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Director
Irvin Corley, Jr.
Executive Policy Manager
Marcell R. Todd, Jr.
Director, City Planning
Commission
Janese Chapman
Director, Historic Designation
Advisory Roard

Advisory Board

John Alexander

Megha Bamola

LaKisha Barclift, Esq.

Nur Barre

M. Rory Bolger, Ph.D., AICP

Elizabeth Cabot, Esq.

Tasha Cowen

# 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

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

TO: COUNCIL MEMBERS

FROM: David Whitaker, Director

Legislative Policy Division Staff

DATE: June 23, 2021

RE: Establishment of a Neighborhood Enterprise Zone, as requested by The Beauton,

LLC in the area of 503, 509, 515, 521 Horton & 7414 Beaubien

### 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:

1

-

<sup>&</sup>lt;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>

# The Beauton, LLC

The Beauton, LLC, is the project developer and owner of the property located in the area of 503, 509, 515, 521 Horton & 7414 Beaubien in the North End neighborhood, with a proposed area consisting of five vacant and improved parcels with a total of 0.341 acres of land that are proposed for a NEZ. The developer plans to demolish the two existing structures on the property and construct a 3-story, 24-unit residential apartment building, which will also include first floor retail and parking.

The developer plans to offer rental rates targeting recent graduates and working professionals, in addition to providing 20% of project's units as affordable, with four (4) furnished micro-units and one (1) one-bedroom unit, thereby providing five (5) units priced for residents within 80% of AMI <sup>5</sup> (area median income).

# DEGC Project Evaluation Checklist 503 Horton

Developer: Charles A Dickerson III

Neighborhood Enterprise Zone Act, **PA 147 of 1992 as amended** – *new allocation*; 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	503, 509, 515, 521 Horton St & 7414 Beaubien
City Council District	District 5
Neighborhood	North End
Building Use	
Total Number of Residential Units	24 Units (20% of the units affordable @ 80% AMI)
	15 studios, 5 furnished micro-units, 2 two-bdrm, 2
Unit Configuration	one-bdrm
Unit Affordability @ 80% AMI	4 furnished micro-units and 1 one-bdrm = 5 units
Total Building Sqft	18,000 SqFt (10,000 SqFt rentable)
Other SqFt	300 SqFt

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

2

<sup>&</sup>lt;sup>3</sup> Principal shopping Districts and Business Improvements Districts Act 120 of 1961, MCL 125,981 - 125,990n

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

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

#### **Project Description**

The Developer, Charles A. Dickerson III, is a longtime Detroit resident, property manager, and real estate developer. He is also a graduate of the Capital Impact Equitable Development Initiative. Through the acquisition of several parcels at the corner of Horton and Beaubien St in the North End, the Developer plans to construct a 24 unit mixed-use apartment building. The development would offer competitive rental rates targeting recent graduates and working professionals, in addition to setting 20% of the units at 80% AMI. The development would not have sufficient cash flow to service the debt without the tax abatement.

Sources and Uses	
Total Investment	\$3.5M
	\$1.7M Liberty Bank (49%), \$250k Detroit
Sources	Development Fund (7%), \$450k Pace (13%), \$550k
	MEDC Grant (16%), \$524k Owner's Equity (15%)
Uses	\$220k Acquisition (6%), \$2.7M Hard Construction
Uses	(79%), \$0.5M Soft Costs (15%)
Project Benefits	
Estimated Jobs	1 FTE, 50 Construction Jobs
Estimated City benefits before tax	
abatement	\$572,395
Total estimated City value of NEZ	\$213,369
Less cost of services & utility	
deductions	\$33,780
Net Benefit to City with	
abatements	\$325,245

