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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 8, 2021

RE: Establishment of a Neighborhood Enterprise Zone, as requested by New Old School, LLC at 15th 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,<sup>1</sup> 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:

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<sup>1</sup> As defined in Section 2 (k) MCL 207.772

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

### New Old School, LLC

New Old School, LLC, is the project developer of the property located at 15th St., with a proposed area consisting of seven vacant parcels with a total of 0.682 acres of land that are proposed for a NEZ. Of the seven parcels, the Detroit Land Bank Authority owns five and two are privately owned. The developer plans to construct 15 separate multi-family buildings, which will include residential rental units with accompanying first floor retail units, for a total of 30 units with parking. Five of the proposed new live work units will be developed in the existing adjacent NEZ and the remaining ten live work units will be developed in the newly proposed NEZ.

The allocation of units will include 13 studios ranging from 500-525 feet, all of which will be live-work units, with three of the units set aside as affordable units. There are plans for 13 one-bedroom units ranging from 800-825 square feet, two of which will be live-work units, with three of the units set aside as affordable units. In addition, there will be four market rate two-bedroom units with approximately 1,200 square feet of living space, thereby providing 20% of project's units as affordable, with six (6) units priced for residents within 80% of AMI<sup>5</sup> (area median income).<sup>6</sup>

Current estimated rents are as follows:

Type	# of Units	% of Complex	Size	Proforma Rents		
				Monthly Rent/Unit	Annual Rent	Monthly p.s.f.
Live Work Studio Affordable	2	6.7%	500	\$ 950	\$ 22,800	\$ 1.90
Live Work Studio Affordable	1	3.3%	515	\$ 950	\$ 11,400	\$ 1.84
Studio	3	10.0%	515	\$ 1,200	\$ 43,200	\$ 2.33
Studio L	7	23.3%	525	\$ 1,200	\$ 100,800	\$ 2.29
Live Work/One Bed Typ.	6	20.0%	800	\$ 1,400	\$ 100,800	\$ 1.75
Live Work/One Bed Typ. Affordable	3	10.0%	800	\$ 1,150	\$ 41,400	\$ 1.44
One Bedroom W/ Office	4	13.3%	825	\$ 1,650	\$ 79,200	\$ 2.00
Two Bedroom - Large	4	13.3%	1,200	\$ 2,350	\$ 112,800	\$ 1.96
<b>Totals</b>	<b>30</b>	<b>100.0%</b>	<b>655</b>	<b>\$ 1,423</b>	<b>\$ 512,400</b>	<b>\$ 2.17</b>

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<sup>2</sup> PA 197 of 1975, MCL 125.1651 - 125.1681

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

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

<sup>5</sup> Detroit-Warren-Livonia Metro Area HUD 2021 AMI for one person 80% = \$44,000.

<sup>6</sup> **1-bedroom:** 26 units, 500sf; \$1,250/mo. rent (5 units @ 80% AMI) & **2-bedroom:** 19 units, 600sf; \$1,375/mo. rent (4 units @ 80% AMI)

<sup>7</sup> Source: Developer's letter from Honigman LLP, dated April 23, 2021

**DEGC Project Evaluation Checklist**  
**Core City Village Development Project**  
 Developer: New Old School, LLC.  
 Principals: Michael Ferlito + Philip Kafka

Neighborhood Enterprise Zone Act, **PA 147 of 1992** - Incentive for rehabilitation or new construction of residential buildings. New allocation; property taxed at a discounted tax rate for up to 15 years with phase out.

<b>DEGC Recommendation</b>	<b>15 years</b>
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**Location**

Address	4601, 4609, 4613, 4627, 4635, 4641, & 4657 15th Street
City Council District	District 6
Neighborhood	Core City

**Building Use**

Total Rentable Square Foot	22,000 SF
Retail Square Foot	15,000 SF
Public Parking Spaces	NA

**Project Description**

New Old School, LLC. will develop this project with 15 separate multi-family buildings with a total of 30 individual rental units. The units will be live/work spaces with retail on the first floor and residential on the second floor. Five of the buildings are already located in a district and the request being made is for the remaining 10 units that are not.

