	Receives its proportional share of the PILOT payment only; no known state backstop mechanism

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,

Erica Meissner
Director, Lincoln Avenue Communities

Kyle Brasser
Vice President and Regional Project Partner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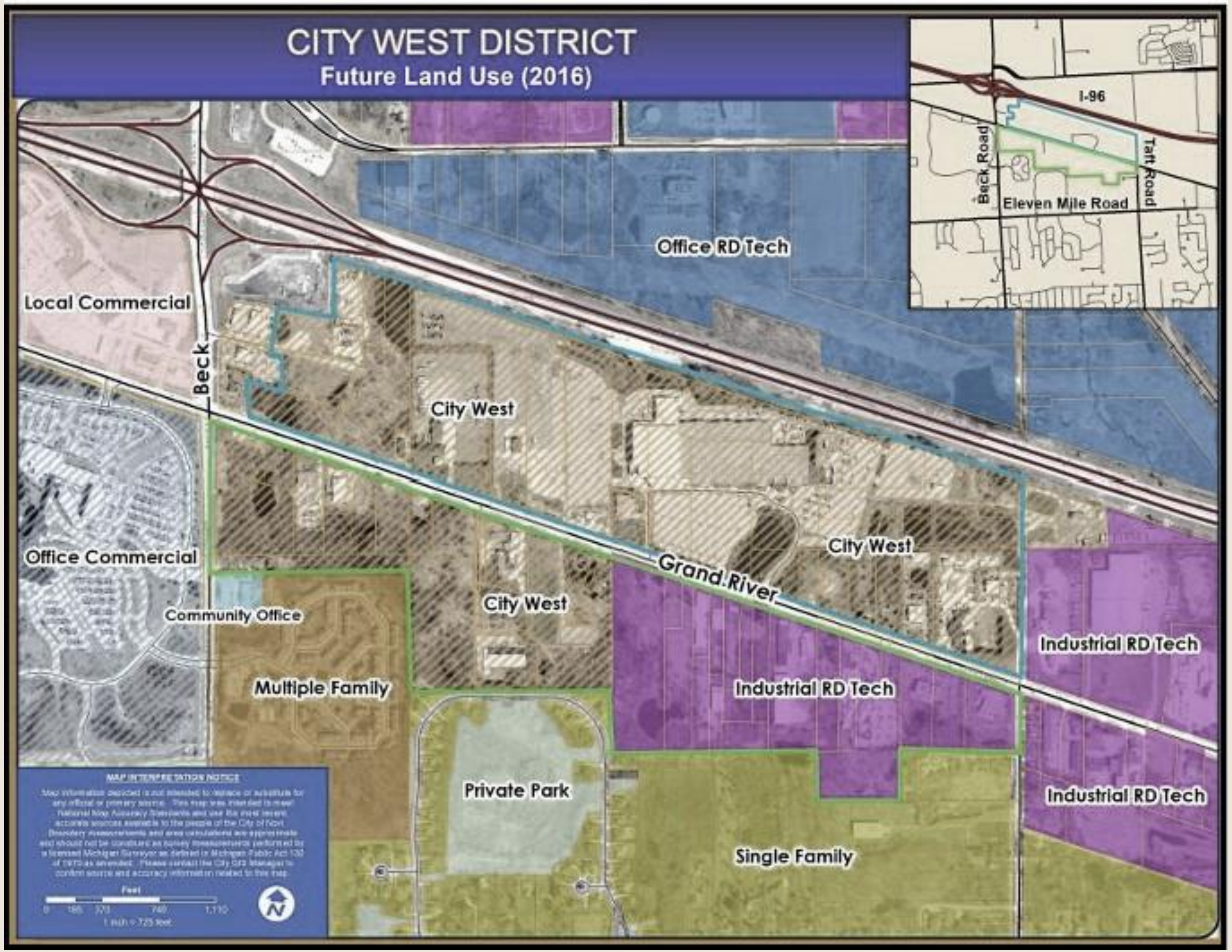
45500 GRAND RIVER AVE

Novi's City West District presents a transformative opportunity to reimagine Grand River Avenue as a vibrant, mixed-use neighborhood.



