

City of Detroit

Fast Track Payment In Lieu of Taxes (PILOT) Affordable Housing Program

Frequently Asked Questions

Updated January 2025

NOTE: Answers to these questions are based on preliminary policy. Detailed Implementation Guidelines approved by the City Law Department will be issued prior to program launch and will supersede these FAQs.

Eligibility

What projects are eligible?

Housing developments of 4 or more units for low or moderate income residents may apply. This includes new construction and rehabilitation. Projects must commit to a minimum of 15 years of affordability.

Projects with affordability averaging below 80% of the Area Median Income (AMI) or rehabs of long-term vacant properties are eligible for the streamlined approval process. These are known as Fast Track Housing Projects (FTHPs).

Other projects offering units with affordability averaging between 81% and 120% AMI could also be eligible with City Council approval. These are Standard Workforce Housing Projects (SWHPs).

Projects with state or federal funding, such as Low Income Housing Tax Credits (LIHTC), are eligible under their own category. These are known as Government Assisted Housing Projects (GAHPs).

What are the requirements to qualify?

Projects must have an affordability restriction in place for a minimum of 15 years. In addition, they must meet per unit hard cost thresholds of \$15,000/unit for a vacant rehab or new construction, and \$5,000/unit for an occupied rehab. Projects must have an active Certificate of Occupancy and/or Certificate of Compliance issued by the City's Building Safety Engineering and Environmental Division (BSEED) and maintain adherence to BSEED requirements.

Projects that received or will receive a Certificate of Occupancy (for new construction or change of use) and/or Certificate of Acceptance (for rehabs) from BSEED after December 13, 2022 will be eligible to apply.

Can projects with existing PILOTs or tax incentives receive a PILOT under the new ordinance?

Yes. Projects with an existing PILOT or other tax incentive can apply for a PILOT subject to the rates established in the ordinance, even before their previous PILOT/ abatement reaches expiration, if they undergo a renovation that meets the *occupied rehab investment threshold* of \$5,000/unit.

These projects can also apply to convert without reinvestment, if they are able to demonstrate financial need. This will require City Council approval.

Note that projects which have been approved for PILOT by City Council, but which have not yet entered the PILOT period, can apply as a new PILOT under the ordinance if they meet the qualifications without requiring an additional approval by City Council.

How does PILOT work with other tools?

PILOTs have traditionally been layered with various government subsidy programs, including LIHTC, HOME, and Section 8 project-based vouchers, and continue to be an important tool for projects with these funding sources.

However, on a given parcel, PILOTs cannot be layered with traditional tax abatements, as they are calculated based on rental income rather than property values. However, a phased project with multiple parcels or condos may consider a PILOT on one parcel and an abatement on another.

PILOT may be paired with a Brownfield/Housing TIF incentive, if the PILOT payment is large enough to generate substantial TIF reimbursement.

Are scatter-site projects, with multiple parcels that are not contiguous, eligible?

A PILOT project may consist of multiple properties as long as the overall project meets the four unit minimum. All properties must be either contiguous lots, within the same census tract, or within a one-mile radius. All properties in the PILOT must have the same owner, and must each individually meet the program requirements (investment threshold per unit), Certificate of Compliance, etc.

Can a project with a ground lease access to the PILOT?

Yes, so long as the lease runs the length of the PILOT, and so long as the signatory of the Affordability Agreement or other documents has the authority to make the agreements.

Are there any rules about which developers can apply? Will the City check to see if the developer has sufficient funds, personnel, experience and expertise to build, rehab and maintain the units over the 15 years?

Any developer in good standing with the City may apply. Good standing refers to a developer not being in default with the City for projects in which they have majority/controlling interest. Issues that would affect good standing include but are not limited to default on a City loan, breach of a contract with the City, outstanding taxes or PILOT payments, and outstanding blight tickets.

The administrative review will ensure the project is ready to proceed before approving a PILOT. However, note that regardless of administrative approval, the PILOT is only placed in service on completed projects.

