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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 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,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

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 AMI⁵ (area median income).

DEGC Project Evaluation Checklist

503 Horton

Developer: Charles A Dickerson III

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	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)
Unit Configuration	15 studios, 5 furnished micro-units, 2 two-bdrm, 2 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

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

Project Description	
<p>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.</p>	
Sources and Uses	
Total Investment	\$3.5M
Sources	\$1.7M Liberty Bank (49%), \$250k Detroit Development Fund (7%), \$450k Pace (13%), \$550k MEDC Grant (16%), \$524k Owner's Equity (15%)
Uses	\$220k Acquisition (6%), \$2.7M Hard Construction (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 Rendering⁶

⁶ 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
<u>Subtotal Benefits</u>	<u>\$572,395</u>
Cost of Providing Municipal Services	(\$10,762)
Cost of Providing Utility Services	(\$23,019)
<u>Subtotal Costs</u>	<u>(\$33,780)</u>
Net Benefits	\$538,614

⁷ Location Map courtesy of DEGC

Incentive Summary over the First 15 Years

	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	\$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)

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	\$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 Incentive⁸

Project: Lafayette West NEZ

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

Charts courtesy of DEGC

⁸ 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.”*¹⁰

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

Horton North End NEZ: 0.341 acres
Total Acreage for the Entire City of Detroit: 88,260¹¹

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

⁹ This is a ballpark estimate by LPD, based on current available data.

¹⁰ MCL 207.773 (2)

¹¹ 88,260 Acres = 137.90625 Square Miles



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

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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
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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 **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



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Neighborhood Enterprise Zone
Horton North End area
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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
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