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City of Detroit

CITY COUNCIL

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TO: COUNCIL MEMBERS 

FROM: David Whitaker, Director
Legislative Policy Division Staff

DATE: October 27, 2021

RE: Establishment of a **Neighborhood Enterprise Zone**, as requested by **CCA Midtown Detroit LLC (City Club Apartments)** in the Midtown 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

CCA Midtown Detroit, LLC

CCA Midtown Detroit, LLC, is the project developer of the property located on five parcels in the Midtown area of Detroit. The proposed area consists of parking lots and vacant land with a total of 2.358 acres of land that is proposed for a NEZ. The developer plans to develop the property to include several multi-family facilities with 350 apartments, retail, and 186 parking spaces.⁵ The owner plans for 20% of the rental units to be priced for residents within 80% of AMI⁶ (area median income).

Despite the fact that the project includes an investment of \$96.8 million, which exceeds the minimum Community Benefits Ordinance (CBO) threshold of \$75 million, Neighborhood Enterprise Zone tax abatement incentivized projects are not included in the CBO ordinance.⁷ In addition to the requested NEZ, the developer is also seeking assistance through a brownfield redevelopment plan.⁸

DEGC Project Evaluation Checklist

CCA Midtown

Developer: City Club Apartments Midtown, LLC

Principal: Jonathan Holtzmann

Neighborhood Enterprise Zone, PA 147 New – New allocation; exemption for the development of residential housing located within eligible distressed communities. Full taxable value taxed at discounted rate determined by the until the final three years when phase out occurs.	
Request Type	NEZ District
DEGC Recommendation	Approval of NEZ District
Location	
Address	90 Mack Ave (Corner of Mack and Woodward)
City Council District	District 6
Neighborhood	Brush Park
Building Use	
Total Rentable Square Foot	328,612
Retail Square Foot	31,196
Commercial Square Foot	10,316
Residential Square Foot	287,100

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 <https://www.mlive.com/business/2021/10/target-to-open-store-at-new-mixed-use-community-in-midtown-detroit.html>

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

⁷ CBO Ordinance Sec. 14-12-2(2)

⁸ Through the Brownfield Redevelopment Financing Act, Brownfield TIF allows applicable taxing jurisdictions to receive property taxes on the property at the current level and capture the incremental increase in tax revenue resulting from a redevelopment project.

Project Description	
City Club Apartments (CCA) Midtown will be a 2-acre mixed-use development that features three distinctly designed but interconnected buildings with public pocket parks anchoring the main corners and a feature art park in the center that will be open to the public on the weekends for organized community events. The proposed 300k+ square foot development will include 350 apartments and penthouses with resort class amenities. The apartments and penthouses will be supported by commercial space that makes live, work and entertain a reality via a national retailer with a grocery store and healthcare component, national bank, restaurant, and a café. CCA's unique mix of unit types will offer rental apartments with resort class amenities at reasonable market rents and will include 70 affordable units at 80% AMI. City Club Apartments currently partners with Detroit at Work to advertise job openings at our 4 existing communities in Detroit. Midtown will be no different. City Club Apartments Midtown has already reached out to Detroit at work and will look to engage with the community and hire locally prior to opening in 2023.	
Sources and Uses	
Total Investment	\$96.8M
Sources	\$74.2M Senior Debt (77%), \$5.0M CDFI Loan (5%), \$5.0M CRP Loan (5%) \$12.6M Owner Equity (13%)
Uses	\$400k Acquisition (0%), \$74.2M Hard Construction (76%), \$22.2M Soft Costs (23%)
Project Benefits	
Estimated Jobs	60 FTE's + 130 temporary construction jobs
Estimated City benefits before tax abatement	\$9,057,285
Total estimated City value of NEZ	\$2,552,620
Total estimated City value of TIF Capture	\$2,454,674
Less cost of services & utility deductions	\$20,752
Net Benefit to City with abatements	\$4,029,238

