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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: September 22, 2021 

RE: Establishment of a **Neighborhood Enterprise Zone**, as requested by **225 E Edsel Ford, LLC** in the Medbury Park area

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.

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 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

225 E Edsel Ford, LLC

225 E Edsel Ford, LLC, is the project developer and owner of the property located at 225 E Edsel Ford, with a proposed area that consists of vacant lot owned by Detroit’s Planning & Development Department, with a total of 0.162 acres of land that is proposed for a NEZ. The developer plans to construct a 5-story mixed use development with first floor retail and approximately 19 apartment units on the property located in the Henry Ford area.

The owner plans for 20% of the rental units to be priced for residents within 80% of AMI⁵ (area median income). Construction is scheduled to begin in August 2021, with an anticipated completion date of March 2023.

Building Use

Total Number of Residential Units	19 Units (20% of the units affordable @ 80% AMI)
Unit Configuration	10 one-bdrm, 9 two-bdrm
Unit Affordability @ 80% AMI	<u>2 one-bdrm, 2 two-bdrm</u>
Other Sq. Ft.	739 Sq. Ft. Retail

DEGC Project Evaluation Checklist

225 E Edsel Ford

Developer: Dang Duong/Alex Periera

Development Firm: SRG Partners

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	225 E Edsel Ford
City Council District	District 5
Neighborhood	Milwaukee Junction
Building Use	
Total Number of Residential Units	19 Units (20% of the units affordable @ 80% AMI)
Unit Configuration	10 one-bdrm, 9 two-bdrm
Unit Affordability @ 80% AMI	2 one-bdrm, 2 two-bdrm
Other SqFt	739 SqFt Retail

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	
The proposed development is a 17,105-SF, five-story, 19-unit, mixed-use, new construction apartment building with ground floor retail at 225 E Edsel Ford Fwy in Detroit's Milwaukee Junction. 225 E Edsel Ford is currently a vacant lot owned by Detroit's Planning & Development Department. The development team has a letter of interest from Capital Impact Partners for a construction loan of up to \$2.8 million, part of which would come from the Diversity in Development – Detroit Loan Fund for minority developers. This project will add \$3.34 million of investment in Detroit, and 20% of the rental residential units will be affordable to those who earn 80% of AMI. The developer plans to start construction in August 2021 and complete the development by March 2023. The neighborhood currently comprises of empty surface lots, several low-rise apartment buildings, two churches, a few dilapidated and vacant properties, and a handful of small businesses and retail.	
Sources and Uses	
Total Investment	\$3.4M
Sources	\$1.0M Capital Impact Partners – Detroit Loan Fund (30%), Capital Impact Partners - \$1.8M Loan (54%), \$539k Owner's Equity (16%)
Uses	\$50k Land Acquisition (1.5%), \$2.7M Hard Construction (79%), \$0.6M Soft Costs (15%)
Project Benefits	
Estimated Jobs	1 FTE, 15 Construction Jobs
Estimated City benefits before tax abatement	\$564,833
Total estimated City value of NEZ	\$174,315
Less cost of services & utility deductions	\$33,780
Net Benefit to City with abatements	\$356,737

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

	Amount
Real Property Taxes, before abatement	\$331,849
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$7,575
Municipal Income Taxes - Indirect Workers	\$1,929
Municipal Income Taxes - Corporate Income	\$3,891
Municipal Income Taxes - Construction Period	\$17,054
Municipal Income Taxes - New Res. Inhabitants	\$134,217
Utility Revenue	\$23,019
Utility Users' Excise Taxes	\$1,653
State Revenue Sharing - Sales Tax	\$6,345
Building Permits and Fees	\$28,389
Miscellaneous Taxes & User Fees	\$8,911
Subtotal Benefits	\$564,833
Cost of Providing Municipal Services	(\$10,762)
Cost of Providing Utility Services	(\$23,019)
Subtotal Costs	(\$33,780)
Net Benefits	\$531,052

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	\$564,833	(\$33,780)	(\$174,315)	\$0	\$0	\$356,737
Wayne County	\$81,341	(\$2,068)	(\$42,636)	\$0	\$0	\$36,636
Detroit Public Schools	\$322,272	(\$15,077)	(\$151,614)	\$0	\$0	\$155,582
State Education	\$59,289	\$0	(\$29,342)	\$0	\$0	\$29,947
Wayne RESA	\$53,996	\$0	(\$26,731)	\$0	\$0	\$27,265
Wayne County Comm. College	\$32,024	\$0	(\$15,860)	\$0	\$0	\$16,164
Wayne County Zoo	\$988	\$0	(\$492)	\$0	\$0	\$496
Detroit Institute of Arts	\$1,976	\$0	(\$976)	\$0	\$0	\$1,000
Total	\$1,116,719	(\$50,925)	(\$441,966)	\$0	\$0	\$623,828

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	\$519,075	(\$33,780)	(\$150,279)	\$0	\$0	\$335,016
Library	\$45,758	\$0	(\$24,036)	\$0	\$0	\$21,722
Wayne County	\$81,341	(\$2,068)	(\$42,636)	\$0	\$0	\$36,636
Detroit Public Schools	\$322,272	(\$15,077)	(\$151,614)	\$0	\$0	\$155,582
State Education	\$59,289	\$0	(\$29,342)	\$0	\$0	\$29,947
Wayne RESA	\$53,996	\$0	(\$26,731)	\$0	\$0	\$27,265
Wayne County Comm. College	\$32,024	\$0	(\$15,860)	\$0	\$0	\$16,164
Wayne County Zoo	\$988	\$0	(\$492)	\$0	\$0	\$496
Detroit Institute of Arts	\$1,976	\$0	(\$976)	\$0	\$0	\$1,000
Total	\$1,116,719	(\$50,925)	(\$441,966)	\$0	\$0	\$623,828

Conclusion

The investment in this project is estimated at \$3.4 million. The proposed tax abatement is projected to be worth a tax savings of \$441,966 to the new resident owners. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit of **\$356,737** and over **\$623,828** to all the impacted taxing units, in addition to one (1) FTE, 15 temporary construction jobs & new 19 housing units.