Will any preference be given to Detroit-based developers and/or prospective renters? Is there any preference for projects by location?

The ordinance does not enable preferences to be granted in administrative review. All developers in good standing are welcome to apply for PILOTs in service of bringing more affordable housing stock to the City. The ordinance does not allow for preference to residents based on geographic location at time of application.

Are there rules about the size of the units and number of bedrooms?

Affordability Agreements will require that affordable units are distributed across the project by unit type, size, and location in the building, and are comparable in design & construction standards to unrestricted units.

Affordability

What is AMI and how is it calculated?

Area Median Income (AMI) is the median income for a region calculated by HUD based on Census data. Developments with affordable units almost always layer local funding tools with others that use national standard for AMI. Many cities have lower medians than their region, but local policy can target lower percentages of AMI without changing the standard definition. Detroit does this, evidenced by the fact that 70% of affordable units currently under construction in Detroit are at 60% AMI or below.

Affordable rents are calculated based on 30% of monthly income for people at a given income level. (Example: 50% AMI for a single person is \$33,600, which is a monthly income of \$2,800. The maximum rental expense per month would be \$840, or 30% of that monthly income. If residents have to pay their own utilities, the maximum rent may be reduced to account for that, which is known as a “utility allowance.”)

How does the affordability mix relate to the PILOT rate? How are market rate units incorporated?

The PILOT basis will be calculated as the average of restricted units. Restricted units can have various income thresholds (taken at 5% increments of AMI). If the average is 60% AMI or below, there can be some units above that range so long as no unit exceeds 120% of AMI. If the average is 61-80% AMI, there can be some units above and below that range, so long as no unit exceeds 120% AMI. Unrestricted (“market rate”) units will not factor into the PILOT rate and will be taxed on an ad valorem basis unless they are necessary for provision of the affordable units as determined by both the City and MSHDA.

Do both rental rates and household incomes rents need to be below the AMI limits? What if there are changes in tenant household income or tenants?

Yes, both rental rates and household incomes are restricted for the rent-restricted units. This will be outlined in the Affordability Agreement. The tenant household income must be verified at the time the lease is entered. Tenants will not be subject to ongoing annual income verification.

Process & Program Requirements

How will approvals work?

Developers will submit applications for eligible projects through the Housing & Revitalization Department (HRD). Projects will have to meet readiness thresholds to apply, including evidence of site control. The developer will enter into an affordability agreement* contingent on receipt of the PILOT, and then submit to MSHDA for the tax exemption status which makes them eligible for the PILOT. The City Office of the Assessor will add the project to the PILOT once it has achieved occupancy as demonstrated through the applicable BSEED certifications. The full process will be detailed in Implementation Guidelines to be established and published by HRD.

*Note: Government-Assisted Housing Projects do not require a separate affordability agreement for the PILOT.

Is the City requiring the developers, owners and/or management companies to provide written lease agreements?

Yes, PILOT projects will be required to offer written leases with a minimum term of 6 months.

What will happen to residents in occupied buildings receiving a PILOT?

The City of Detroit is committed to preventing displacement of any residents associated with redevelopment of occupied properties, which requires intentional planning for tenant retention. The Housing & Revitalization Department requires that occupied buildings receiving City support through direct funding and/or tax incentives produce and follow a Tenant Retention Plan, which limits rent increases for returning low-income residents and identifies strategies for communication, and safety during rehabilitation. This plan will adhere to the Tenant Retention Standards, which can be found attached to HRD's most recent Multifamily Housing Notice of Funding Availability (NOFA), available [here](#). This requirement will apply to properties in the expanded PILOT program.

Can developers have tax relief as they are renovating?

No, PILOTs require work to be completed and all applicable BSEED certificates are produced before a project can be moved to PILOT.

How can a project prove it met the investment threshold?