City West has the potential respond to Novi's housing supply shortage – a shortage that is driving increased housing costs that disproportionately impact renter households.

NOVI'S HOUSING STORY

Housing stock growth vs. population growth

13% vs. 20%

Housing demand is outpacing supply. *Between 2010 and 2020 the number of housing units in Novi grew 13% while the total population grew by 20%*

Average home sale price

$457,440

Homeownership is increasingly out of reach. *Between 2010 and 2021 the average home sale price increased 80%. Today, affordable homeownership is out of reach for more than half of households.*

Share of households that rent

32%

Demand for rental housing persists. *With homeownership widely unattainable, nearly 1/3 of the population rents.*

Share of renters that are housing cost burdened

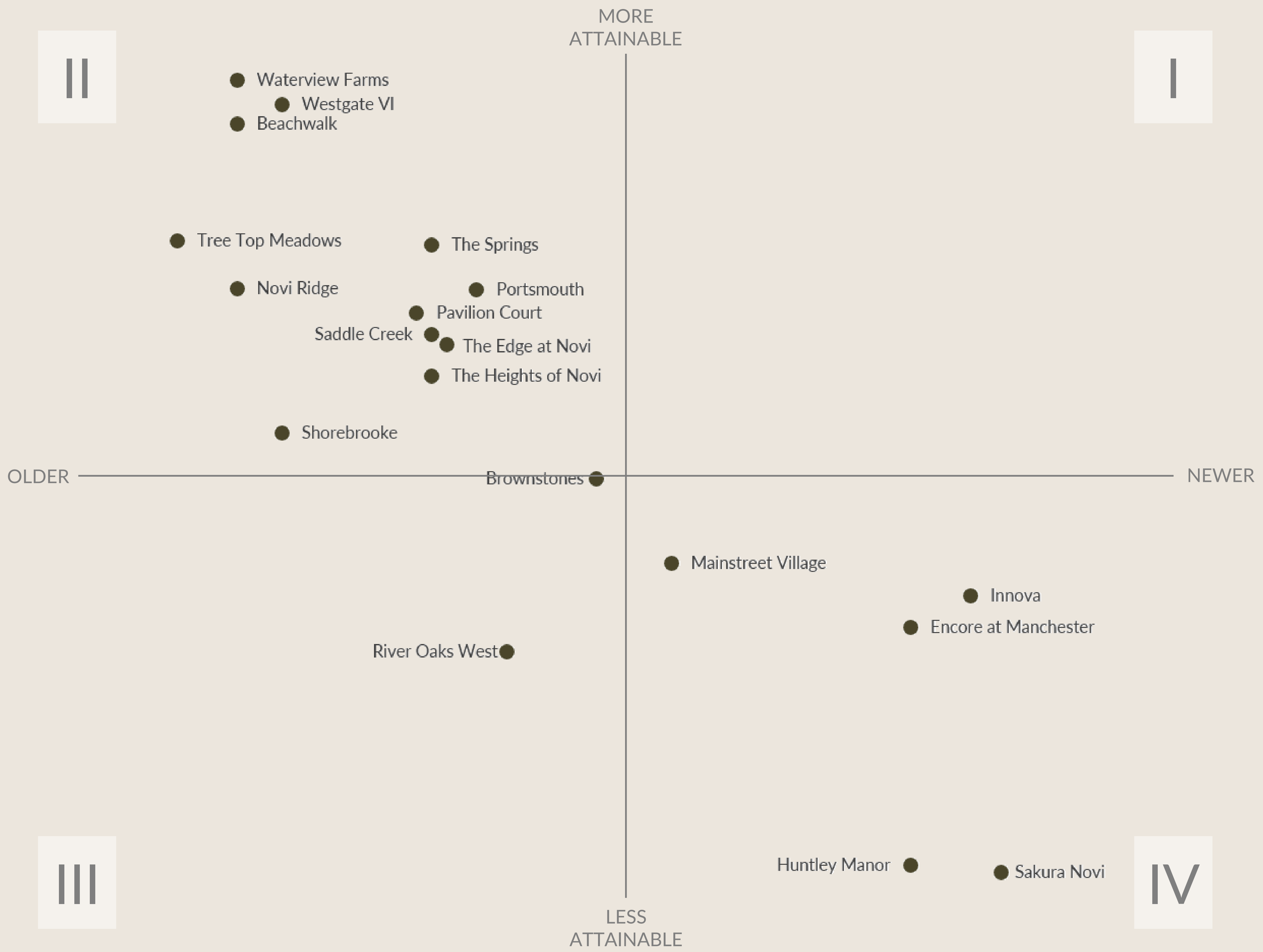
40%

Sustained demand for rental housing keeps rental costs high. *40% of renter households in are housing cost burdened, meaning they spend >30% of their income on housing costs – i.e., rent plus utilities.*

Notably, the cost burden carried by renters exists despite the age of Novi's rental housing stock.

	Units	Avg Age	Avg 2BR Rent
I	-	-	-
II	4,052	41	$1,426
III	680	31	$2,221
IV	1,153	13	$2,409

X-axis: age of property = 1 (newer) to 56 years old (older)
Y-axis: average rent = $1,150 (more attainable) to $2,850 (less attainable)



Redeveloping 45500 Grand River Avenue with affordable rental housing will activate a critical intersection in Novi's City West District while delivering attainable housing.

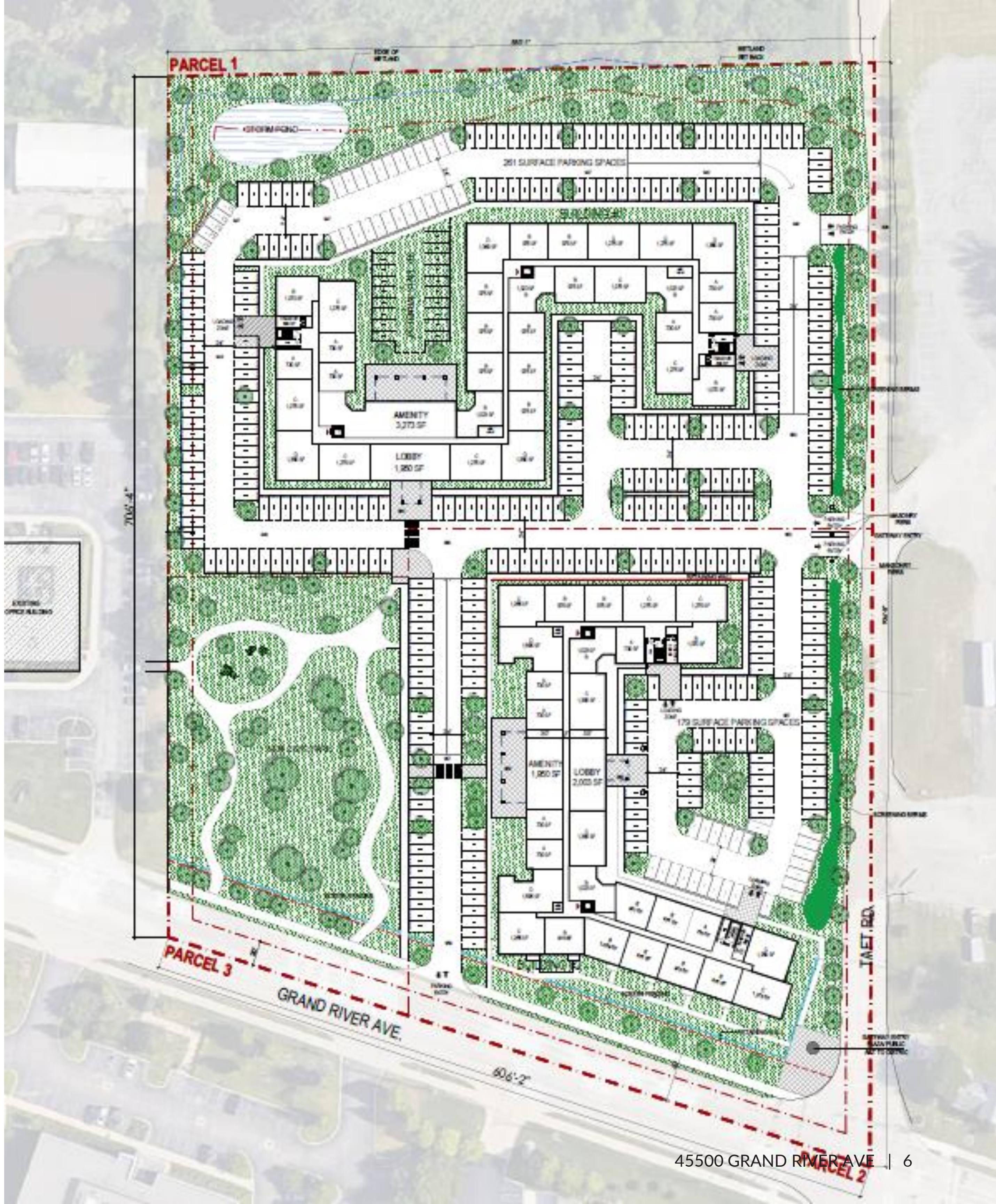
AERIAL VIEW, GOOGLE MAPS


STREET VIEW, GOOGLE MAPS

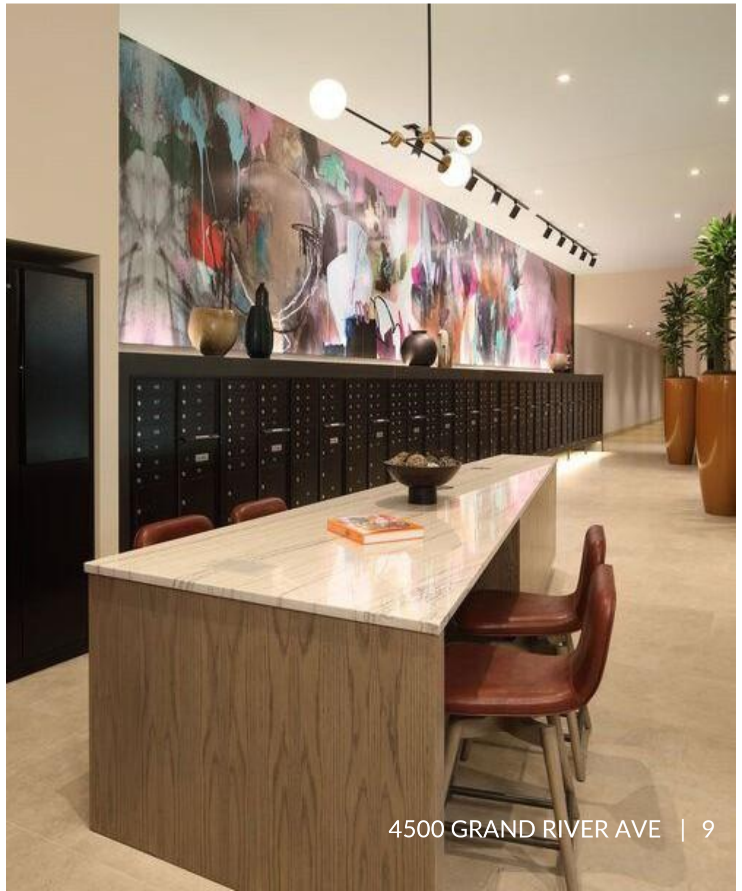

SOUTH PERSPECTIVE FROM NORTH PERIMETER, LINCOLN AVENUE


NORTHEAST PERSPECTIVE FROM WEST PERIMETER, LINCOLN AVENUE

Lincoln Avenue proposes to redevelop 45500 Grand River with approximately 267 units of high-quality rental housing for low- and moderate-income households.

