

David Whitaker, Esq.
Director
Irvin Corley, Jr.
Executive Policy Manager
Marcell R. Todd, Jr.
Senior City Planner
Janese Chapman
Deputy Director

John Alexander
LaKisha Barclift, Esq.
M. Rory Bolger, Ph.D., AICP
Elizabeth Cabot, Esq.
Tasha Cowen
Richard Drumb
George Etheridge
Deborah Goldstein

City of Detroit


CITY COUNCIL

LEGISLATIVE POLICY DIVISION

208 Coleman A. Young Municipal Center
Detroit, Michigan 48226
Phone: (313) 224-4946 Fax: (313) 224-4336

Christopher Gulock, AICP
Derrick Headd
Marcel Hurt, Esq.
Kimani Jeffrey
Anne Marie Langan
Jamie Murphy
Carolyn Nelson
Kim Newby
Analine Powers, Ph.D.
Jennifer Reinhardt
Sabrina Shockley
Thomas Stephens, Esq.
David Teeter
Theresa Thomas
Kathryn Lynch Underwood
Ashley A. Wilson

TO: COUNCIL MEMBERS

FROM: David Whitaker, Director
Legislative Policy Division Staff 

DATE: June 19, 2019

RE: Establishment of a Neighborhood Enterprise Zone as requested by
Real Estate Interests, LLC, in the area of 3750 Woodward Avenue

The following is Legislative Policy Division's (LPD) review of the Real Estate Interests, LLC, application for a Neighborhood Enterprise Zone (NEZ) in the in the area of 3750 Woodward Avenue

Neighborhood Enterprise Zone Act (Public Act 147 of 1992)

The Neighborhood Enterprise Zone Act, PA 147 of 1992, as amended, provides for the development and rehabilitation of residential housing located within eligible distressed communities. New and rehabilitated facilities applications are filed, reviewed and approved by the local unit of government, but are also subject to review at the State level by the Property Services Division. The State Tax Commission (STC) is responsible for final approval and issuance of new and rehabilitated facility certificates. Exemptions for new and rehabilitated facilities are not effective until approved by the STC. NEZ applications are filed, reviewed and approved by the local unit of government.

By statute, every NEZ must contain not less than 10 platted parcels of land which are compact and contiguous. The statute allows for an exception if a NEZ is located in a *downtown revitalization district*. In a downtown revitalization district,¹ a NEZ may contain less than 10 platted parcels if the platted parcels together contain 10 or more facilities.

¹ As defined in Section 2 (k) MCL 207.772

Downtown Revitalization District

In 2008, the NEZ Act was modified by Public Acts 204 & PA 228 to allow a neighborhood enterprise zone located in a "qualified downtown revitalization district" to contain fewer than 10 platted parcels if the platted *parcels* together contain 10 or more *facilities*.² The Act as modified, defines "qualified downtown revitalization district" as an area located within the boundaries of one or more of the following:

- A downtown district, as defined in the Downtown Development Authority Act.³
- A principal shopping district or a business improvement district as defined in the principal shopping district Act (BID Act).⁴
- An area of the local unit zoned and primarily used for business, as determined by the local governmental unit.⁵

3750 Woodward

The project to be completed on 3750 Woodward will include removal of existing foundations and infrastructure, and the construction of a hotel, housing units targeted toward students, and multi-family housing, 100,000 square feet of commercial space, public space and a parking structure (the "Project"). The hotel will include approximately 225 rooms. The residential component will include approximately 180 multi-family units, of which 36 will be affordable (20%), 198 housing units targeted towards students, and 60 condominiums. It is currently anticipated that construction will begin in the summer of 2019 and eligible activities will be completed within two (2) years. Given the developer's declaration that 198 units will be "targeted towards students," it appears that these unit will be offered at an affordable rate as well.

A 2-story mixed-use building, was constructed on the site in 1965. The two story office building was recently demolished to prepare the site for redevelopment, and some foundations and utilities were installed for a previous site plan. This site is also subject to a Brownfield plan, which is coupled with the neighboring parcel located at 3800 Woodward, of which we provided detailed information in a report under a separate cover. In addition to the aforementioned brownfield plan and NEZ, the developer will also seek assistance through a PA 210 Tax abatement. This project coupled with investment at 3800 Woodward, according to the brownfield plan, had an estimated investment of \$260 million. Council may want to inquire if the PA 210 phase of the project is considered subject to the CBO.⁶ However, NEZs are expressly excluded from the CBO, and are therefore not subject to the provisions of the CBO Ordinance.

² In its letter of September 10, 2018, the Finance Department Assessors Division indicated that this proposed district located in the New Center District, is eligible for a NEZ designation, per the NEZ statute.

³ PA 197 of 1975, MCL 125.1651 - 125.1681

⁴ Principal shopping Districts and Business Improvements Districts Act 120 of 1961, MCL 125.981 - 125.990n

⁵ Under the DDA Act, "downtown district" means that part of an area in a business district that is specifically designated by ordinance of the governing body of the municipality pursuant to the Act. A downtown district may include one or more separate and distinct geographic areas in a business district as determined by the municipality.

⁶ Provision or approval by the City of tax abatements or other tax breaks that abate more than One Million Dollars (\$1,000,000) of City taxes over the term of the abatement that inure directly to the Developer, but not including Neighborhood Enterprise Zone tax abatements.

City of Detroit: Benefits, Costs, and Net Benefits Over the Next 30 Years

	Amount
Real Property Taxes	\$48,369,711
Personal Property Taxes	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$13,096,422
Municipal Income Taxes - Indirect Workers	\$2,945,803
Municipal Income Taxes - Corporate Income	\$0
Municipal Income Taxes - Construction Period	\$1,736,041
Municipal Income Taxes - New Res. Inhabitants	\$9,252,608
Utility Revenue	\$3,194,849
Utility Users' Excise Taxes	\$2,451,998
State Revenue Sharing - Sales Tax	\$9,532,006
Building Permits and Fees	\$500,000
Miscellaneous Taxes & User Fees	\$13,387,250
Subtotal Benefits	\$104,466,687
Cost of Providing Municipal Services	(\$16,166,896)
Cost of Providing Utility Services	(\$3,194,849)
Total PA 210	(\$12,031,376)
Total NEZ	(\$1,557,549)
Total Approx. Brownfield TIF	(\$19,781,815)
Subtotal Costs	(\$52,732,485)
Net Benefits	\$51,734,201

Incentive Summary Over the First 30 Years

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Approximate Brownfield TIF Capture	Personal Property Tax Abatement	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$104,466,687	(\$19,361,745)	(\$13,588,925)	(\$19,781,815)	\$0	\$51,734,201
Wayne County	\$15,041,165	(\$2,875,988)	(\$3,458,898)	(\$6,472,151)	\$0	\$2,234,128
Detroit Public Schools	\$56,939,477	(\$8,947,241)	(\$5,943,160)	(\$21,851,579)	\$0	\$20,197,497
State Education	\$9,189,153	\$0	(\$274,422)	(\$7,141,512)	\$0	\$1,773,219
Downtown Dev. Authority	\$0	\$0	\$0	\$0	\$0	\$0
Wayne RESA	\$8,368,715	\$0	(\$2,331,518)	(\$4,422,297)	\$0	\$1,614,900
Wayne County Comm. College	\$4,963,368	\$0	(\$1,382,818)	(\$2,622,775)	\$0	\$957,775
Wayne County Zoo	\$153,153	\$0	(\$42,652)	\$0	\$0	\$110,500
Detroit Institute of Arts	\$306,305	\$0	(\$85,336)	\$0	\$0	\$220,969
Total	\$199,428,022	(\$31,184,975)	(\$27,107,729)	(\$62,292,129)	\$0	\$78,843,189

Conclusion

This project is estimated at a \$260 million investment and its projected positive cost benefit to the City of Detroit is **\$51.7 million** and over **\$78.8 million** to all of the impacted taxing units, in addition to the development of 438 new housing units, create approximately 1,300 temporary construction jobs and 400 permanent FTE jobs.

NEZ Acreage Status:⁷

NEZ allocations are limited by state statute: *"The total acreage of the neighborhood enterprise zones containing only new facilities or rehabilitated facilities or any combination of new facilities or rehabilitated facilities designated under this act shall not exceed 15% of the total acreage contained within the boundaries of the local governmental unit."*⁸

Total acreage available (15% of Detroit acreage): 13,239.00

3750 Woodward:	3.78 acres
<u>Total Acreage for the Entire City of Detroit:</u>	<u>88,260</u> ⁹

Total Acreage Remaining	7,841.25
Total Acreage Designated:	5,402.80

Please contact us if we can be of any further assistance.