This concept will reduce investment on non-leasable square footage and provide the project with distinguishable features helping it to stand out amongst the other multi-family projects in Detroit. The commercial component of this project will create a shopping-like atmosphere for residents across Detroit to visit. The goal of this project is to create a place for entrepreneurs and small business owners to live and work at the same location.

This project will feature 13 studios that will range in size from 500 to 525 sf (*all will be live/work*); 13 1-bedroom units ranging from 800 to 825 sf (*2 will be live/work*) and 4 two-bedroom units with approximately 1,200 sf of space. The development team will offer 20% of the units at an affordable rate at 80% AMI. There will be 3 affordable studios offered at \$950/month and 3 affordable 1-bdrm units offered at \$1,400/month. These units are live/work.

The development team has a long-standing history of acquiring and renovating blighted industrial property and building out new housing. To support the feasibility of this project, the DEGC recommends the establishment of the NEZ district.

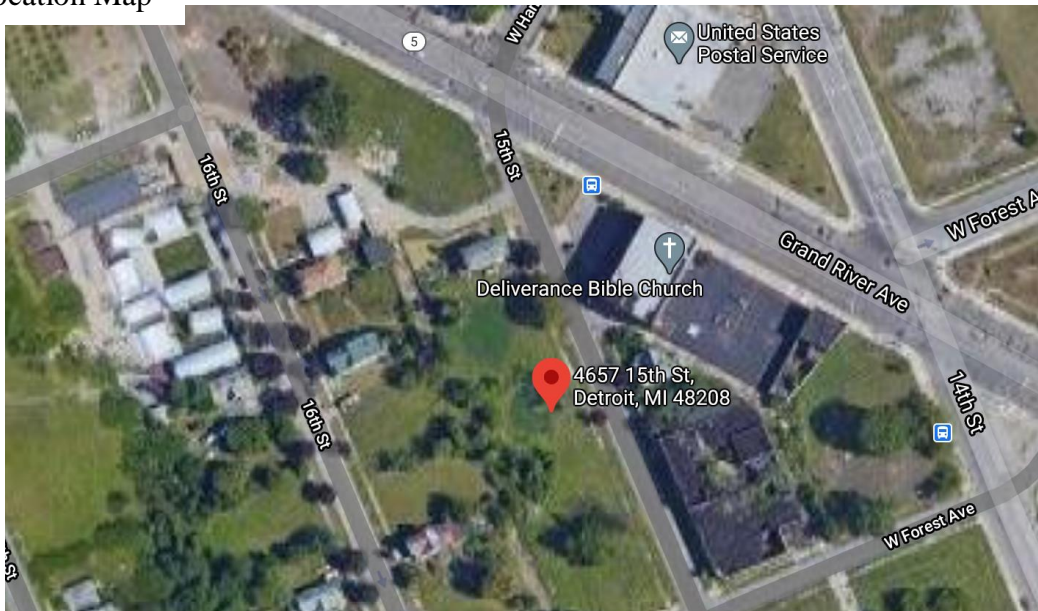
**Sources and Uses**

Total Investment	\$5.71M
Uses	\$650K Land (11.3%), \$3.578M Hard Construction (62.6%), \$943K Soft Costs (16.5%)

**Project Benefits**

Estimated Jobs	0 FTE (~15 residents are expected to work in their live-work units but will not be considered employees) 50 Construction Jobs (estimate)
Estimated City benefits before tax abatement	<b>\$618,952</b>
Total estimated City value of NEZ abatement	<b>\$193,400</b>
Less cost of services & utility deductions	<b>NA</b>
Net Benefit to City with NEZ abatement	<b>\$425,553</b>