DEGC Chart of Taxes Before, During & After the Incentive⁶

Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive
City of Detroit	\$695	\$5,986
Library	\$111	\$958
Wayne County	\$194	\$1,662
Detroit Public Schools	\$744	\$6,409
State Education	\$144	\$1,241
Wayne RESA	\$131	\$1,129
Wayne County Comm. College	\$78	\$670
Wayne County Zoo	\$2	\$20
Detroit Institute of Arts	\$5	\$42
Total	\$2,104	\$18,117

Charts courtesy of DEGC

⁶ Existing Annual Taxes: \$2,104 - New Annual Taxes DURING the Incentive: \$18,117 & Taxes after the Incentive EXPIRES: \$50,069

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

Edsel Ford Neighborhood NEZ: 0.162 acres

Total Acreage for the Entire City of Detroit: 88,260⁹

Total Acreage Remaining 7,591.16

Total Acreage Designated 5,647.84

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

Attachment: August 16, 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

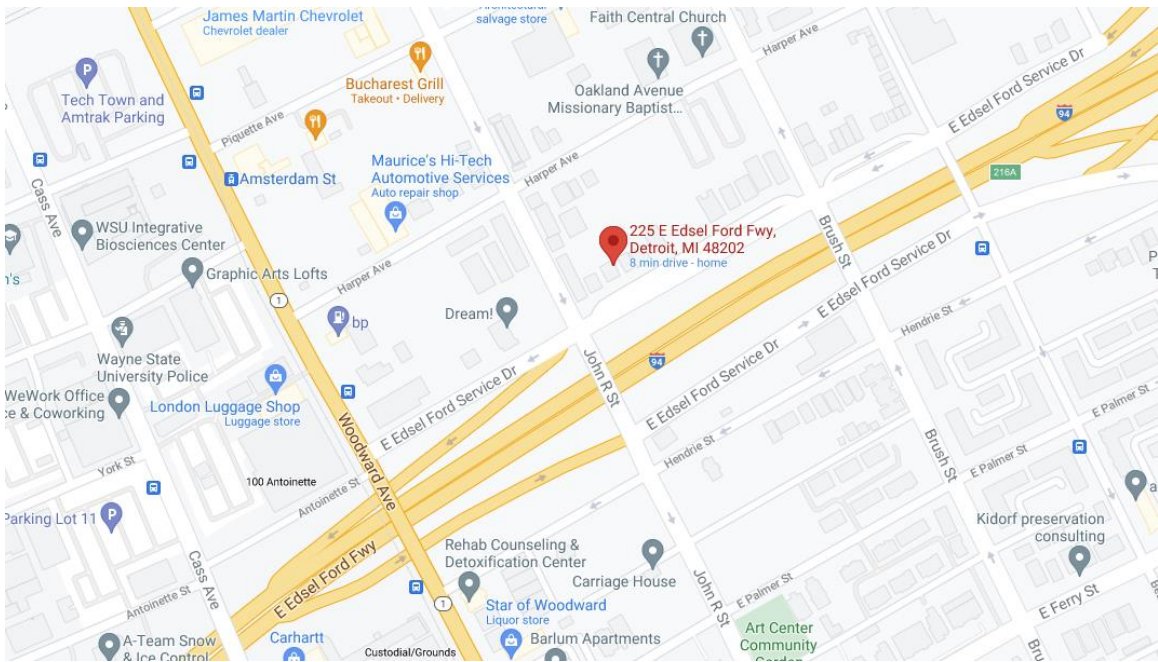
⁷ This is a ballpark estimate by LPD, based on current available data.

⁸ MCL 207.773 (2)

⁹ 88,260 Acres = 137.90625 Square Miles



Current Condition of 225 E Edsel Ford



Map of Area

Photo and Map courtesy of DEGC



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

August 16, 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 – Edsel Ford**
Property Address: 225 E Edsel Ford
Parcel ID: 01001668.
Owner: City of Detroit

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed **Edsel Ford Neighborhood Enterprise Zone**, located at 225 E Edsel Ford, submitted by 225 E Edsel Ford LLC for the neighborhood located in the **Medbury 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 with a total of 0.162 acres of land. The developer intends to construct a 5-story mixed use development with first floor retail and approximately 19 apartment units. The current True Cash Value of the proposed area is \$11,431. 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
Edsel Ford
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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.

The property is currently owned by the City of Detroit and has tax-exempt status. The State Tax Commission (STC) has determined that the proposed developer may proceed with obtaining local approval of the NEZ district prior to acquiring title to the property, but that any certificate requests will be denied until a transfer has occurred.

Upon review, it has been determined that this proposed district located in the **Medbury 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



Neighborhood Enterprise Zone
Edsel Ford
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Parcel: 01001668.
Address: 225 E EDESEL FORD
Owner: CITY OF DETROIT
Legal Description: N EDESEL FORD E 23 ALEXANDER C MCGRAWS L4 P92 PLATS, W C R 1/89 50 X 141.11

