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City of Detroit

CITY COUNCIL


LEGISLATIVE POLICY DIVISION

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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: June 9, 2021

RE: Establishment of a Neighborhood Enterprise Zone, as requested by Lafayette Acquisition Partners, LLC, LLC at 1401 Rivard St.

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 that 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.

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*. The Act as modified, defines "qualified downtown revitalization district" as an area located within the boundaries of one or more of the following:

¹ As defined in Section 2 (k) MCL 207.772

- A downtown district, as defined in the Downtown Development Authority Act.²
- A principal shopping district or a business improvement district as defined in the principal shopping district Act (BID Act).³
- An area of the local unit zoned and primarily used for business, as determined by the local governmental unit.⁴

Lafayette Acquisition Partners, LLC

Lafayette Acquisition Partners, LLC, is the project developer and owner of the property located at 1401 Rivard St., which consists of vacant land where the former WSU Pharmacy School once stood, which is situated on approximately 5.218 acres of land that is proposed for a NEZ. The developer plans to develop the property to include three multi-family facilities and first floor retail.⁵ The three multi-family buildings will include a total of 230 apartments, with 20% of units set aside as affordable within 80% of AMI⁶ and another three 5-story wood building that will include approximately 88 condominiums. In addition to the currently requested NEZ, the developer received approval of a Brownfield TIF (Tax Increment Financing) Plan from the Detroit City Council in September 2018.⁷

Summary of the Development

The proposed Lafayette West redevelopment will include the construction of six 5-story mixed-use buildings:

- Three buildings are anticipated to consist of for-rent apartment units, to be situated along Chrysler Drive
- Two condominium buildings will be located along Rivard Street and the third condominium building will be centered in the northern portion of the Property.
- Commercial retail space will be included in each building's ground floor. Podium parking will be located on the first floor of each of the six buildings as well.

The allocation of units are as follows:

Unit Type	Apartments			Condominiums		
	Studio	1 Bedroom	2 Bedroom	Studio	1 Bedroom	2 Bedroom
Number of Units	96	104	37	20	16	52
Unit Area (SF)	456	644	908	455	842	1,233

² PA 197 of 1975, MCL 125.1651 - 125.1681

³ Principal shopping Districts and Business Improvements Districts Act 120 of 1961, MCL 125.981 - 125.990n

⁴ Under the DDA Act, "downtown district" means that part of an area in a business district.

⁵ In 2018, Lafayette West was deemed a Tier I project under the City of Detroit's Community Benefit Ordinance (CBO). The developer, Ginosko Development Company and the Neighborhood Advisory Council (NAC) participated in the CBO process to determine impacts of the development on the community and to agree on appropriate community benefits to address those impacts.

⁶ Detroit-Warren-Livonia Metro Area HUD 2021 Area Median Income (AMI) for one person 80% = \$44,000.

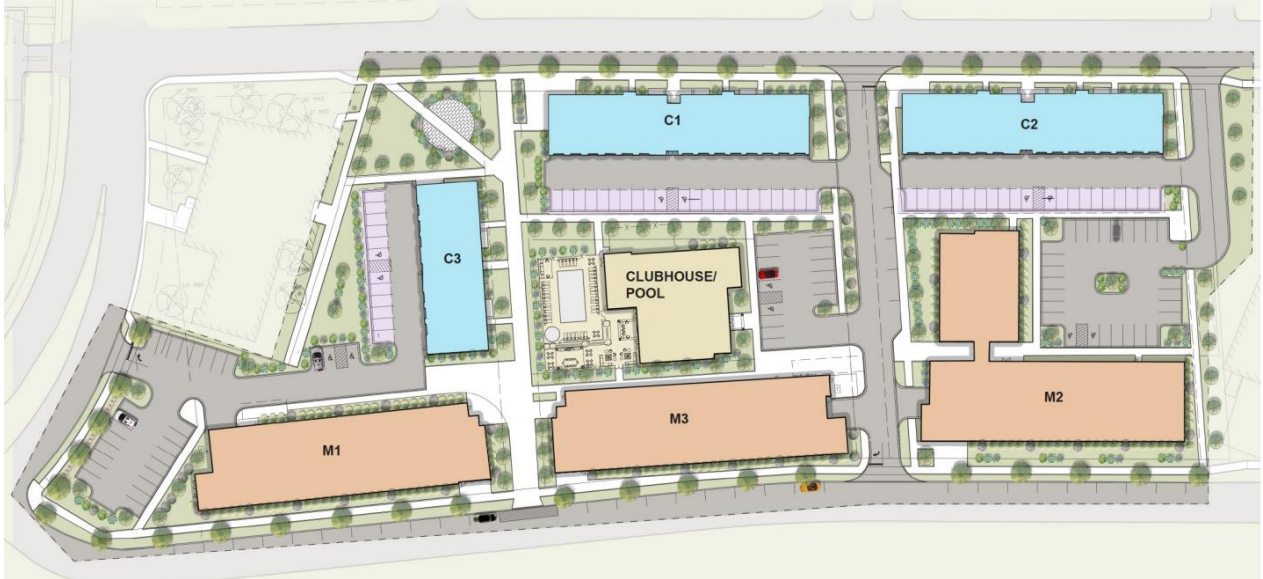
⁷ \$26,356,887 TIF reimbursement for the developer was projected to be captured for the life of the Plan. LPD Report of September 19, 2018: Lafayette West Redevelopment Brownfield