Attachment: May 29, 2019 Letter from Finance Assessors

cc: Auditor General's Office
Arthur Jemison, Chief of Services and Infrastructure
Maurice Cox, Planning and Development Department
Donald Rencher, HRD
Dinah Bolton, Planning and Development Department
Stephanie Grimes Washington, Mayor's Office
Malinda Jensen, DEGC
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC

⁷ This is a ballpark estimate by LPD, based on current available data.

⁸ MCL 207.773 (2)

⁹ 88,260 Acres = 137.90625 Square Miles



3750 & 3800 Woodward Ave

Detroit, MI



Created for: 3750 Woodward Avenue, I.I.C
Created by: MAW, March 8, 2019



Figure 3: Renderings



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER
OFFICE OF THE ASSESSOR

COLEMAN A. YOUNG MUNICIPAL CENTER
2 WOODWARD AVENUE, SUITE 824
DETROIT, MICHIGAN 48226
(313) 224-3011 • TTY 711
(313) 224-9400
WWW.DETROITMI.GOV

May 29, 2019

Maurice Cox, Director
Planning & Development Department
Coleman A. Young Municipal Center
2 Woodward Ave, Suite 808
Detroit, MI 48226

RE: Neighborhood Enterprise Zone – 3750 Woodward Avenue LLC
Property Address: 3750 Woodward Avenue
Parcel ID: 01004190-8

Mr. Cox:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed request from 3750 Woodward Avenue LLC for a Neighborhood Enterprise Zone, located in the Midtown area of Detroit.

The rationale for creating NEZ projects under PA 147 of 1992, as amended, must be based on the anticipation of market value added to the neighborhood upon completion of new construction and/or significant rehabilitation of existing housing stock.

The proposed area consists of 3.780 acres of vacant land. The developer proposes new construction of a mixed-use development including retail, hotel, housing and dining experiences and incorporates hundreds of multi-family residences, affordable housing, co-living housing units and 60 residential condominiums in two melded residential towers. The current True Cash Value of the proposed area is \$7,625,600 and contains approximately 3.780 acres of land. The True Cash Value of this area would be expected to increase due to the new construction of this project.

Per MCL 207.772 Sec 2 (g) "New facility" means 1 or both of the following: (i) A new structure or a portion of a new structure that has as its primary purpose residential housing consisting of 1 or 2 units, 1 of which is or will be occupied by an owner as his or her principal residence. New facility includes a model home or a model condominium unit. New facility includes a new individual condominium unit, in a structure with 1 or more condominium units, that has as its primary purpose residential housing and that is or will be occupied by an owner as his or her principal residence. Except as provided in subparagraph (ii), new facility does not include apartments. (ii) A new structure or a portion of a new structure that meets all of the following:

(A) Is rented or leased or is available for rent or lease.

(B) Is a mixed use building or located in a mixed use building that contains retail business space on the street level floor.

(C) Is located in a qualified downtown revitalization district.

Per MCL 207.773 Sec. 3. (1) The governing body of a local governmental unit by resolution may designate 1 or more neighborhood enterprise zones within that local governmental unit. Except as otherwise provided in this subsection, a neighborhood enterprise zone shall contain not less than 10 platted parcels of land. A neighborhood enterprise zone located in a qualified downtown revitalization district may contain less than 10 platted parcels if the platted parcels together contain 10 or more facilities. All the land within a neighborhood enterprise zone shall also be compact and contiguous. Contiguity is not broken by a road, right-of-way, or property purchased or taken under condemnation if the purchased or condemned property was a single parcel prior to the sale or condemnation.



Neighborhood Enterprise Zone
3750 Woodward Avenue LLC
Page 2

Upon review, it has been determined that this proposed district located in the Midtown area is eligible for designation as a Neighborhood Enterprise Zone per PA 147 of 1992, as amended.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles Ericson".

Charles Ericson, MMAO
Assessor, Board of Assessors

mmp