



Limited Dividend Housing Association Limited Partnership
458 West Baldwin Street
Alpena, MI 49707
(989) 358-8080

July 31, 2017

Gregg Guetschow
Charlotte City Manager
111 E. Lawrence Ave.
Charlotte, MI 48813

Dear Mr. Guetschow,

On behalf of Sugar Mill Limited Dividend Housing Association Limited Partnership, we are requesting a modification to the current Payment in Lieu of Tax (PILOT) Ordinance for Sugar Mill Senior Citizen Apartments. Considering the recent approval of a PILOT Ordinance for a similar federally financed senior citizen development, Edmond Senior Citizen Apartments, which is of the same senior housing class outlined in the Ordinance, it is only reasonable that these properties be taxed at the same rate of 10% of the Annual Shelter Rents as defined in the Ordinance and as specified in the Michigan State Housing Development Authority Act of 1966 Public Act 346 of 1966, being M.C.L.A. §§ 125.1401 et seq.

Sugar Mill Senior Citizen Apartments is a 48-unit building developed in 2004 in equal partnership with the local non-profit partner, Housing Services Mid Michigan. The Executive Director, Denise Dunn, was very instrumental in making this much needed project possible. The affordable housing development is located at 417 Maynard Street in the City of Charlotte. This senior citizen community is designed for occupants that are 62 years of age or older and/or disabled of any age and are income restricted to occupants with incomes at or below 60% of the Area Median Income (AMI) for the area. The monthly rent is based on 30% of the occupants monthly adjusted income. Project based rental assistance from the United States Department of Agriculture under their Rural Development (USDA-RD) program and Section 8 vouchers offered through Housing Services Mid Michigan makes this possible.

The property has many tiers of funding including loans and private equity investment from USDA-RD, Michigan State Housing Development Authority (MSHDA), United States Department of Housing and Urban Development (HUD) and the Low Income Housing Tax Credit (LIHTC) program. All of these sources allow Sugar Mill Senior Citizen Apartments to be kept very affordable to residents of Charlotte.

The current tax payment for Sugar Mill Senior Citizen Apartments started out at a rate of 14% and has been adjusted annually based on the general price level for the preceding year. For 2016, the tax payment had an effective rate of about 18% of the Annual Shelter Rents which equates to almost \$1,000 per unit and continues to increase annually.

At the current inflated rate, we also believe that the current taxes are higher than they would be without the PILOT Ordinance in place which is not allowed by the Act. We base this on the fact that this property should be valued by the income approach to value and, because USDA-RD provides subsidy for the operations, they regulate the annual cash flow that is generated by the property and restrict it to \$22,569 per year. This figure was set at the time the development was placed in service and will not change while it remains affordable. When available, this income is shared equally with our non-profit partner and is used to help further their mission. In 2009, 2012 and 2015, this payment was not approved by USDA-RD because the expenses were too high of which the high tax payment was a major factor. For 2016, the audit is still under review by USDA-RD but it doesn't appear that there will be enough cash flow available.

Please consider this request to bring the tax payment rate for the Sugar Mill Senior Citizen Apartments in line with tax rate approved for Edmond Senior Citizen Apartments, which are both of the same senior housing class defined in the Ordinance. This change not only makes sense from a fairness perspective, it is necessary in order to keep this much-needed senior citizen housing development affordable into the future. It is also important to reiterate that this change will not increase the income from the property because it remains restricted by the USDA-RD, as stated above.

I have attached the budgeting information taken from the most recent audit for the property. If there is anything additional that I can provide to help with your review, please let me know.

Thank you for your time and consideration in this matter.

