



# PILOT POLICY

INFORMATION PACKET AND GUIDELINES

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**OVERVIEW:**

A developer that is in the planning phase of a low income housing project financed with a federally-aided or authority-aided mortgage or grant through the State Housing Development Authority Act of 1966 may be eligible for a Payment In Lieu Of Taxes (PILOT). These exemptions from ad valorem property taxes are governed by Section 82 of the Muskegon City Code. The City of Muskegon strives to apply these fees with maximum return on investment for the developer and community. The process for requesting and receiving a Payment In Lieu Of Taxes for a new development or a rehabilitation and extension has been simplified in the following policy guidelines and forms.

The City of Muskegon maintains this policy with the objectives of:

- increasing affordable housing opportunities for our residents,
- stabilizing the tax base of the community,
- reducing functional obsolescence of existing facilities, buildings, etc.,
- encouraging expansion of our population,
- providing for improved housing amenities for the community,
- encouraging attractive, viable building sites and
- enhancing our economic development tools to attract and retain affordable housing development

**POLICY ELIGIBILITY CRITERIA:**

1. A Payment In Lieu Of Taxes shall only be granted to low income housing projects owned by a nonprofit housing corporation, consumer housing cooperative, limited dividend housing corporation, mobile home park corporation, or mobile home park association financed with a federally-aided or authority-aided mortgage or grant through the State Housing Development Authority Act of 1966 and meet the requirements of the City of Muskegon Ordinance Chapter 82; and
2. A Payment In Lieu Of Taxes shall be issued at a percentage of rents based on the rating criteria in the City's scoring matrix; and
3. A Payment In Lieu Of Taxes shall not be issued unless an Applicant completes the attached application form and provides all necessary documents to ensure accurate scoring by the Tax Incentive Review Committee.

**REVIEW AND APPROVAL PROCESS:**

Once a developer has determined that it meets the minimum criteria for consideration of a Payment In Lieu Of Taxes, then a developer may begin the process of formally applying. The process is as follows:

1. Letter of Intent submitted on applicant's letterhead to the Economic Development Director.
2. Include details relating to the location of the development, length of term, income mix, proposed construction and/or amenities, and any restrictions on age limits for residents.

3. Tax Incentive Review Committee verifies completion and eligibility of Applicant’s documents for submission and makes recommendation to the City Commission regarding approval and rate for Payment In Lieu of Taxes.
4. The city staff or attorney will draft the contract with details given by applicant.
5. City Commission votes on approval of the associated contract (City Commission may also vote to modify or reject any contract).
6. City staff provide signed documents to applicant.

**PILOT RATE:**

The City Commission has approved the use of the following guides to calculate the percent of rents paid. The criteria are tied to community goals endorsed by elected officials and staff, thereby rewarding developments which meet the city’s goals with lower fees.

**New PILOT Developments**

The committee recommends setting the base PILOT rate at 7% of annual rents with potential to reduce the fee if certain goals are met and developing a PILOT application that features the following cognates:

<b>Cognate</b>	<b>Reduction</b>
Serving Families	1%
Minimum 15% of Units offered at Market Rate	1%
Located outside DDA Boundary	1%
Average AMI greater than 70%	1%
<b>TOTAL POSSIBLE REDUCTION</b>	<b>4%</b>

In addition to the PILOT rate, local governments are able to collect municipal service fees that fund essential services to the development such as police and fire. The committee recommends setting the municipal services fee at 3% for all developments.

## **Extension To Existing PILOT Development**

Extensions to existing PILOT agreements need to be considered on a case by case basis due to the limitations on the programs available for rehabilitation. As with all other tax incentive programs, the committee will consider the merits of each proposal following certain guidelines and make a recommendation to the City Commission. In these instances, a less stringent method will be used in the review process. However, an extension will only be granted where the annual income to the city is increased. The committee recommends setting the following objectives and developing a PILOT application that features them:

### **Objectives**

- Investment in Building and Units
- Investment in Outdoor Site Amenities
- Term Extension less than 20 Years
- Upgrade to Visitability ADA Standards
- Increase to Average AMI by minimum of 10%

In addition to the PILOT rate, local governments are able to collect municipal service fees that fund essential services to the development such as police and fire. The committee recommends setting the municipal services fee at 2% for any existing development that does not currently pay a municipal services fee and increasing the fee to 3% for all developments that currently pay less than 3%.

### **TAX ABATEMENT APPLICATION FEE:**

The City Commission has authorized the implementation of a non-refundable application fee for Payment In Lieu Of Taxes applications. The fee is published in the city's fee schedule.

### **REQUIREMENTS AFTER PAYMENT IN LIEU OF TAXES IS APPROVED:**

Annual statements of contract rents must be filed with the City Treasurer per Section 82-55 of the Muskegon City Code. Exemptions will be revoked for violating the Muskegon City Code.

For assistance with your business attraction and retention needs or with the associated process and application, please contact the City Economic Development Office at 231-724-6870.