⁸ Source: Developer's letter, dated March 11, 2021

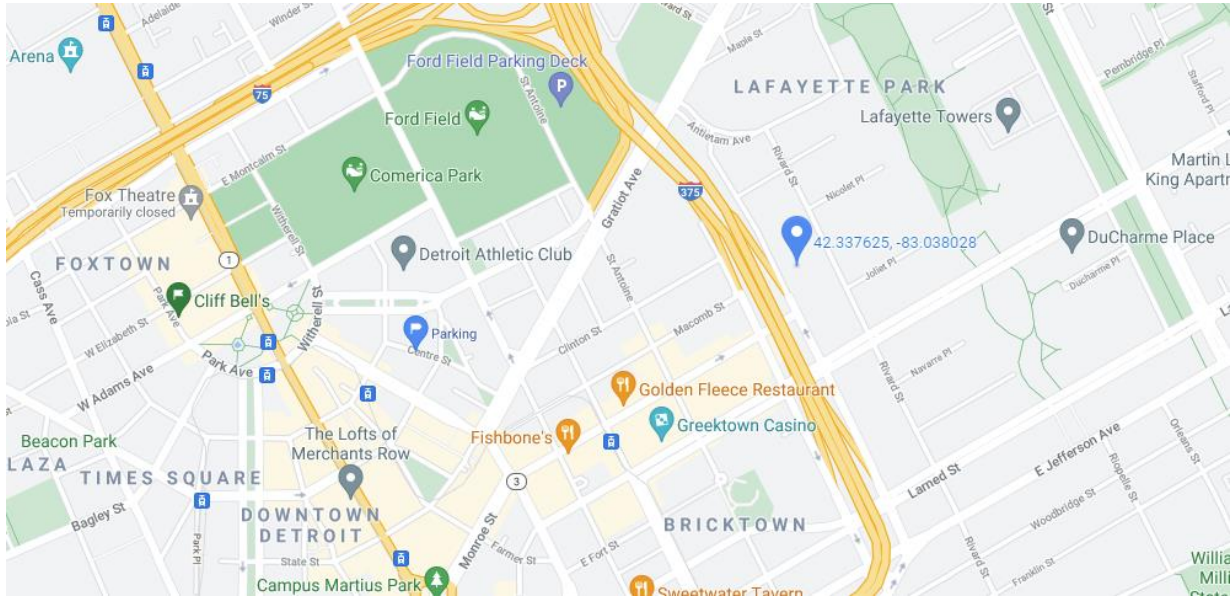
DEGC Project Evaluation Checklist
Lafayette West
Developer: Mark Bennett

Neighborhood Enterprise Zone Act, PA 147 of 1992 as amended – <i>new allocation</i> ; millage rate reduced to one half the state average tax rate. Rates are set annually by the State Tax Commission, currently the rate is 26 mills for non-principal residence exemption.	
Request Type	NEZ District
DEGC Recommendation	Approval of the NEZ District
Location	
Addresses	1401 Rivard St
City Council District	District 5
Neighborhood	Lafayette Park
Building Use	
Total Number of Residential Units	318 Units (20% of the units affordable @ 80% AMI)
Unit Configuration	230 apartments: 96 studios, 101 one-bdrm, and 33 two-bdrm
Unit Affordability @ 80% AMI	47 apartments: 18 studios, 21 one-bdrm, and 8 two-bdrm
Total Residential Sqft	138,784
Retail SqFt	3,600 SqFt
Project Description	
<p>The proposed Lafayette West development integrates into the fabric of neighboring Lafayette Park, a National Register of Historic Places site, and is heavily by Mies Van De Rohe the visionary and architect behind Lafayette Park. The Lafayette West development’s 5.2-acre site will contain an abundance of green space including a dedicated park and resident clubhouse and pool in the center of the development. Numerous activated alleys providing ample outdoor opportunities. Residents will also enjoy the amenity of onsite parking spaces placed throughout the site. Three large 5-story wood framed structures are home to approximately 230 apartments while another three 5-story wood buildings house approximately 88 condominiums. Of the apartment units, no less than 20% of the units will be held for those making 80% the Area Mean Income (AMI). The projects walkability and adjacency to downtown Detroit provide a unique experience of suburban living with urban amenities. The proposed condo buildings share consistent structural grid patterns and modular windows. The concave corners of the building are inspired by the corners of the high-rise apartment buildings within Lafayette Park. The development is anticipated to directly create 7 full time equivalent (FTE) jobs and at a minimum 100 construction jobs. The developer will follow local Detroit Executive Order 2016-1 in the hiring practices for contractors.</p>	
Sources and Uses	
Total Investment	\$133.1M
Uses	\$16.4M Acquisition (12%), \$92.0M Hard Construction (69%), \$24.7M Soft Costs (19%)
Project Benefits	
Estimated Jobs	7 FTE’s (property mgmt) + 100 construction jobs
Estimated City benefits before tax abatement	\$6,787,298
Total estimated City value of NEZ	\$1,726,754
Total estimated TIF Capture	\$1,266,822
Less cost of services & utility deductions	\$109,178
Net Benefit to City with abatements	\$3,684,545

Site Plan:



Location Map:



Site Plan & Location Map courtesy of DEGC

City of Detroit Gross Benefits Summary over the First 15 Years (Prior to Abatement)

	Amount
Real Property Taxes, before abatement	\$3,457,373
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$67,984
Municipal Income Taxes - Indirect Workers	\$25,213
Municipal Income Taxes - Corporate Income	\$27,237
Municipal Income Taxes - Construction Period	\$578,587
Municipal Income Taxes - New Res. Inhabitants	\$1,789,611
Utility Revenue	\$35,252
Utility Users' Excise Taxes	\$11,240
State Revenue Sharing - Sales Tax	\$43,586
Building Permits and Fees	\$690,000
Miscellaneous Taxes & User Fees	\$61,215
Subtotal Benefits	\$6,787,298
Cost of Providing Municipal Services	(\$73,926)
Cost of Providing Utility Services	(\$35,252)
Subtotal Costs	(\$109,178)
Net Benefits	\$6,678,121

Incentive Summary over the First 15 Years

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Business Personal Property Tax Abatement	Brownfield TIF Capture	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$6,787,298	(\$109,178)	(\$1,726,754)	\$0	(\$1,266,822)	\$3,684,545
Wayne County	\$840,509	(\$13,565)	(\$422,351)	\$0	(\$404,593)	\$0
Detroit Public Schools	\$3,239,315	(\$45,230)	(\$1,501,876)	\$0	(\$981,061)	\$711,148
State Education	\$617,706	\$0	(\$290,661)	\$0	(\$327,045)	\$0
Wayne RESA	\$562,555	\$0	(\$264,796)	\$0	(\$297,759)	\$0
Wayne County Comm. College	\$333,644	\$0	(\$157,111)	\$0	(\$176,532)	\$0
Wayne County Zoo	\$10,295	\$0	(\$4,871)	\$0	\$0	\$5,424
Detroit Institute of Arts	\$20,590	\$0	(\$9,672)	\$0	\$0	\$10,918
Total	\$12,411,913	(\$167,973)	(\$4,378,092)	\$0	(\$3,453,813)	\$4,412,034

Expanded Incentive Summary over the First 15 Years (Including the Library)

Jurisdiction	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Business Personal Property Tax Abatement	Brownfield TIF Capture	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$6,310,563	(\$109,178)	(\$1,488,653)	\$0	(\$1,028,188)	\$3,684,545
Library	\$476,735	\$0	(\$238,101)	\$0	(\$238,634)	\$0
Wayne County	\$840,509	(\$13,565)	(\$422,351)	\$0	(\$404,593)	\$0
Detroit Public Schools	\$3,239,315	(\$45,230)	(\$1,501,876)	\$0	(\$981,061)	\$711,148
State Education	\$617,706	\$0	(\$290,661)	\$0	(\$327,045)	\$0
Wayne RESA	\$562,555	\$0	(\$264,796)	\$0	(\$297,759)	\$0
Wayne County Comm. College	\$333,644	\$0	(\$157,111)	\$0	(\$176,532)	\$0
Wayne County Zoo	\$10,295	\$0	(\$4,871)	\$0	\$0	\$5,424
Detroit Institute of Arts	\$20,590	\$0	(\$9,672)	\$0	\$0	\$10,918
Total	\$12,411,913	(\$167,973)	(\$4,378,092)	\$0	(\$3,453,813)	\$4,412,034

Charts courtesy of DEGC

Conclusion

The investment in this project is estimated at \$133.1 million. The proposed tax abatement is projected to be worth a tax savings of \$4,378,092 to the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit in the amount of **\$3,684,545**, and over **\$4,412,034** to all of the impacted taxing units, in addition to seven full time equivalent (FTE) jobs, 100 construction jobs & 318 housing units.

DEGC Chart of Taxes Before, During & After the Incentive⁹

Project: Lafayette West NEZ

Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive	
City of Detroit	\$18,248	\$67,777	\$172,354
Library	\$2,919	\$10,841	\$27,570
Wayne County	\$5,063	\$18,803	\$47,818
Detroit Public Schools	\$19,539	\$72,570	\$184,549
State Education	\$3,782	\$14,047	\$35,719
Wayne RESA	\$3,444	\$12,787	\$32,530
Wayne County Comm. College	\$2,043	\$7,579	\$19,293
Wayne County Zoo	\$63	\$232	\$595
Detroit Institute of Arts	\$126	\$470	\$1,191
Total	\$55,227	\$205,106	\$521,619

Chart courtesy of DEGC

NEZ Acreage Status:¹⁰

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.”*¹¹

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

Rivard Lafayette Park NEZ: 5.22 acres
Total Acreage for the Entire City of Detroit: 88,260¹²

Total Acreage Remaining 7,597.98
Total Acreage Designated 5,641.02

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

Attachments: April 6, 2021 Letter from Finance Assessors
 February 27, 2020 Lafayette West CBO Flyer

cc: Auditor General’s Office
 Donald Rencher, Chief of Services and Infrastructure
 Katy Trudeau, Planning and Development Department
 Julie Schneider, HRD
 Veronica Farley, HRD
 Stephanie Grimes Washington, Mayor’s Office
 Avery Peebles, Mayor’s Office
 Malinda Jensen, DEGC
 Kenyetta Bridges, DEGC
 Jennifer Kanalos, DEGC
 Brian Vosburg, DEGC

⁹ Existing Annual Taxes: \$55,227 - New Annual Taxes DURING the Incentive: \$205,106 & Taxes after the Incentive EXPIRES: \$521,619

¹⁰ This is a ballpark estimate by LPD, based on current available data.

¹¹ MCL 207.773 (2)

¹² 88,260 Acres = 137.90625 Square Miles



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

COLEMAN A. YOUNG MUNICIPAL CENTER
2 WOODWARD AVE., SUITE 824
DETROIT, MI 48226
PHONE: 313•224•3011
FAX: 313•224•9400

April 6, 2021

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

RE: Neighborhood Enterprise Zone – Rivard Lafayette Park
Property Address: 1401 Rivard
Parcel ID: 05003750-82
Lafayette Acquisition Partners LLC

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed **Rivard Lafayette Park Neighborhood Enterprise Zone**, located at 1401 Rivard, submitted by the **Lafayette Acquisition Partners LLC** for the neighborhood located in the **Lafayette Park** 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 vacant land where the former WSU Pharmacy School once stood. The developer intends to develop the property to include three multi-family facilities and first floor retail. The current True Cash Value of the proposed area is \$1,260,698 and contains approximately 5.218 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



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Neighborhood Enterprise Zone
Rivard Lafayette Park Area
Page 2

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.