Sincerely,

Kenneth D. Werth

Kenneth D. Werth
General Partner

CC: Denise Dunn, Housing Services Mid Michigan

**MULTIPLE FAMILY HOUSING PROJECT BUDGET/
UTILITY ALLOWANCE**

PROJECT NAME Sugar Mill Apartments		BORROWER NAME Sugar Mill LDHA Limited Partnership		BORROWER ID AND PROJECT NO. 26-023-188108074 01-7	
Loan/Transfer Amount \$ 830,000		Note Rate Payment \$ 4,372		IC Payment \$ 2,610	
Reporting Period <input checked="" type="checkbox"/> Annual <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly <input type="checkbox"/> Proposed	Budget Type <input type="checkbox"/> Initial <input checked="" type="checkbox"/> Regular Report <input type="checkbox"/> Rent Change <input type="checkbox"/> SMR <input type="checkbox"/> Other Servicing	Project Rental Type <input type="checkbox"/> Family <input checked="" type="checkbox"/> Elderly <input type="checkbox"/> Congregate <input type="checkbox"/> Group Home <input type="checkbox"/> Mixed <input type="checkbox"/> LH	Profit Type <input type="checkbox"/> Full Profit <input checked="" type="checkbox"/> Limited Profit <input type="checkbox"/> Non-Profit	The following utilities are master metered: <input type="checkbox"/> Electricity <input checked="" type="checkbox"/> Water <input checked="" type="checkbox"/> Trash <input checked="" type="checkbox"/> Gas <input checked="" type="checkbox"/> Sewer <input type="checkbox"/> Other	
				<input type="checkbox"/> I hereby request units of RA. Current number of RA units _____. Borrower Accounting Method <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual	

PART I - CASH FLOW STATEMENT

	CURRENT BUDGET 01-01-16 12-31-16	ACTUAL 01-01-16 12-31-16	PROPOSED BUDGET 01-01-17 12-31-17	COMMENTS OR (YTD)
OPERATIONAL CASH SOURCES				
1. RENTAL INCOME	\$ 295,032	\$ 154,508	\$ 295,032	
2. RHS RENTAL ASSISTANCE RECEIVED		130,314		
3. APPLICATION FEES RECEIVED		-		
4. LAUNDRY AND VENDING	3,500	2,805	3,300	
5. INTEREST INCOME	16,630	21,256	20,800	
6. TENANT CHARGES	1,000	190	300	
7. OTHER-PROJECT SOURCES	-	-	-	
8. LESS (VACANCY AND CONTINGENCY ALLOWANCE)	(8,850)		(8,850)	
9. LESS (AGENCY APPROVED INCENTIVE ALLOWANCE)	-		-	
10. SUB-TOTAL [(1 thru 7)-(8&9)]	307,312	309,073	310,582	
NON-OPERATIONAL CASH SOURCES				
11. CASH - NON PROJECT	-	-	-	
12. AUTHORIZED LOAN (Non - RHS)	-	-	-	
13. TRANSFER FROM RESERVE	3,000	1,728	6,800	
14. SUB - TOTAL (11 thru 13)	3,000	1,728	6,800	
15. TOTAL CASH SOURCES (10+14)	310,312	310,801	317,382	
OPERATIONAL CASH USES				
16. TOTAL O&M EXPENSES (From Part II)	176,963	192,428	180,061	
17. RHS DEBT PAYMENT	21,136	21,136	21,136	
18. RHS PAYMENT (Overage)		576		
19. RHS PAYMENT (Late Fee)		-		
20. REDUCTION IN PRIOR YEAR PAYABLES		-		
21. TENANT UTILITY PAYMENTS		-		
22. TRANSFER TO RESERVE	20,694	20,937	20,694	
23. RETURN TO OWNER /NP ASSET MANAGEMENT FEE	20,653	-	20,653	
24. SUB - TOTAL (16 thru 23)	239,446	235,077	242,544	
NON-OPERATIONAL CASH USES				
25. AUTHORIZED DEBT PAYMENT (Non-RHS)	67,865	67,866	67,865	
26. ANNUAL CAPITAL BUDGET (From Part III, Lines 4-6)	3,000	1,728	6,800	
27. MISCELLANEOUS	-	-	-	
28. SUB - TOTAL (25 thru 27)	70,865	69,594	74,665	
29. TOTAL CASH USES (24 + 28)	310,311	304,671	317,209	
30. NET CASH (DEFICIT) (15-29)	1	6,130	173	
CASH BALANCE				
31. BEGINNING CASH BALANCE	45,380	45,380	34,663	
32. ACCRUAL TO CASH ADJUSTMENT		(16,847)		
33. ENDING CASH BALANCE (30+31+32)	\$ 45,381	\$ 34,663	\$ 34,836	