Location Map



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

	Amount
Real Property Taxes, before abatement	\$345,342
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$0
Municipal Income Taxes - Indirect Workers	\$0
Municipal Income Taxes - Corporate Income	\$0
Municipal Income Taxes - Construction Period	\$33,723
Municipal Income Taxes - New Res. Inhabitants	\$209,887
Utility Revenue	\$0
Utility Users' Excise Taxes	\$0
State Revenue Sharing - Sales Tax	\$0
Building Permits and Fees	\$30,000
Miscellaneous Taxes & User Fees	\$0
<b>Subtotal Benefits</b>	<b>\$618,952</b>
Cost of Providing Municipal Services	\$0
Cost of Providing Utility Services	\$0
<b>Subtotal Costs</b>	<b>\$0</b>
Net Benefits	\$618,952

## Incentive Summary over the First 15 Years

	Additional Benefits Before Tax	Additional Costs	Real Property Tax Abatement	Business Personal Property Tax Abatement	Utility Users Tax & Corporation Income Tax Exemption	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$618,952	\$0	(\$193,400)	\$0	\$0	\$425,553
Wayne County	\$82,700	\$0	(\$47,304)	\$0	\$0	\$35,396
Detroit Public Schools	\$319,169	\$0	(\$168,213)	\$0	\$0	\$150,956
State Education	\$61,775	\$0	(\$32,555)	\$0	\$0	\$29,220
Wayne RESA	\$55,842	\$0	(\$29,658)	\$0	\$0	\$26,184
Wayne County Comm. College	\$33,366	\$0	(\$17,597)	\$0	\$0	\$15,770
Wayne County Zoo	\$1,030	\$0	(\$546)	\$0	\$0	\$484
Detroit Institute of Arts	\$2,059	\$0	(\$1,083)	\$0	\$0	\$976
<b>Total</b>	<b>\$1,174,893</b>	<b>\$0</b>	<b>(\$490,354)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$684,539</b>

## 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	Utility Users Tax & Corporation Income Tax Exemption	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$571,333	\$0	(\$166,732)	\$0	\$0	\$404,601
Library	\$47,619	\$0	(\$26,668)	\$0	\$0	\$20,951
Wayne County	\$82,700	\$0	(\$47,304)	\$0	\$0	\$35,396
Detroit Public Schools	\$319,169	\$0	(\$168,213)	\$0	\$0	\$150,956
State Education	\$61,775	\$0	(\$32,555)	\$0	\$0	\$29,220
Wayne RESA	\$55,842	\$0	(\$29,658)	\$0	\$0	\$26,184
Wayne County Comm. College	\$33,366	\$0	(\$17,597)	\$0	\$0	\$15,769
Wayne County Zoo	\$1,030	\$0	(\$546)	\$0	\$0	\$484
Detroit Institute of Arts	\$2,059	\$0	(\$1,083)	\$0	\$0	\$976
<b>Total</b>	<b>\$1,174,893</b>	<b>\$0</b>	<b>(\$490,354)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$684,539</b>

## Conclusion

The investment in this project is estimated at \$5.71 million. The proposed tax abatement is projected to be worth a tax savings of \$490,354 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 **\$425,553**, and over **\$684,539** to all of the impacted taxing units, in addition to 50 temporary construction jobs & 30 housing units.

### DEGC Chart of Taxes Before, During & After the Incentive<sup>8</sup>

Project: Core City NEZ

Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive	
City of Detroit	\$29	\$5,140	\$16,853
Library	\$5	\$823	\$2,696
Wayne County	\$8	\$1,427	\$4,675
Detroit Public Schools	\$31	\$5,503	\$18,045
State Education	\$6	\$1,065	\$3,493
Wayne RESA	\$5	\$968	\$3,180
Wayne County Comm. College	\$3	\$574	\$1,886
Wayne County Zoo	\$0	\$17	\$58
Detroit Institute of Arts	\$0	\$35	\$116
<b>Total</b>	<b>\$87</b>	<b>\$15,552</b>	<b>\$51,002</b>

*Charts courtesy of DEGC*

<sup>8</sup> Existing Annual Taxes: \$87 - New Annual Taxes DURING the Incentive: \$15,552 & Taxes after the Incentive EXPIRES: \$51,002

**NEZ Acreage Status:**<sup>9</sup>

**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.”*<sup>10</sup>

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

**15th St. Core City NEZ: 0.682 acres**  
**Total Acreage for the Entire City of Detroit: 88,260**<sup>11</sup>

**Total Acreage Remaining 7,603.19**  
**Total Acreage Designated 5,635.81**

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

**Attachment:** April 27, 2021 Letter from Finance Assessors

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 Peeples, Mayor’s Office  
Malinda Jensen, DEGC  
Kenyetta Bridges, DEGC  
Jennifer Kanalos, DEGC  
Brian Vosburg, DEGC

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<sup>9</sup> This is a ballpark estimate by LPD, based on current available data.