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

	Amount
Real Property Taxes, before abatement	\$5,907,950
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	\$388,682
Municipal Income Taxes - New Res. Inhabitants	\$2,388,893
Utility Revenue	\$20,752
Utility Users' Excise Taxes	\$0
State Revenue Sharing - Sales Tax	\$0
Building Permits and Fees	\$351,008
Miscellaneous Taxes & User Fees	\$0
<u>Subtotal Benefits</u>	<u>\$9,057,285</u>
Cost of Providing Municipal Services	\$0
Cost of Providing Utility Services	(\$20,752)
<u>Subtotal Costs</u>	<u>(\$20,752)</u>
Net Benefits	\$9,036,533

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	\$9,057,285	(\$20,752)	(\$2,552,620)	\$0	(\$2,454,674)	\$4,029,238
Wayne County	\$1,410,717	\$0	(\$623,237)	\$0	(\$786,978)	\$501
Detroit Public Schools	\$5,252,785	\$0	(\$2,136,870)	\$0	(\$1,758,205)	\$1,357,710
State Education	\$1,055,557	\$0	(\$429,393)	\$0	(\$625,789)	\$375
Wayne RESA	\$960,645	\$0	(\$390,777)	\$0	(\$569,526)	\$341
Wayne County Comm. College	\$570,141	\$0	(\$231,982)	\$0	(\$337,957)	\$202
Wayne County Zoo	\$17,593	\$0	(\$7,172)	\$0	\$0	\$10,420
Detroit Institute of Arts	\$35,185	\$0	(\$14,344)	\$0	\$0	\$20,841
Total	\$18,359,908	(\$20,752)	(\$6,386,396)	\$0	(\$6,533,130)	\$5,419,630

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	\$8,242,641	(\$20,752)	(\$2,200,641)	\$0	(\$1,992,281)	\$4,028,966
Library	\$814,644	\$0	(\$351,979)	\$0	(\$462,393)	\$272
Wayne County	\$1,410,717	\$0	(\$623,237)	\$0	(\$786,978)	\$501
Detroit Public Schools	\$5,252,785	\$0	(\$2,136,870)	\$0	(\$1,758,205)	\$1,357,710
State Education	\$1,055,557	\$0	(\$429,393)	\$0	(\$625,789)	\$375
Wayne RESA	\$960,645	\$0	(\$390,777)	\$0	(\$569,526)	\$341
Wayne County Comm. College	\$570,141	\$0	(\$231,982)	\$0	(\$337,957)	\$202
Wayne County Zoo	\$17,593	\$0	(\$7,172)	\$0	\$0	\$10,420
Detroit Institute of Arts	\$35,185	\$0	(\$14,344)	\$0	\$0	\$20,841
Total	\$18,359,908	(\$20,752)	(\$6,386,396)	\$0	(\$6,533,130)	\$5,419,630

Charts courtesy of DEGC

Conclusion

The investment in this project is estimated at \$96.8 million. The proposed tax abatement is projected to be worth a tax savings of **\$6,386,396** to the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit of **\$4,029,238** and over **\$5,419,630** to all the impacted taxing units, in addition to 60 FTE, 130 temporary construction jobs & 350 new housing units, after accounting for the tax abatement *and* the Brownfield TIF.

DEGC Chart of Taxes Before, During & After the Incentive⁹

	Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive
City of Detroit	\$70,166	\$92,324	\$299,033
Library	\$11,223	\$11,223	\$47,828
Wayne County	\$19,434	\$19,434	\$82,823
Detroit Public Schools	\$72,362	\$104,369	\$308,389
State Education	\$14,541	\$14,541	\$61,971
Wayne RESA	\$13,234	\$13,234	\$56,399
Wayne County Comm. College	\$7,854	\$7,854	\$33,473
Wayne County Zoo	\$242	\$487	\$1,033
Detroit Institute of Arts	\$485	\$975	\$2,066
Total	\$209,541	\$264,442	\$893,015

⁹ Existing Annual Taxes: \$209,541 - New Annual Taxes DURING the Incentive: \$264,442 & Taxes after the Incentive EXPIRES: \$893,015