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

PART II - OPERATING AND MAINTENANCE EXPENSE SCHEDULE

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS OR (YTD)
1. MAINTENANCE & REPAIRS PAYROLL	\$ 24,000	\$ 23,244	\$ 24,000	
2. MAINTENANCE & REPAIRS SUPPLY	5,500	11,166	7,000	
3. MAINTENANCE & REPAIRS CONTRACT	4,000	5,603	3,000	
4. PAINTING	3,000	4,037	3,300	
5. SNOW REMOVAL	6,000	8,168	6,000	
6. ELEVATOR MAINTENANCE/CONTRACT	2,250	2,292	2,325	
7. GROUNDS	1,950	3,331	2,500	
8. SERVICES	1,500	1,731	1,700	
9. ANNUAL CAPITAL BUDGET (From Part V - Operating)	1,000	6,451	-	
10. OTHER OPERATING EXPENSES (Itemize)	-	-	-	
11. SUB-TOTAL MAINT. & OPERATING (1 thru 10)	49,200	66,023	49,825	
12. ELECTRICITY				
13. WATER				
14. SEWER				
15. FUEL (Oil/Coal/Gas)	8,800	8,536	7,600	
16. GARBAGE & TRASH REMOVAL	5,300	5,250	4,800	
17. OTHER UTILITIES	8,000	8,245	7,500	
18. SUB-TOTAL UTILITIES (12 thru 17)	8,000	6,209	7,500	
	3,650	3,640	4,400	
	1,200	2,894	2,500	Water softener salt
	34,950	34,774	34,300	
19. SITE MANAGEMENT PAYROLL	250	141	250	
20. MANAGEMENT FEE	26,508	25,711	27,636	
21. PROJECT AUDITING EXPENSE	4,780	4,900	4,900	
22. PROJECT BOOKKEEPING/ACCOUNTING	-	-	-	
23. LEGAL EXPENSES	-	-	-	
24. ADVERTISING	200	374	200	
25. TELEPHONE & ANSWERING SERVICE	1,375	1,550	1,550	
26. OFFICE SUPPLIES	400	671	500	
27. OFFICE FURNITURE & EQUIPMENT	-	-	-	
28. TRAINING EXPENSE	500	-	500	
29. HEALTH INS. & OTHER EMP. BENEFITS	-	-	-	
30. PAYROLL TAXES	-	-	-	
31. WORKER'S COMPENSATION	500	257	500	
32. OTHER ADMINISTRATIVE EXPENSES (Itemize)	1,200	1,165	1,200	
33. SUB-TOTAL ADMINISTRATIVE (19 thru 32)	35,713	34,769	37,236	
34. REAL ESTATE TAXES	46,500	46,946	48,800	
35. SPECIAL ASSESSMENTS	-	11	-	
36. OTHER TAXES, LICENSES & PERMITS	900	180	900	
37. PROPERTY & LIABILITY INSURANCE	9,700	9,725	9,000	
38. FIDELITY COVERAGE INSURANCE	-	-	-	
39. OTHER INSURANCE	-	-	-	
40. SUB-TOTAL TAXES & INSURANCE (34 thru 39)	57,100	56,862	58,700	
41. TOTAL O&M EXPENSES (11+18+33+40)	\$ 176,963	\$ 192,428	\$ 180,061	

See Accountants' Compilation Report

PART III - ACCOUNT BUDGETING/STATUS

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS OR (YTD)
RESERVE ACCOUNT:				
1. BEGINNING BALANCE	\$ 124,156	\$ 124,156	\$ 143,365	
2. TRANSFER TO RESERVE	20,694	20,937	20,694	
TRANSFER FROM RESERVE:				
3. OPERATING DEFICIT	-	-	-	
4. ANNUAL CAPITAL BUDGET (Part V - Reserve)	6,800	1,728	6,800	
5. BUILDING & EQUIPMENT REPAIR	-	-	-	
6. OTHER NON-OPERATING EXPENSES	-	-	-	
7. TOTAL (3 thru 6)	(6,800)	(1,728)	(6,800)	
8. ENDING BALANCE {(1+2)-7}	\$ 138,050	\$ 143,365	\$ 157,259	

GENERAL OPERATING ACCOUNT:*

BEGINNING BALANCE	14,268	
ENDING BALANCE	3,448	

REAL ESTATE TAX AND INSURANCE ESCROW ACCOUNT:*

BEGINNING BALANCE	31,112	
ENDING BALANCE	31,215	

TENANT SECURITY DEPOSIT ACCOUNT:*

BEGINNING BALANCE	22,750	
ENDING BALANCE	23,861	

(*Complete upon submission of actual expenses.)

NUMBER OF APPLICANTS ON THE WAITING LIST
NUMBER OF APPLICANTS NEEDING RA.....

RESERVE ACCT. REQ. BALANCE....
AMOUNT AHEAD.....

