

Council on Aging (COA) Senior Hub-

Evolution – this started with a plan to purchase and rehabilitate the Oleson’s building into an expansive COA facility and smaller footprint grocery store, with potential for senior housing. The potential housing would be senior (age 62 and above) market rate, with a subsidized component, and two future housing units could also be built. The COA has some money saved, and plans (in progress now) a capital campaign to raise an addition \$1,000,000 to reduce the borrowed funds to \$500,000 (application in for a USDA-RA loan) that would be paid by the lease payments of the grocery operation and take no funds from the operating millage the COA receives. City Council passed a resolution of support as did the Downtown Development Authority (DDA) for this project.

Next step was a refined plan that put the COA/grocery store in the same step as the 42 units of now low-income senior/disabled housing (age 55 and above). Third Coast (the developer) has now stated the project will not be viable without the housing unit. Third Coast has also stated they need a change to the City Ordinance that allows a Payment In lieu of Taxes (PILOT) of 10% of adjusted rents collected for 35 years instead of property taxes – to 4% over 45 years, or the project will not be financially feasible. The City has existing PILOT developments under the existing ordinance.

At the March 7th City Council meeting, the PILOT was approved as currently written. Third Coast needed this action to apply to Michigan State Housing Development Authority (MSHDA) by the April 1st deadline for tax credit funding for the project, but clearly stated – without change in the ordinance to allow the lower percentage of payment and extended term, the project will not be done. There is no obligation on the part of City Council to amend the ordinance.

I’ve requested information on all active PILOTs in Manistee and have been told it will be available soon. Hollander Development (Rietz Park Village Apartments) also has a proposed project for the former Glik site on River Street (originally asked for PILOT, now abatement and Brownfield) and I’ve been asking what their payments are in relationship to potential taxes. Cherry Hills Apartments was under PILOT (expired late 2016) and is now taxable at standard values, so I’ve ask what the difference would be on that property. PILOTs are typically applied to low-income housing where tax credits or government financing at below market rates for an extended period are available.

I got information on the Third Coast housing, and was told the normal taxes would be \$242,000 a year. The PILOT payment would be \$23,250 at 10%. That amounts to a contractor savings of \$7,656,250 over 35 years, and approaches \$10,000,000 at 4% over 45 years. It is pointed out that this is not a “tax loss” as without the development there is no the potential for tax revenue, but is certainly an issue of foregoing tax revenue for a very extended period. Multiplying the 10% PILOT rate times .4, gives a value of \$9,400 instead of \$23,250 – or less than 2 years of actual tax revenue over 45 years.

This project is valued at \$8,400,000, with \$7,000,000 of MSHDA tax credits, a \$1,200,000 loan, and \$200,000 of developer equity. Of the 42 units, 27 would be for incomes of \$22,140 or lower, (\$25,400 for couples), and 15 units will be split between 30% and 40% of Adjusted Median Income (AMI) for Manistee County. If your income exceeds those levels, you will not be eligible to rent an apartment.

The Manistee Hosing Commission has received confirmation that Harbor Village and Century Terrace were incorrectly identified as “general population” low-income and are now certified as Senior and Disabled (age 55 and above), providing 166 units of housing for our senior and disable population at low

income levels. They have started the process of relocating the general population to other housing and are now adding only senior and disabled to those units as they become available.

The initial information provided at COA session was met with enthusiasm, and the list of interested people has grown to over 60, with 40 of the living in the City of Manistee. No deposits or obligations were required to “express interests.” No income qualifications took place, so it is unknown how many of the interested individuals would be within the income range to qualify as tenants. It will be a “non-smoking campus” and a pet up to 30 pounds will be permitted.

The City general tax revenue has declined in each of the past 7 years, putting a lot of pressure on services and the ability to maintain infrastructure (streets). Most of the cuts that have occurred have been through the reduction of personnel and contracting of functions (Assessor, Building Inspector). We have been able to maintain our Public Safety (Police/Fire/EMS) and Public Works services for the most part, but are facing increasing pressure with rising costs and the lack of increased revenue. Our various City department Michigan Employee Retiree System (MERS) funds have gone from slightly overfunded 5 years ago, to \$4,000,000 underfunded. I’m truly concerned about our financial future and the ability to continue providing the high level of services the citizens are accustomed to. A 45-year obligation to forego tax revenue is a very significant consideration. We are at the maximum millage assessable without a vote of the public, and the tax millage in Manistee is often cited as the reason for people moving out of the City (City continues to lose population to Townships) or not locating within the City. The difference in taxes can be marginal in some instances, but as long as the perception exists, the trend will continue.

Developers have a decided advantage over individuals in providing rental properties and I hope to hear from some of them before a vote on the ordinance comes before the Council on March 20th. I also hope to “nail down” the details on this and other evolving projects.

The COA needs more space and I encourage you to contribute to the capital fund. I’m weighing the pros and cons of the requests to change the ordinance. I feel I must consider the future of youth in the community that will bear the costs of this decision well into their adult years and the impact it may have on them. I am concerned that amending the ordinance will set a precedents, as Grand Rapids just approved one at 2%. I want you to be informed of the project elements and hope you take the time to share your thoughts with City Council Members – remember, we are elected and serve the community “at large” so any or every member represents you. Thanks - Jim