<sup>10</sup> MCL 207.773 (2)

<sup>11</sup> 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 27, 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 – 15<sup>th</sup> St Core City**  
**Property Address: See attached list**  
**Parcel ID: See attached list**  
**New Old School LLC**

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed **15<sup>th</sup> Street Core City Neighborhood Enterprise Zone** submitted by **New Old School LLC** for the neighborhood located in the **Core City** 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 12 vacant parcels with a total of 0.682 acres of land. The developer, **New Old School LLC**, intends to construct 15 separate multi-family buildings, which will include residential rental units as well as first floor retail units, for a total of 30 units with parking. The current True Cash Value of the proposed area is \$6,872. 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

<sup>12</sup> The letter refers to *12 vacant parcels*, but there are actually *seven (7) vacant parcels* included in the proposed zone, as indicated in letter's list and map, also included in the letter.



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OFFICE OF THE ASSESSOR

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Neighborhood Enterprise Zone  
15<sup>th</sup> Street Core City area  
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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 **Core City 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





CITY OF DETROIT  
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OFFICE OF THE ASSESSOR

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Neighborhood Enterprise Zone  
15<sup>th</sup> Street Core City area  
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Parcel: 10005736.  
Owner: DETROIT LAND BANK AUTHORITY  
Property Address: 4657 15<sup>TH</sup> ST  
Legal Description: W 15TH 624 SUB OF P C 44 L68 P2-3 DEEDS, W C R 10/31 40 X 106.85

Parcel: 10005737.  
Owner: PRINCE REALTY LLC  
Property Address: 4641 15<sup>TH</sup> ST  
Legal Description: W 15TH 623 SUB OF P C 44 L68 P2-3 DEEDS, W C R 10/31 40 X 106.85

Parcel: 10005738.  
Owner: DETROIT LAND BANK AUTHORITY  
Property Address: 4635 15<sup>TH</sup> ST  
Legal Description: W 15TH 622 N 5 FT 621 SUB OF P C 44 L68 P2-3 DEEDS, W C R 10/31 43 X 106.85

Parcel: 10005739.  
Owner: DETROIT LAND BANK AUTHORITY  
Property Address: 4627 15<sup>TH</sup> ST  
Legal Description: W 15TH S 35 FT 621 N 29.5 FT 620 SUB OF P C 44 L68 P2-3 DEEDS, W C R 10/31 64.5 X 106.85

Parcel: 10005740.  
Owner: DETROIT LAND BANK AUTHORITY  
Property Address: 4613 15<sup>TH</sup> ST  
Legal Description: W 15TH S 10.5 FT 620 N 20.50 FT 619 SUB OF P C 44 L68 P2-3 DEEDS, W C R 10/31 31 X 106.85

Parcel: 10005741.  
Owner: DETROIT LAND BANK AUTHORITY  
Property Address: 4609 15<sup>TH</sup> ST  
Legal Description: W 15TH S 19.50 FT 619 N 11.00 FT 618 SUB OF P C 44 L68 P2-3 DEEDS, W C R 10/31 30.50 X 106.85

Parcel: 10005742.  
Owner: PRINCE REALTY LLC  
Property Address: 4601 15<sup>TH</sup> ST  
Legal Description: W 15TH S 29 FT 618 SUB OF P C 44 L68 P2-3 DEEDS, W C R 10/31 29 X 106.85



Neighborhood Enterprise Zone  
15<sup>th</sup> Street Core City area  
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