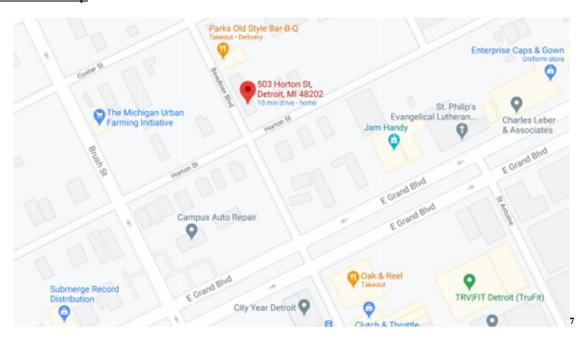


**Project Rendering**<sup>6</sup>

3

<sup>&</sup>lt;sup>6</sup> Rendering courtesy of DEGC

# **Location Map**



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

	Amount
Real Property Taxes, before abatement	\$345,603
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$10,926
Municipal Income Taxes - Indirect Workers	\$4,052
Municipal Income Taxes - Corporate Income	\$3,891
Municipal Income Taxes - Construction Period	\$22,041
Municipal Income Taxes - New Res. Inhabitants	\$119,200
Utility Revenue	\$23,019
Utility Users' Excise Taxes	\$1,653
State Revenue Sharing - Sales Tax	\$6,345
Building Permits and Fees	\$26,753
Miscellaneous Taxes & User Fees	\$8,911
Subtotal Benefits	<u>\$572.395</u>
Cost of Providing Municipal Services	(\$10,762)
Cost of Providing Utility Services	(\$23,019)
Subtotal Costs	(\$33.780)
Net Benefits	\$538,614

4

<sup>&</sup>lt;sup>7</sup> Location Map courtesy of DEGC

#### **Incentive Summary over the First 15 Years**

	Additional			Business	Utility Users Tax	Net Benefits
	Benefits		Real Property Tax Abatement	Personal Property Tax Abatement	& Corporation Income Tax Exemption	After Tax Abatements & Incentives
	Before Tax	Additional Costs				
	Abatements					
City of Detroit	\$572,395	(\$33,780)	(\$213,369)	\$0	\$0	\$325,245
Wayne County	\$84,630	(\$2,068)	(\$54,148)	\$0	\$0	\$28,414
Detroit Public Schools	\$334,969	(\$15,077)	(\$166,241)	\$0	\$0	\$153,651
State Education	\$61,747	\$0	(\$32,173)	\$0	\$0	\$29,574
Wayne RESA	\$40,557	\$0	(\$21,883)	\$0	\$0	\$18,674
Wayne County Comm. College	\$33,351	\$0	(\$17,391)	\$0	\$0	\$15,961
Wayne County Zoo	\$1,029	\$0	(\$539)	\$0	\$0	\$490
Detroit Institute of Arts	\$2,058	\$0	(\$1,071)	\$0	\$0	\$988
Total	\$1,130,737	(\$50,925)	(\$506,814)	\$0	\$0	\$572,997

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

	Additional Benefits		Real	Business Personal		Net Benefits After Tax
	Before Tax	Additional	Property Tax	Property Tax	Brownfield	Abatements
Jursidiction	Abatements	Costs	Abatement	Abatement	TIF Capture	& Incentives
City of Detroit	\$524,740	(\$33,780)	(\$183,948)	\$0	\$0	\$307,012
Library	\$47,655	\$0	(\$29,421)	\$0	\$0	\$18,234
Wayne County	\$84,630	(\$2,068)	(\$54,148)	\$0	\$0	\$28,414
Detroit Public Schools	\$334,969	(\$15,077)	(\$166,241)	\$0	\$0	\$153,651
State Education	\$61,747	\$0	(\$32,173)	\$0	\$0	\$29,574
Wayne RESA	\$40,557	\$0	(\$21,883)	\$0	\$0	\$18,674
Wayne County Comm. College	\$33,351	\$0	(\$17,391)	\$0	\$0	\$15,960
Wayne County Zoo	\$1,029	\$0	(\$539)	\$0	\$0	\$490
Detroit Institute of Arts	\$2,058	\$0	(\$1,071)	\$0	\$0	\$987
Total	\$1,130,737	(\$50,925)	(\$506,814)	\$0	\$0	\$572,997

#### Conclusion

The investment in this project is estimated at \$3.5 million. The proposed tax abatement is projected to be worth a tax savings of \$506,814 to the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit of \$325,245, and over \$572,997 to all of the impacted taxing units, in addition to one (1) FTE, 50 temporary construction jobs & 24 housing units.

