CITY OF BERKLEY PUBLIC NOTICE
CITY COUNCIL WORK SESSION AGENDA
5:30 P.M. Monday, September 22, 2025
2nd Floor – Public Safety Department
2395 Twelve Mile Road
248-658-3300

CALL 40th COUNCIL TO ORDER
APPROVAL OF AGENDA
PUBLIC COMMENT
Comments are invited on each Agenda item when that item comes up for consideration. Matters not listed on the Agenda may be addressed at this time. Please state your name and residential city. Each speaker's remarks are a matter of public record, and the Council will not engage in a back-and-forth discussion. Any person speaking at a City Council Meeting may be called to order by the Mayor or any Council Member for failure to be germane to the business of the City or for disruptive or disorderly behavior which prevents the Council from conducting its business. There is a three-minute limit per speaker.
ORDER OF BUSINESS

1. **DISCUSSION:** Matter of reviewing the PILOT application for the Columbia Berkley LLC.

ADJOURN

Note: The City of Berkley will provide necessary reasonable auxiliary aids and services, such as signers for the hearing impaired and verbal representations of printed materials being considered at the meeting, to individuals with disabilities at the meeting upon four working days' notice to the City. Individuals with disabilities requiring auxiliary aids or services should contact the City by writing or calling: Victoria Mitchell, ADA Contact, Berkley City Hall, 3338 Coolidge Highway, Berkley, MI 48072 (1-248-658-3310).

Note: Official minutes of City Council Meetings and supporting documents for Council packets are available for public review in the City Clerk's Office during normal working hours. Anyone wishing to submit correspondence to the Council before the meeting may send an email to comment@berkleymi.gov by noon on the day of the meeting. Emails sent prior to the deadline will be a part of the meeting record but will not be read during the Council meeting.

CITY OF BERKLEY
3338 COOLIDGE HWY, BERKLEY, MICHIGAN 48072

MEMORANDUM

To: Mayor Dean and City Council
From: Kristen Kapelanski, Community Development Director
Date: September 22, 2025
Subject: Payment in Lieu of Taxes Application from The Columbia

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Madam Mayor and Members of City Council,

Background

- The project includes 2465, 2475, 2466 and 2476 Columbia and 2475 and 2465 Cambridge. The current zoning of the site is Planned Unit Development (PUD).
- The City Council originally approved a PUD Plan ('The Columbia') for the subject property in 2024, which included a four-story multi-family development on 0.83 acres at the aforementioned addresses.
- Updates to the plan, including a reduction in the number of units from 57 to 51 and consolidation of all units into one building, were approved by the City Council earlier this year.
- The City's Master Plan identifies diversifying housing choices to accommodate various populations, ages and incomes as a goal. Adding additional units to communities helps to lower the cost of housing in the community and regionally. Multi-family units, in particular, are a way to add population capacity to already built out communities. This goal and its implementation are reflected in the expansion of multi-family housing opportunities in zoning districts throughout the City's main corridors. The second piece of implementing this goal is to encourage the construction of these new units.
- The State Housing Development Authority Act was passed in 1966 to provide opportunities for low-income housing with federal funding administered by the Michigan State Housing Development Authority (MSHDA). This is accomplished through a Payment in Lieu of Taxes (PILOT) system.
- In 2022, recognizing that there is a gap between low-income housing and market rate housing and with the intention to increase the supply and affordability of housing, the State Legislature expanded opportunities for local communities to use similar incentives to promote workforce housing (defined as 80%-120% of the Area Median Income), without the involvement of MSHDA.
- In cases where private financing cannot support the cost of the project, gaps can be filled by public programs and/or incentives, like PILOT, in order to make a development feasible for investors to build in the community, more or less creating a 'financial stack' to bridge the gaps. Communities can use these incentives to achieve the vision of the community (i.e. more diversified housing types, more affordable rents, additional units, more people downtown, etc.)

This leads to more economic activity in the community and potentially greater investment in the future.

- As part of the PILOT incentive, a developer or property owner pays a set percentage of rental income (1% - 10%) instead of a standard property tax for 15 years, with optional extensions. Public benefits may also be offered to offset some of the loss in tax revenue.
- The City Council approved the proposed PILOT ordinance in the spring. It included several standards for Council to consider in determining whether or not to approve a proposed PILOT.
    - Whether the workforce housing project will reduce the functional obsolescence of an existing building or housing unit(s). (The City's assessor has determined the property in its current form is functionally obsolete per State of Michigan standards.)
    - Whether the workforce housing project is likely to encourage expansion of the population of the City.
    - Whether the location of the workforce housing project is consistent with the goals and objectives of the City's Master Plan.
    - Whether the development or rehabilitation of the workforce housing project complies with ordinance provisions and does not require zoning variances or results in the elimination of a nonconforming use.
    - Whether the workforce housing project will include a level of amenities desired by or appropriate for the community.
    - Whether the workforce housing project will add attractive, viable housing units to the community.
    - Whether the workforce housing project incorporates green technologies or energy-efficient components.
    - Whether the workforce housing project incorporates accessible design and/or universal design principles.
    - Whether the workforce housing project exceeds the general cost of providing city services to the property.

Summary

- The City's first application for use of the PILOT program was received for The Columbia development in August of this year. The applicant is proposing a mix of studios and 1-bedroom units at varying Area Median Income (AMI) levels. The applicant has proposed a yearly payment of 1% of rental income as a replacement for standard property tax along with the public benefits detailed later in this memo. They are requesting two extensions of the 15-year original term for a total of a 45-year term. (Extensions can be negotiated at the time of the original expiration if the Council so chooses. The analysis provided here assumes one 15-year term.)
- In order to secure private financing for the development, the developer must demonstrate a positive return on investment that covers the debt service of the private financing. Debt service is the total amount of money a borrower must pay over a specific period to cover the principal and interest owed. Table 1 shows a $2,580,000 gap in financing, meaning the annual net operating income (NOI) does not cover the debt service under the full tax scenario. This means, financing is not available for the project without public abatements. Effectively, without an incentive, the project cannot be financed.

Table 1 – Financing Gap		
	With 1% PILOT	**Full Taxes**
Average Rent	$1,850	$1,850
Average Income Restriction	100% AMI	Natural Rent
# of Units	51	51
Total Cost	$15,700,000	$15,700,000
$/Unit	$307,843	$307,843
Annual NOI	$985,000	$820,000
Cap Rate	6.25%	6.25%
Completed Value	$15,760,000	$13,120,000
$/Unit	$309,020	$257,255
Gap in Financing		$2,580,000

- In order to offset some of the tax revenue loss, the developer has proposed several public benefits (Table 2).

Table 2 – Community Benefits Cost		
Community Benefit		**Cost to Developer**
Sewer and Watermain Replacement*		$150,000
Contribution to the DDA's Wayfinding Signage Program		$20,000
Contribution to future Coolidge Streetscape Plan		$20,000
Annual contribution to Public Safety over initial PILOT term		$150,000
Total		$340,000

*Watermain replacement may be a requirement if the fireflows are not adequate to support the structure. This is evaluated as part of the construction plan/building permit process.

- It should be noted that although Berkley would grant the PILOT, which would waive taxes on the property in lieu of a percentage of gross rents, the reduction in property tax collections isn't solely from the City—the PILOT grants abatement of monies to other taxing jurisdictions such as the Berkley School District and others. The tax revenue collected from the new development over 15 years without the PILOT abatement less the public benefits, equals $2,519,397, roughly the equivalent of the $2,580,000 gap in financing needed to construct the project.

Table 3 – Value of Abatement in All Jurisdictions			
	One Year Revenue (All Jurisdictions)	15 Years (All Jurisdictions)	PILOT (All Jurisdictions)
Current Taxes/Year	$15,057	$260,385	$10,772
No Abatement/Year	$165,346*	$2,859,397*	$186,285*

* The opportunity to finance an affordable housing project without incentives is not an option.

- The loss in tax revenue to the City is $37,251 per year and $644,194 over 15 years, and $4,822 per year and $83,390 over 15 years for the DDA. The loss in revenue from current taxes collected based on no development and the revenue collected from the proposed PILOT over 15 years (not including proposed public benefits) is $1,066 (Table 4) for the City and $1,471 for the DDA.

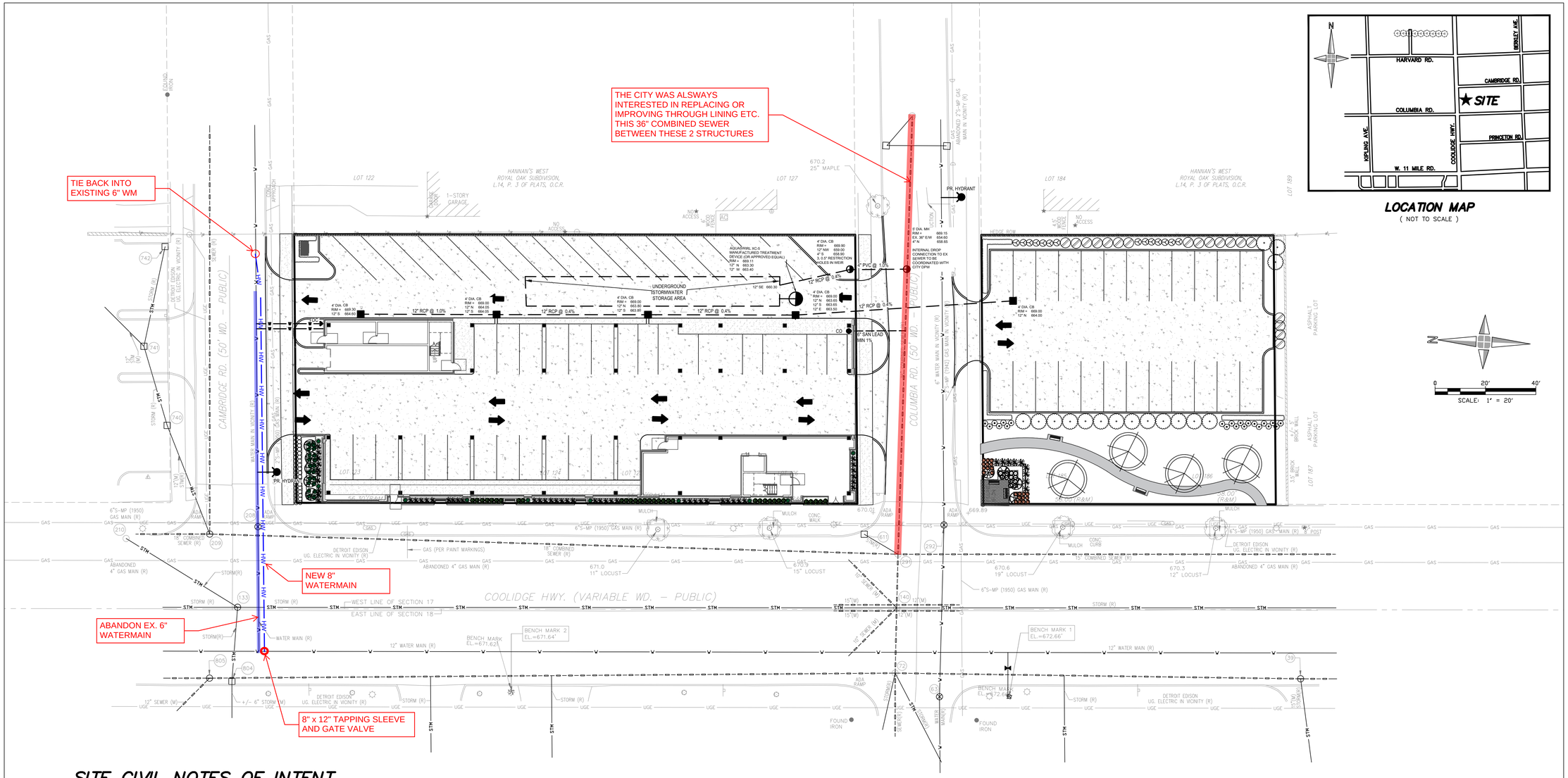
Table 4 – Comparison of Berkley's Current Tax Revenue, New Development and Abatement				
	Berkley's Portion (C.Op., Ref., Debt)		DDA Portion (C.Op., Ref., Debt)	
	One Year	Over 15	One Year	Over 15
Current Taxes/Year	$3,662	$63,321	$421	$7,282
No Abatement/ Year	$39,847*	$689,087*	$5,158*	$89,201*
Pilot/Year	$2,596	$44,893	$336	$5,811

* The opportunity to finance an affordable housing project without incentives is not an option

Recommendation

It is staff's recommendation that the applicant has submitted the necessary information for the City Council to determine if they would like to enter into a PILOT agreement with the applicant for the development of The Columbia.

The addition of 51 new 'workforce' housing units to the downtown gets the City closer to the adopted Master Plan's goal of diversifying housing choices to accommodate various populations, ages and incomes. Supply and demand principles also dictate that having more housing units available helps to lower the cost of housing in the community and regionally, a goal of housing initiatives throughout the state. Encouraging and incentivizing additional units diversifies the City's housing stock and population demographics. It also adds more residents to the downtown generally, creating a more stable economic environment that favors growth over stagnation.



LOCATION MAP
(NOT TO SCALE)

SITE CIVIL NOTES OF INTENT

- GRADING AND SESC: ALL GRADING AND SOIL EROSION & SEDIMENTATION CONTROL MEASURES WILL BE IMPLEMENTED AND STRICTLY ENFORCED THROUGHOUT CONSTRUCTION.
- SANITARY SERVICE: ALL EXISTING SANITARY SERVICES ARE PROPOSED TO BE ABANDONED VIA A SPOT LINER OR ANOTHER DPW APPROVED METHOD, WITHIN 2' OF THE MAIN. NEW SANITARY LEADS WILL BE INSTALLED AND CONNECTED WITH TWISTEE SEWER SADDLE PER DPW.
- WATER SERVICE: THE EXISTING WATER SERVICES WILL BE REMOVED TO THE CITY STOP BOXES OR PER DPW DIRECTION. A NEW DOMESTIC SERVICES WILL BE CONNECTED AND INSTALLED TO THE BUILDINGS. THE BUILDINGS WILL BE FIRE SUPPRESSED AND HAVE SEPARATE FIRE SERVICE LEADS INSTALLED.
- STREETS WILL BE RESTORED THAT ARE ASSOCIATED WITH UTILITY WORK.
- A TRAFFIC CONTROL PLAN WILL BE COORDINATED WITH CITY AND ADDED TO CONSTRUCTION PLANS FOR REVIEW AND APPROVAL.
- APPLICANT WILL COORDINATE / DISCUSS WITH CITY ON ANY ADDITIONAL UTILITY IMPROVEMENTS.
- ADDITIONAL FIRE HYDRANTS ARE PROPOSED TO PROVIDE APPROPRIATE FIRE COVERAGE.
- STORMWATER MANAGEMENT:
  - THE OAKLAND COUNTY WATER RESOURCES COMMISSIONER STORMWATER ENGINEERING DESIGN STANDARDS, UPDATED 11/22/2021, WILL BE FOLLOWED FOR PROPER DESIGN REQUIREMENTS. AND THE DESIGNED STORAGE WILL MEET OCWRC STANDARDS.
  - THIS SITE WILL ALSO UTILIZE A MECHANICAL TREATMENT DEVICE TO CAPTURE FLOATABLES AND FILTER OUT SEDIMENT. THIS UNIT WILL HAVE NJDEP CERTIFICATION.
  - THE PROPOSED OUTLET CONTROL STRUCTURE WILL BE RESTRICTED AND DEWATER WITHIN ALLOWABLE TIMES.

STORMWATER SYSTEM NOTE:

STORMWATER MANAGEMENT SYSTEM WILL BE A PRIVATE SYSTEM UNDER THE MAINTENANCE OF THE PROPERTY OWNER. A MAINTENANCE AGREEMENT BETWEEN OWNER AND CITY OF BERKLEY WILL BE PROVIDED ONCE PLAN IS APPROVED. ALL NECESSARY EXHIBITS WILL BE INCLUDED WITH THE AGREEMENT.

LEGEND

- PR STORM SEWER
- PR STORM CATCH BASIN
- PR OUTLET CONTROL STRUCTURE
- PR MANUFACTURED TREATMENT DEVICE
- EX SANITARY LEAD
- EX WATER SERVICE
- FIRE HYDRANT

NOT FOR CONSTRUCTION

H:\20\20300\20388.00 Berkley Lofts\Design\CAD\2025.04.25 Final SP PUD submit\C-700 UTILITY Berkley Condo SP REV.dwg

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Planners
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Quality Control:	AW
Section:	25
	T-03-N R-10-E

Professional Seal:

STATE OF MICHIGAN
JOSEPH KENNETH ANDERSON
ENGINEER
No. 6201055482
LICENSED PROFESSIONAL ENGINEER

Know what's below. Call before you dig.

DATE:	ISSUE:
07.21.2023	Submit PUD to City
08.25.2023 08.29.2023	Submit #2 PUD to City Submit #3 PUD to City
10.18.2023	Revised PUD to City
01.12.2024	ROW tree notes on Sht. LS-100
03.20.2024	Revised PUD
04.26.2024	Revised PUD
06.04.2024	Rev. per PC Conditions for Approval
02.14.2025	Revised Plans for PUD Amendment
04.25.2025	City Council Submittal

Developed For:

WJ VENTURES, LLC

2060 COOLIDGE HWY
BERKLEY, MI 48072

248-246-7878

UTILITY PLAN

THE COLUMBIA

CITY OF BERKLEY
OAKLAND COUNTY
MICHIGAN

Date:	07.21.2023
Scale:	1" = 20'
Sheet:	C-700
Project:	20388.00

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