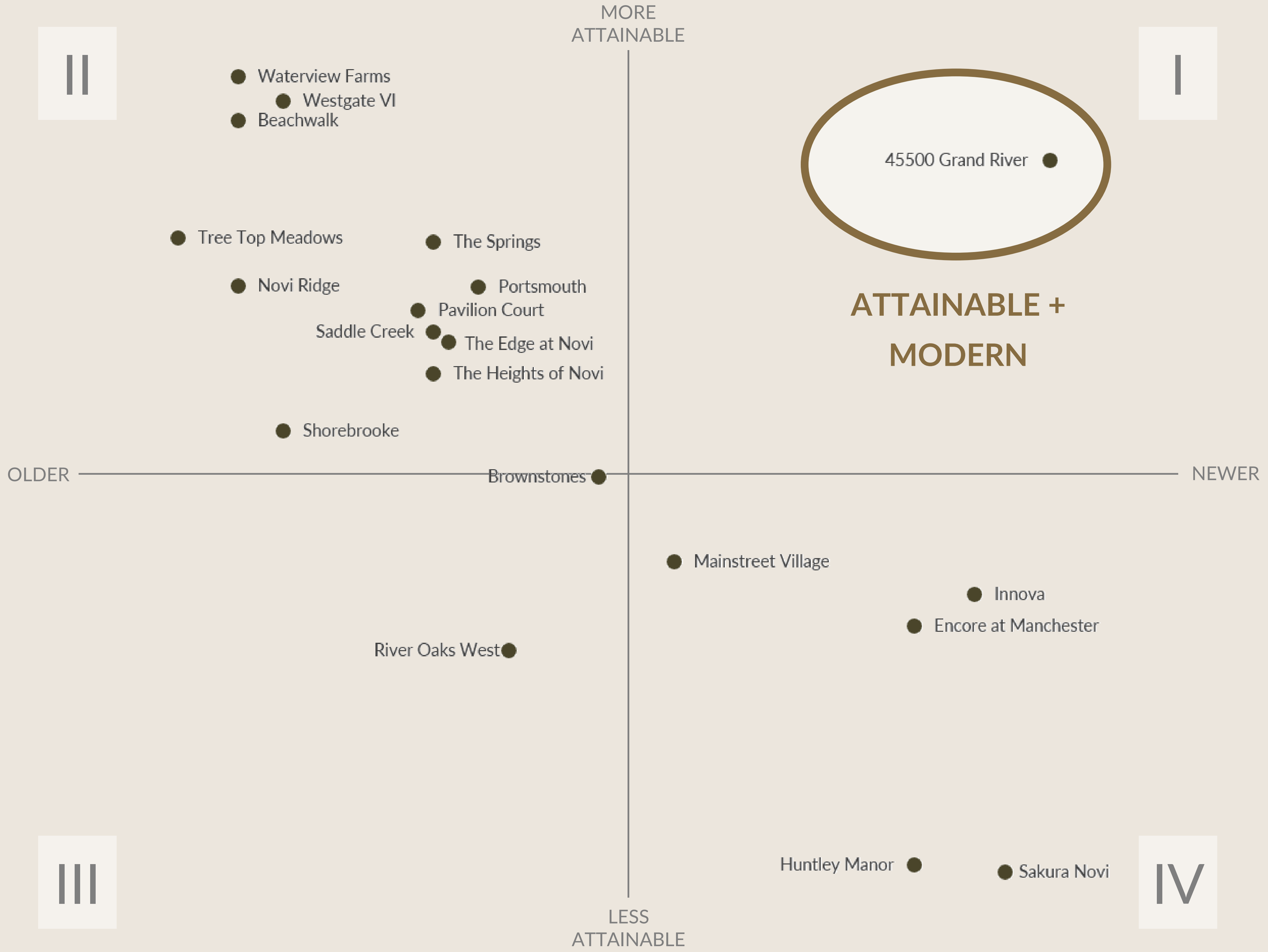


FLATS AT BISHOPS WOODS | LAC PROJECT



All units will be reserved for households earning an average of 60% of the area median income. In doing so, the project will fill a critical gap in Novi's rental housing supply.

	Projected Average Rent	Comparable Rents
1 BR / 1 BA	$1,110	$1,384
2 BR / 2 BA	$1,330	$1,834
3 BR / 2 BA	$1,536	$2,725
4 BR / 2 BA	$1,710	$2,760



To provide the proposed level of affordable, the project must receive tax relief. Lincoln Avenue is requesting tax relief in the form of a PILOT or TIF.

	TIF	PILOT
Term	40	40
Basis for Annual Payment	Current 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 a greater share of the payment
Year 1 Payment	$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.*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