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

Project: Lafayette West NEZ

	Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive
City of Detroit	\$593	\$6,247	\$17,822
Library	\$95	\$999	\$2,851
Wayne County	\$164	\$1,732	\$4,944
Detroit Public Schools	\$635	\$6,688	\$19,083
State Education	\$123	\$1,295	\$3,694
Wayne RESA	\$112	\$1,179	\$3,364
Wayne County Comm. College	\$66	\$698	\$1,995
Wayne County Zoo	\$2	\$22	\$62
Detroit Institute of Arts	\$4	\$43	\$123
Total	\$1,795	\$18,904	\$53,939

Charts courtesy of DEGC

<sup>8</sup> Existing Annual Taxes: \$1,795 - New Annual Taxes DURING the Incentive: \$18,904 & Taxes after the Incentive EXPIRES: \$53,939

# **NEZ Acreage Status:**9

**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

Horton North End NEZ:

Total Acreage for the Entire City of Detroit:

0.341 acres
88,260<sup>11</sup>

Total Acreage Remaining 7,597.64 Total Acreage Designated 5,642.12

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

**Attachment:** April 22, 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

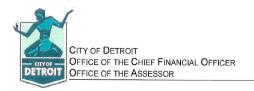
Malinda Jensen, DEGC Kenyetta Bridges, DEGC Jennifer Kanalos, DEGC Brian Vosburg, DEGC

-

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

<sup>&</sup>lt;sup>10</sup> MCL 207.773 (2)

<sup>&</sup>lt;sup>11</sup> 88,260 Acres = 137.90625 Square Miles



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

FAX: 313•224•9400

April 22, 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 – Horton North End
Property Address: 503, 509, 515, 521 Horton & 7414 Beaubien
Parcel ID: 03001849.001, 03001850., 03001851., 03001852., 03001849.001
The Beauton LLC

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed Horton North End Neighborhood Enterprise Zone submitted by The Beauton LLC for the neighborhood located in the North End 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 5 vacant and improved parcels with a total of 0.341 acres of land. The developer intends to demolish the two existing structures and construct a 3-story, 24-unit residential apartment building, which will also include first floor retail and parking. The current True Cash Value of the proposed area is \$53,123. 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 Horton North End 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 **North End 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



COLEMAN A. YOUNG MUNICIPAL CENTER 2 WOODWARD AVE., SUITE 824 DETROIT, MI 48226

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Neighborhood Enterprise Zone Horton North End area Page 3

Parcel: 03001849.002L Owner: THE BEAUTON LLC Property Address: 503 HORTON

Legal Description: N HORTON S 62 FT 123 HIBBARD BAKERS L7 P90 PLATS, W C R 3/90 29 X 62

Parcel: 03001850. Owner: THE BEAUTON LLC Property Address: 509 HORTON

Legal Description: N HORTON 124 HIBBARD BAKERS L7 P90 PLATS, W C R 3/90 30 X 125

Parcel: 03001851. Owner: THE BEAUTON LLC Property Address: 515 HORTON

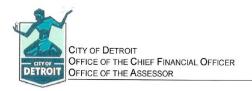
Legal Description: N HORTON 125 HIBBARD BAKERS L7 P90 PLATS, W C R 3/90 30 X 125

Parcel: 03001852. Owner: THE BEAUTON LLC Property Address: 521 HORTON

Legal Description: N HORTON 126 HIBBARD BAKERS L7 P90 PLATS, W C R 3/90 30 X 125

Parcel: 03001849.001 Owner: THE BEAUTON LLC Property Address: 7414 BEAUBIEN

Legal Description: N HORTON N 63 FT 123 HIBBARD BAKERS L7 P90 PLATS, W C R 3/90 29 X 63



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Neighborhood Enterprise Zone Horton North End area Page 4

