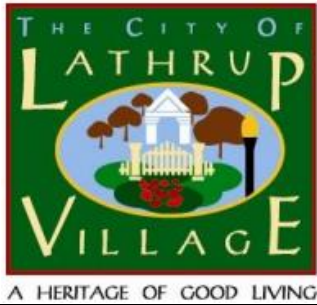




City Council Study Session

Monday, September 08, 2025, at 6:00 PM

27400 Southfield Road, Lathrup Village, Michigan 48076

1. **Call to Order** by Mayor Garrett at 6:00 pm

2. **Discussion Items**

A. Planning Commission Member Appointments

DDA Director Colson informed Council that there were 3 applications received for the Planning Commission's two open seats.

B. 27700 Southfield Road - PILOT Request

Mayor Garrett, Councilmembers, DDA Director Colson, Community Economic Development/DDA Project Coordinator Kennedy, and Attorney Baker discussed:

- Wording of a recommended motion that was in the meeting packet
- The specific district in the covenant regarding the area median income
- References in the wording are based on our Ordinances
- The initial thought of 10% but then seeing that many PILOTs are at 4% online, and if we go much higher, their debt ratio gets too high to qualify for MSHDA
- Debt ratio is a critical component to qualify
- One way to lower the debt ratio would be for the applicant to put more of their own money into the project:
- **Applicants Sam Surnow and Jordan Sherman** showed referenced Spreadsheets that were shown on the monitor, and answered questions from the Council referencing:
 - This is a 40+ million-dollar development, which is a considerable amount of investment
 - They went to HUD, MSHDA, and Banks, who required them to have at least 10% invested, and they are just over that threshold. They reached out to other developers, too, and that's all they are going to put in
 - They are required to show everything open their books with the PILOT
 - The Pro-forma Report
 - They talked about the Project Cash Flow Schedule, which they created based on a completed building (a stabilized year) with annual rental income from the development with every unit rented, and charging between \$1400 –

\$2200 a month, based on floor and view, which at 52 West, they are charging between \$1,600 - \$2,200 a month.

- The attainable rent of \$3,533.240 if fully occupied
- Minus operating expenses, typically, that you would see, around 28-35%
- Replacement Reserves – lease up turn over unit, shown at a small amount to show net operating income, paid to lender 1st, annual debt service \$2,137,703, Cash Flow, Debt Service Coverage Ratio of 1.20
- Debt Service – Construction budget 31,500,000 Construction Period Interest, all in cost \$42,000,000
- A \$27,300,000 Bank Loan, and Developer Funding of \$4,200,000
- Construction interest
- MSHDA is waiting to see if they get a PILOT, and they may get a better interest rate
- A Maintenance Tech living in the building
- Maybe raise the rent a little bit
- Conservative but achievable numbers
- Of course, developers are trying to maximize the dollar; all developers do
- They will be getting audited every year
- The original plan was larger and had 170 units; every inch of this matters
- Other developers are competing for MSHDA; they have a shot, and MSHDA wants to know where we are with this PILOT
- If MSHDA does not approve it, what could happen, they might look for other funding
- Surnow Company is not giving up; this goes along with Gov. Whitmer wanting building/construction to occur in Michigan
- Provide information if requested
- Debt Service Coverage Ratio, important to lenders, to know they will be able to be paid back
- Along with the Community Track and Park, can there be some small project every year that will benefit the Community?
- Sam Surnow mentioned that although developers are not required to make the \$120,000 payments until after the completion of the project, they were going to pay \$120,000 during construction and do the Park, and said they can try to figure out how to make a small project work.
- Working within the framework that MSHDA required for the terms
- Referenced a PILOT in Ferndale

3. Public Comments

Jonathan Tara asked how long PILOTs have existed, and Sam Surnow responded for 60 years.

Mr. Tara asked about the 15-year mark and what he believes would be a “15-year tax bomb,” and urged Council to study that, and mentioned the idea of a “hole in the ground bond” or a completion bond.

Karen Harris emphasized that without a Pilot, there will be “no project” and expressed that she is in favor of it.

Diane Anderson expressed thoughts of losing Lathrup Village’s heritage and mentioned wanting to ask FOIA questions related to a lot of different subjects.

Lauren Beras promoted the LVMF-Lathrup Village Music Festival this Saturday and expressed support for the PILOT and thanked the Surnow Company for investing in Lathrup Village, not just the properties.

Timothy Hillman mentioned that the digital flyer states a Sept. 4th, 2025, deadline for the Planning Commission applications, but that September 15th, 2025, was mentioned as the deadline earlier in the meeting.

Larry Sherman, who is an Attorney for Surnow, mentioned PILOT programs in Madison Heights, including Senior Towers, and reiterated that the Surnow Company is agreeing to start payments earlier than required.

4. Mayor and Council Comments

Councilmember Mannarino-Thompson expressed that without the PILOT, the site development will not happen.

CED/DDA Project Coordinator Kennedy defined a hole in the ground bond.

Mayor Pro Tem Kantor suggested that Diane Anderson subscribe to Bridge magazine, and that they have articles about the shortage of affordable housing.

Mayor Pro Tem Kantor also relayed that the Parks and Recreation Committee wants to do a presentation to Council, expressing some of their concerns, including:

- Regarding their mission and their goals,
- They feel unsupported
- They were to assist the City, not be party planners
- Their desire to work on and improve Parks
- The City is not moving forward with Park plans
- Their Mission Statement

5. Adjourn 6:53 pm