A Certificate of Occupancy or Certificate of Acceptance issued by BSEED associated with permitted work budgeted at a specific dollar value can demonstrate the investment met the threshold based on the overall value divided by the number of units. Investment that does not legally require permits *may* qualify if the applicant can prove their investment reached the investment threshold and was completed on the units/property in question through a third party cost certification or other documentation as acceptable to the City.

Are there limits as to how many PILOTs will be approved per year?

FTHP and SWHP PILOTs other than new construction will be approved on a first come, first-served basis up to 1,500 units per year. There is no proposed limit on new construction or for Government-Assisted Housing Projects (GAHP).

Is a FHTP or SWHP PILOT renewable after 15 years?

Unlike other tax abatements (NEZs, OPRA, etc), PILOTs are renewable after 15 years. If the property owner commits to another 15 years of affordability, they may apply for a 15-year renewal. To qualify, they would need to meet the occupied rehab investment threshold of \$5,000/unit demonstrated over the life of the original PILOT and have an active Certificate of Compliance.

Will a project be subject to “good standing” review upon renewal?

Yes, a project must meet all PILOT requirements upon renewal, including the reinvestment threshold, compliance with BSEED, and “good standing.” This will include the payment of annual service charges and any PILOT penalties that may have been incurred throughout the PILOT period.

Compliance

What oversight of the program will be required? Which departments will be involved?

HRD and the Office of the Assessor will both be involved in different aspects of compliance. The Assessor will monitor for active Certificate of Compliance issued through BSEED as well as PILOT payment status. HRD will monitor for initial income certification for new renters and annual rental rate compliance through its third-party compliance provider. HRD will also produce required reporting to City Council, per the ordinance.

Will the City monitor the demographics of applicants and tenants on the PILOTs?

The City’s third party compliance manager will collect income information on renters in rent-restricted units. This does not include monitoring any demographic information for applicants.

What happens if a project is sold to a new owner?

FTHP and SWHP PILOTs will be tied to the project through affordable housing restrictions that can be assigned to a new owner. The Affordability Agreement with the City will require that any ownership changes are reported so the City can continue to collect compliance information, and that the new owner agree to adhere to the agreement.

PILOTs for GAHPs are currently approved for specific ownership entities. This is based on requirements in the state statute and will not change. Ownership entity change for these properties will require application for a new PILOT by the new entity.

Can developers add units? Can individual units be converted to market rate during the PILOT period if developers can't find suitable tenants?

Unit mix cannot be changed without a legal amendment to the affordability agreement and accompanying restriction. This would require an application to the City to amend the PILOT and subsequent review and negotiation.

Is there any situation in which a developer, owner or management company can raise rent on a restricted unit in a project with a PILOT?

Rent maximums and rent increases will be governed by the affordability restriction with the City. Those limits could only be changed through modifying the agreement. The project would still have to comply with Tenant Retention Standards.

Are there claw-back provisions?

Yes. If a PILOT project fails to adhere to the affordability agreement, or fails other compliance requirements, it may be subject to penalties, correction and, ultimately, loss of PILOT. The forthcoming Implementation Guidelines will detail penalties and remedies for different types of noncompliance, which can include removing the PILOT.

Notifications & transparency

Will the public have access to whether the PILOT applications were approved or not?

Information will be available publicly when shared with City Council per the notification requirements in the ordinance. Per the ordinance, this would occur within 7 days of approval.

How will current Detroiters learn about the new or rehabbed affordable housing units developed with PILOTs?

City agreements will require that projects are listed on Detroit Home Connect, a resource for information on new affordable housing units coming online.

How can Detroiters report to the City if a PILOT developer isn't maintaining the rental unit properly or charging higher than agreed-upon rents?

The City will create a standard form on the City's website for reporting suspected noncompliance for further investigation by the City compliance monitoring arm.

Renters are currently able to report poor property conditions to the Building Safety Engineering and Environment Department through the City's website and also through the Detroit Housing Resource Helpline (866-313-2520).

Program benefits

How does the program improve the development process?