PART IV-RENT SCHEDULE AND UTILITY ALLOWANCE

A. CURRENT APPROVED RENTS/UTILITY ALLOWANCE

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE			UTILITY ALLOWANCE
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	
1	1brm	44	518	590	-	273,504	311,520	-	30
2	2brm	3	598	670	-	21,528	24,120	-	40
CURRENT RENT TOTALS:						\$ 295,032	\$ 335,640	\$ -	
						BASIC	NOTE	HUD	

B. PROPOSED RENTS - Effective Date: 1/1/2017

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE			UTILITY ALLOWANCE
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	
1	1brm	44	518	590	-	273,504	311,520	-	30
2	2brm	3	598	670	-	21,528	24,120	-	40
CURRENT RENT TOTALS:						\$ 295,032	\$ 335,640	\$ -	
						BASIC	NOTE	HUD	

C. PROPOSED UTILITY ALLOWANCE - Effective Date: 1/1/2017

MONTHLY DOLLAR ALLOWANCES									
BR SIZE	UNIT TYPE	NUMBER	ELECTRIC	GAS	WATER	SEWER	TRASH	OTHER	TOTAL
1	1BRM	44	32						\$ 32.00
2	2BRM	3	40						\$ 40.00

PART V - ANNUAL CAPITAL BUDGET

	Proposed Number of Units/Items	Proposed from Reserve	Actual from Reserve	Proposed from Operating	Actual from Operating	Actual Total Cost	Total Actual Units/Items
Appliances:							
Range	-	-	-	-	-	-	-
Refrigerator	-	-	-	-	600	600	1
Range Hood	-	-	1,728	-	-	1,728	49
Washers & Dryers	-	-	-	-	-	-	-
Other: microwave	-	-	-	-	784	784	7
Carpet & Vinyl:							
1 BR	2	2,400	-	-	1,746	1,746	2
2 BR	1	1,600	-	-	-	-	-
3 BR	-	-	-	-	-	-	-
4 BR	-	-	-	-	-	-	-
Other:	-	-	-	-	-	-	-
Cabinets:							
Kitchens	-	-	-	-	-	-	-
Bathrooms	-	-	-	-	-	-	-
Other:	-	-	-	-	-	-	-
Doors:							
Interior	-	-	-	-	-	-	-
Exterior	-	-	-	-	-	-	-
Other:	-	-	-	-	-	-	-
Window Coverings:							
List:	-	-	-	-	-	-	-
Other:	-	-	-	-	-	-	-
Heating & Air Conditioning:							
Heating	-	-	-	-	-	-	-
Air Conditioning	1	1,200	-	-	-	-	-
Other:	-	-	-	-	-	-	-
Plumbing:							
Water Heater	-	-	-	-	-	-	-
Bath Sinks	-	-	-	-	-	-	-
Kitchen Sinks	-	-	-	-	-	-	-
Faucets	-	-	-	-	-	-	-
Toilets	-	-	-	-	-	-	-
Sprinkler Pipe	-	-	-	-	-	-	-
Major Electrical:							
Apartment Panels/breakers	-	-	-	-	-	-	-
Other:	-	-	-	-	-	-	-
Structures:							
Windows	8	1,600	-	-	3,150	3,150	21
Screens	-	-	-	-	-	-	-
Walls	-	-	-	-	-	-	-
Roofing	-	-	-	-	-	-	-
Siding	-	-	-	-	-	-	-
Exterior Painting	-	-	-	-	-	-	-
Other:	-	-	-	-	-	-	-
Paving:							
Asphalt	-	-	-	-	-	-	-
Concrete	-	-	-	-	-	-	-
Seal & Stripe	-	-	-	-	-	-	-
Other:	-	-	-	-	-	-	-
Landscape & Grounds:							
Landscaping	-	-	-	-	-	-	-
Lawn Equipment	-	-	-	-	-	-	-
Fencing	-	-	-	-	-	-	-
Recreation Area	-	-	-	-	-	-	-
Signs	-	-	-	-	-	-	-
Other:	-	-	-	-	-	-	-
Accessibility Features:							
List: improvements	-	-	-	-	171	171	-
Other:	-	-	-	-	-	-	-
Automation Equipment:							
Site Management	-	-	-	-	-	-	-
Common Area	-	-	-	-	-	-	-
Other: Bed bugs treatment	-	-	-	-	-	-	-
Other:							
List: Computer System	-	-	-	-	-	-	-
Total Capital Expenses:	12	6,800	1,728	-	6,451	8,179	80

PART VI - SIGNATURES, DATES AND COMMENTS

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals, or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THAT THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

2/20/17

(DATE)


(Signature of Borrower or Borrower's Representative)

General Partner

(Title)

AGENCY APPROVAL

(Rural Development Approval Official):

DATE:

COMMENTS: