

Why did I vote against the PILOT?

It was a poor deal for the City of Manistee. The developer was proposing to use nearly \$8,000,000 of Michigan State Housing Development Authority (MSHDA) Tax Credits to build a 42 unit low-income Senior housing complex with a “market value” of only \$2,200,000. That would result in a tax value of 50%, or \$1,100,000. The taxes on such a development are reflected below:

		Manistee			
		Mills	multiplier	tax value	tax
City operating		17.7612	0.017761	\$ 1,100,000.00	\$ 19,537.32
City refuse		1.15	0.00115	\$ 1,100,000.00	\$ 1,265.00
County operating		5.5	0.0055	\$ 1,100,000.00	\$ 6,050.00
Mi. St. Education Tax		6	0.006	\$ 1,100,000.00	\$ 6,600.00
Manistee ISD		2.3	0.0023	\$ 1,100,000.00	\$ 2,530.00
Comm College		3.0907	0.003091	\$ 1,100,000.00	\$ 3,399.77
County 911		1	0.001	\$ 1,100,000.00	\$ 1,100.00
Council on Aging		0.3	0.0003	\$ 1,100,000.00	\$ 330.00
Dial a Ride		0.33	0.00033	\$ 1,100,000.00	\$ 363.00
County Library		1	0.001	\$ 1,100,000.00	\$ 1,100.00
Medical care		0.5	0.0005	\$ 1,100,000.00	\$ 550.00
Conservation District		0.1	0.0001	\$ 1,100,000.00	\$ 110.00
School Debt		2.25	0.00225	\$ 1,100,000.00	\$ 2,475.00
City Homestead		41.2819	0.041282	\$ 1,100,000.00	\$ 45,410.09
Non-Homestead		18	0.018	\$ 1,100,000.00	\$ 19,800.00
Total		59.2819	0.059282	\$ 1,100,000.00	\$ 65,210.09

The proposed Payment In Lieu Of Taxes was for 2% of “net” rents collected and a \$6,000 Municipal Services Agreement (MSA) with a 2.5% MSA increase each year, or \$9,780 estimated (with a net first year rent collected of \$189,007) in the first year. That is an 85% discount on taxes based on the \$2,200,000 “market value” of an \$8,600,000 “investment.”

The 42 units of apartments break out to 27 units at/below 60% Adjusted Median Income (AMI) for Manistee County, 6 units at/below 40% AMI, and 9 units at/below 30% AMI. The AMI for the County is about \$5,000 higher than the City of Manistee by the way. The maximum income to qualify for the 60% AMI units would be \$22,140 a year and the 9 units at/below 30% would be \$11,140 a year. Taken as an average, the annual average income for the 42 units would be \$18,741 a year – about half of the City of Manistee AMI. The developer scores higher points in competition for the MSHDA tax credits by dedicating units in lower income ranges.

As stated in previous postings, the City of Manistee leads the way in low-income (or affordable) housing for seniors and general population in Manistee County. Five of the six developments in the County are

in the City of Manistee, the sole exception is Horizon Point, in Filer Township. The City of Manistee has Lakeview, Cherry Hills, Rietz Park Village, Manistee Place, the Housing Commission properties of Century Terrace and Harbor View. There are 549 units in these six complexes, with 500 units in the City. Cherry Hills PILOT ended December 2016, Rietz Park Village, Horizon Point, and Manistee Place are all active, with many years remaining (more than 15). To state the City of Manistee does not care about citizens of lower incomes or seniors is simply false – the fact is the entire costs of such support has been born by the taxpayers of Manistee and will continue for many years in the future. My question is; “if this is such a great economic stimulus for the City of Manistee, why has it not been applied to other communities in the County?”

Not only does the City of Manistee lose revenue, but as the chart indicates, schools and many other services and activities lose tax revenue also. It is pointed out the City will gain revenue with the MSA, because it is not divided among the other taxing authorities. Since the project is in the Downtown Development Authority (DDA) district, the DDA captures most of the current taxes and would be a significant loser in the process. PILOT properties are not “assessed” like others, but are based on the PILOT Ordinance numbers, so the real value of the property is not established through assessment. It could very well be significantly higher than estimated, with an even greater difference between tax value and PILOT payments.

I could go on for pages with concerns over the budget and potential loss of personnel/service. Look around you; “Who else funds a full-time Fire/EMS, Police Department, wide ranging Public Works Department (and has their own sewers system to maintain), and staff available full time for Planning and Zoning as well as Clerk/Finance service”? We just ended 7 years of declining revenue with a slight increase this year and have a balanced budget without taking from the Fund Balance for the first time in 4 years. Projections for the next 3 years are not as promising. Health care cost increased 19% this year and Michigan Employee Retirement System contributions rose again (with an increase in “unfunded liability”). We cut over \$40,000 from Appropriations this year to make up the difference, but have little to cut in the future but people. We are again borrowing money to buy vehicles because we don’t charge departments enough to cover the costs (it would reduce services or have a negative impact on operations). We are still paying the debt incurred for Capital Improvements to the Ramsdell, Municipal Marina and Boat Launch Ramp, which consumes over 70% of capital Improvement funds well into the future. The issue has been kicked down the road for years with real difficult choices ahead if we don’t start developing with revenue increases instead of forfeitures. If you know a better way let me know.

I can assure you I care about Manistee and work diligently to understand the details of government and what best serves the interests of Manistee’s diverse residents. We can create a vibrant community that grows and has the resources to maintain our infrastructure and services. This is not an issue of providing for our seniors – we have been and will continue to do so – it is about giving a developer over \$900,000 in fees, another \$522,000 in contractor profit, and giving investors a 10% return on their tax credit purchases while the City settles for 2% and a token MSA. It is also interesting the developer indicates they would lose \$22,000 a year if they had to pay taxes, an approximate \$40,000 difference, then states they will only make a profit of \$17,000 a year with a 2% PILOT. You can be assured someone is making out well or there would not be the hard sell and misrepresentations that have gone on during the process.