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

Woodward/Mack NEZ: 2.358 acres

Total Acreage for the Entire City of Detroit: 88,260¹²

Total Acreage Remaining 7,588.80

Total Acreage Designated 5,650.20

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

Attachment: June 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

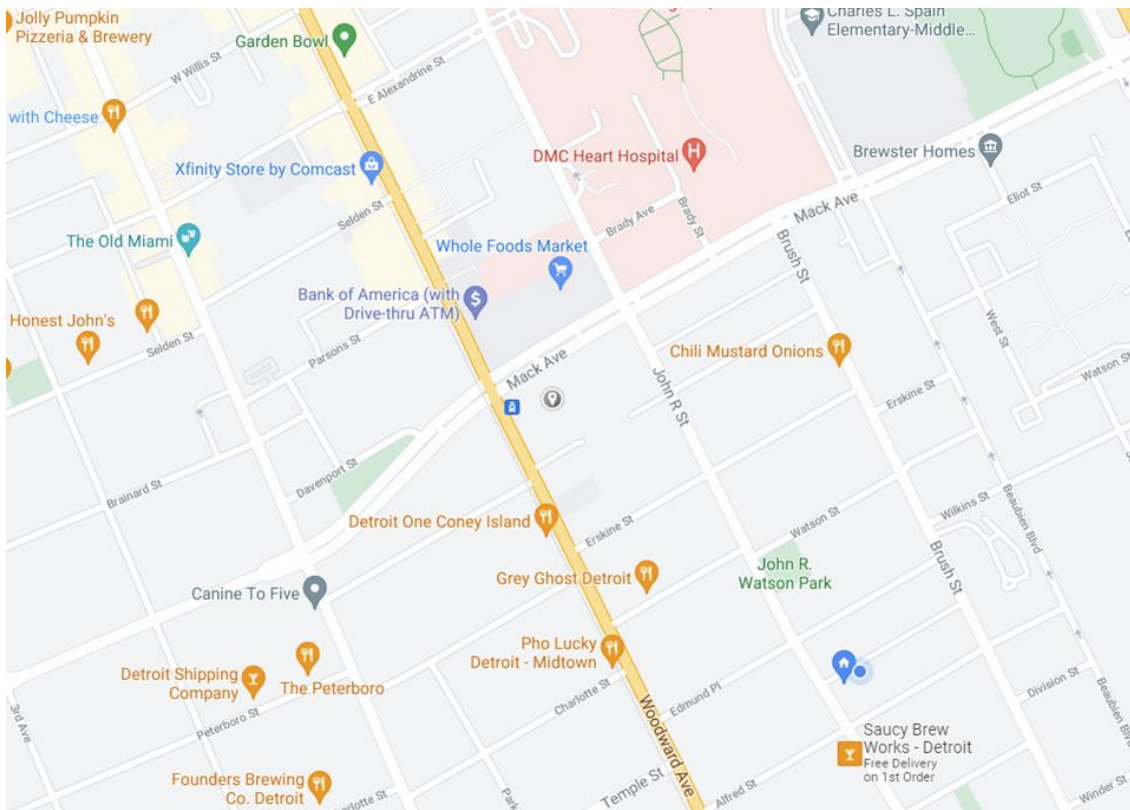
¹⁰ This is a ballpark estimate by LPD, based on current available data.