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

Sincerely,

Charles Ericson, MMAO
Assessor, Board of Assessors

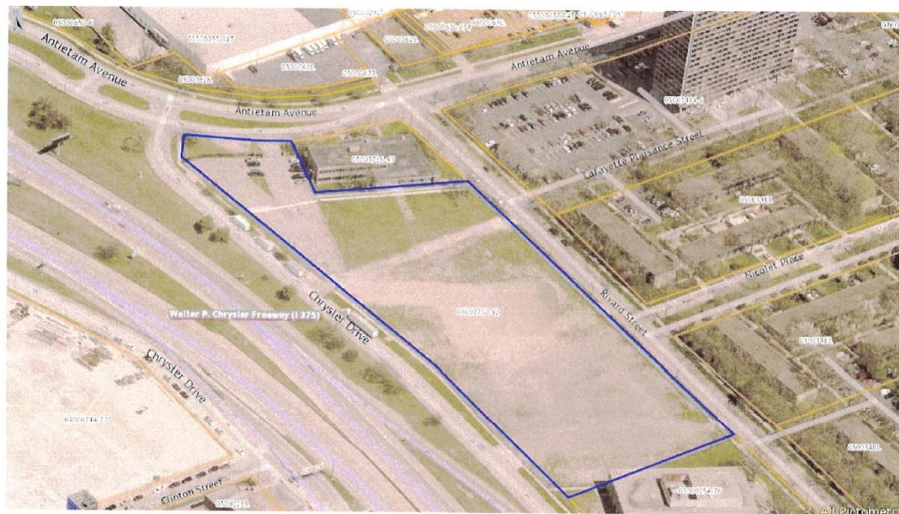


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Neighborhood Enterprise Zone
Rivard Lafayette Park Area
Page 3

PARCEL: 05003750-82
PROPERTY ADDRESS: 1401 RIVARD
PROPERTY OWNER: LAFAYETTE ACQUISITION PARTNERS LLC
LEGAL DESCRIPTION: W RIVARD PART OF LOT 24 LAFAYETTE PARK SUB L80 P87-91 PLATS WCR 5/148 DESC AS BEG AT A PTE DISTANT S 28D 04 M 53 S 169.01 FT FROM THE INTERSECTION OF THE SLY LINE ANTIETAM AND THE WLY LINE OF RIVARD THENCE S 28D 04M 53S E 111.27 FT THENCE S 26D 02M 57S E 526.67 FT THENCE S 59D 52M 15S 287.05 FT THENCE N 26D 02M 57S 315.07 FT THENCE N 32D 09M 51S W 560.00 FT THENCE N 04D 48M 18S E 53.48 FT THENCE ALG THE SLY LINE OF ANTIETAM ON A CUR TO THE LEFT WHOSE RADIUS IS 358.34 AN ARC DISTANCE OF 158.14 FT CH OF SD CUR BEARS S 86D 07M 51S E 156.86 FT THENCE S 09D 22M 51S E 122.37 FT THENCE N 80D 37M 09S E 223.13 FT TO POB 227 283 SQ FT



THE CITY OF DETROIT INVITES YOU TO ATTEND THE
LAFAYETTE WEST
ANNUAL UPDATE MEETING



THURSDAY, FEBRUARY 27TH FROM 6PM – 7:30PM
HORATIO WILLIAMS FOUNDATION 1010 ANTIETAM AVENUE DETROIT, MI 48207

In 2018, Lafayette West was deemed a Tier I project under the City of Detroit's Community Benefit Ordinance (CBO). The developer, Ginosko Development Company and the Neighborhood Advisory Council (NAC) participated in the CBO process to determine impacts of the development on the community and to agree on appropriate community benefits to address those impacts.

Join us at the Lafayette West Annual Update Meeting to hear the latest updates on the development as well as the implementation of the community benefits agreement.

With advance notice of seven calendar days, the City of Detroit will provide interpreter services at public meetings, including language translation and signage for the hearing impaired. Please contact the Planning and Development Department at (313) 224-1339 to schedule these services.



City of Detroit
Planning & Development Department
www.detroitmi.gov/pdd

For more information, visit www.detroitmi.gov/cbo or contact Aaron Goodman at 313-224-3577 or goodmana@detroitmi.gov

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¹³ https://secureservercdn.net/166.62.108.229/jp0.652.myftpupload.com/wp-content/uploads/2021/02/Lafayette-West-Annual-Update-Meeting_02.27.2020-Flyer.pdf