

September 1, 2023

Ted Dearing
Assistant City Manager
City of Battle Creek
10 N Division Street
Battle Creek, MI 49014

Re: Request for payment in lieu of taxes for Northern Pines Apartments

Dear Mr. Dearing,

On behalf of Upholdings and the Northern Pines Apartments team, I would like to respectfully request consideration for a payment in lieu of taxes (PILOT) for our development. Northern Pines is a 56-unit 100% permanent supportive housing community to be built at approximately 240 E Michigan Avenue in Battle Creek. The project will provide housing opportunities for the community's most vulnerable members, including those experiencing or at-risk of homelessness. The project will feature on-site services provided by Summit Pointe, the region's premier mental and behavioral health services provider. These on-site services will ensure that residents have the support-in-place needed to flourish in an independent living setting. Upholdings will manage the project utilizing its Blended Management model for PSH developments.

The project is scheduled to apply for low-income housing tax credits from the Michigan State Housing Development Authority before the October 1, 2024 deadline. Should the project receive an award of tax credits, it would pursue a Fall 2025 construction start and would anticipate operations to begin in late 2026 or early 2027. Units at Northern Pines will be filled through referrals from the local Coordinated Entry System, ensuring units will be offered to those with the greatest need.

The project development team is seeking a PILOT to ensure that the greatest amount of resources can be used for the operation of this PSH project, which has different needs than other multifamily – even traditional affordable multifamily – housing. The project's operating budget accounts for the higher rates of maintenance for the target population, as well as the funding set aside for tenant engagement activities – a critical piece in connecting



residents to supportive services. Additionally, the project pays for all tenant utilities.

A reduction in the annual payment of property taxes allows for more resources to be spent on project operations and resident engagement. **UPholdings respectively requests a PILOT for Northern Pines be set at 2% of annual project income for 15 years.** The attached project pro forma shows that a PILOT set at 2% of annual project income will allow Northern Pines to remain above the MSHDA-required 1.10 debt coverage ratio (DCR) through the 15-year tax credit compliance period.

UPholdings looks forward to working with the City of Battle Creek to create housing solutions for people experiencing or at-risk of homelessness in their community. Please do not hesitate to reach out to me with any questions about Northern Pines Apartments or the request for a PILOT. I can be reached at 312.870.4738 or ryan@upholdings.net.

Sincerely,

Ryan Wilson
Project Manager
UPholdings