¹¹ MCL 207.773 (2)

¹² 88,260 Acres = 137.90625 Square Miles



Rendering of the development¹³



Map of Area¹⁴

¹³ (Artist rendition via Identity PR/Mark Winter) **Target to open store at new mixed-use community in Midtown Detroit** By Edward Pevos, MLive Oct. 25, 2021 <https://www.mlive.com/business/2021/10/target-to-open-store-at-new-mixed-use-community-in-midtown-detroit.html>

¹⁴ 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

June 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 – Woodward/Mack**
Property Address: see attached list
Parcel ID: see attached list
CCA Midtown Detroit LLC

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed **Woodward/Mack Neighborhood Enterprise Zone**, located in the **Midtown** 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 parking lots and vacant land on five parcels with a total of 2.358 acres of land. The developer, **CCA Midtown Detroit LLC**, intends to develop the property to include multiple multi-family facilities with 350 apartments, retail and 186 parking spaces. The current True Cash Value of the proposed area is \$5,838,095 and contains approximately 2.358 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
Woodward/Mack 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 **Midtown 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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OFFICE OF THE CHIEF FINANCIAL OFFICER
OFFICE OF THE ASSESSOR

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Neighborhood Enterprise Zone
Woodward/Mack Area
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Parcel: 01004187.004
Address: 90 MACK
Owner: WOODWARD MACK 22 LLC
Legal Description: S MACK --- PT OF LOTS 4, 16-17, ALL OF LOTS 5-7 & 14-15, ALL OF VAC ALLEY BLK 13 BRUSH'S SUB L.8 P.12 W C R ; COMM FROM NW COR OF SD LOT 14 TH N 60D 17M E 164.32 FT; TH S 26D 12M 01S E 300.08 FT; TH S 60D 17M W 164.41 FT; TH N 26D 12M 01S W 300.08 FT TO POB --- 1.13 ACRES

Parcel: 01004187.008
Address: 3540 WOODWARD AVENUE
Owner: WOODWARD MACK 22 LLC
Legal Description: E WOODWARD --- PT OF LOT 11, ALL OF LOTS 12-13 BLK 13 BRUSH'S SUB L.8 P.12 W C R; DESC AS: COMM FROM NE COR OF SD LOT 13 TH S 26D 12M 01S E 137.56 FT; TH S 60D 17M W 158.75 FT; TH N 26D 10M 19S W 137.56 FT; TH N 60D 17M E 158.68 FT TO POB --- .5 ACRES

Parcel: 01004187.009
Address: 80 MACK
Owner: WOODWARD ELIOT LLC
Legal Description: S MACK --- N 137.56 FT OF VAC ALLEY LYING BTW MACK AVE (120 FT WD) & VAC ELIOT ST (60 FT WD) ADJ TO LOTS 12-13 & PT OF LOT 11 BLK 13 BRUSH'S SUB L.8 P.12 W C R --- .063 ACRES

Parcel: 01004185.
Address: 3510 WOODWARD AVENUE
Owner: WOODWARD ELIOT LLC
Legal Description: E WOODWARD PT OF LOTS 8 THRU 11 DESC AS BEG AT NE COR WOODWARD AVE 120 FT WD & ELIOT AVE 60 FT WD TH N 26D 24M 30S W 162.50 FT ALG E LINE WOODWARD AVE TH N 60D 13M E 98.76 FT TH S 26D 16M E 62.50 FT TH S 60D 13M W 0.25 FT TH S 26D 16M E 100 FT TH S 60D 12M 30S W 98.11 FT ALG N LINE ELIOT AVE TO P O B BLK 13 BRUSH SUB L1 P286 PLATS, W C R 1/104 15,960 SQ FT 162.50 IRREG

Parcel: 01004186-0
Address: 33 ELIOT
Owner: WOODWARD ELIOT LLC
Legal Description: E WOODWARD PT OF LOTS 8 THRU 11 ALSO VAC ALLEY ADJ DESC AS BEG AT A PTE IN N LINE ELIOT AVE 60 FT WD DIST N 60D 12M 30S E 98.11 FT FROM E LINE WOODWARD AVE 120 FT WD TH N 26D 16M W 100 FT TH N 60D 13M E 0.25 FT TH N 26D 16M W 62.50 FT TH N 60D 13M E 80 FT TH S 26D 24M E 162.50 FT TH S 60D 12M 30S W 80.74 FT ALG N LINE ELIOT AVE TO P O B BLK 13 BRUSH SUB L1 P286 PLATS, W C R 1/104 13,032 SQ FT