Previously, only projects that receive state or federal subsidy (GAHP) are eligible for PILOTs, which require approval by City Council. While that process for PILOT approval only added 4-6 weeks to the timeline, applying for the subsidy it takes to qualify was a multi-year process. In addition, the PILOT

rate was subject to change at various points based on underwriting by multiple City and state agencies.

The new process will save time and reduce risk by setting the PILOT rate through the ordinance and entitling qualified applicants for government-aided projects to swift administrative approvals. Moreover, the program expands those same benefits to a new “Fast Track” category of affordable housing projects that does not require a state or federal subsidy for eligibility. These projects must have affordability averaging 80% of AMI or below **or** rehabilitate long-term vacant structures and offer average affordability up to 120% of AMI.

For those Fast Track projects, the PILOT represents a new option that saves significant time and cost compared with existing tools. Previously, to qualify for the tax relief needed to make residential development feasible, these projects pursued tax abatements (e.g., through the NEZ, OPRA, or PA 210 programs) that typically take 8-9 months from application to approval. This process required intake and underwriting by DEGC, approvals at multiple points within the City administration, and 2 public hearings at City Council at the district and certificate stages, and ultimately was subject to City Council’s discretion. Administrative approval of the PILOT, with an anticipated timeline of 6-8 weeks, will streamline the process significantly and provide much-needed predictability to applicants. In addition, setting the PILOT rate through the ordinance also eliminates the risk that key project terms could change at the last minute, which often creates a financial gap.

For Standard Workforce Housing Projects (SWHPs) (i.e., those that have an average affordability of up to 120% AMI and are not long-term vacant rehabs), HRD underwriting and City Council approval will still add several weeks to the expedited process described above, but projects will still see project time and cost savings compared to the 8-9 month approval process for other tax abatements.

How does the PILOT incentivize deep affordability?

The program offers the lowest rates for deepest affordability, with 1% PILOTs for projects with average rents below 60% of AMI. The program also offers a \$1/unit for Permanent Supportive Housing (PSH) projects serving the formerly homeless with units at and below 30% AMI.

The PILOT is one of many tools needed to provide deeply affordable housing. While it is unlikely to create large numbers of 30% AMI units on its own, it can work well in conjunction with other tools.

For example: Because the cost to operate units at 30% AMI are so much greater than the rental income they bring in, owners often need to seek project-based vouchers, which allow the renters to pay based on their income and lets the owner collect the difference from the state or local agency providing the vouchers.

Another example: Many projects with units below 60% of AMI are financed with Low Income Housing Tax Credits (LIHTC), which developers across the state compete for through the Michigan State Housing Development Authority (MSHDA). While LIHTC by statute requires 50% and 60% AMI units, MSHDA incentivizes lower AMI units by awarding extra points for

projects that offer deeper affordability at 20, 30 and 40% of AMI. The 1% PILOT rate will enable Detroit developers to propose more lower AMI units as the proposed PILOT ordinance will reduce operating costs for units targeted at extremely low-income households.

For projects without government subsidy, the PILOT encourages greater affordability than existing tools, which generally require only 20% of units affordable at 80% of the Area Median Income (AMI). The PILOT is only applied to restricted units, so the benefit is tied directly to the affordability. Because the Fast Track option is available for projects with average rents below 80% AMI (or below 120% if it involves the development of a long-term vacant rehab), developers are incentivized to create mixed income communities that offset moderate income units with more deeply affordable units to stay under that threshold.

How does this process encourage new or emerging developers?

PILOTs are a critical tool for fully or majority affordable housing projects. To get a PILOT under the previous program, a developer would have to obtain competitive financing that requires experience, capacity, and a strong balance sheet, which makes it difficult for new developers to participate. The expanded PILOT creates a pathway for new developers to build affordable units without always having to access those complex tools.

Emerging developers have a particularly low appetite for risk, because the consequences of a deal not working can be financially disastrous to them. The PILOT will significantly reduce risk, time and cost compared with the traditional tax abatement process, which requires time and money for expensive lawyers and consultants.