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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 21, 2022

RE: Establishment of a **Neighborhood Enterprise Zone (PA 147 of 1992)**, as requested by **8484 Brainard LLC** in the Midtown area

### **Neighborhood Enterprise Zone Act (Public Act 147 of 1992)**

The Neighborhood Enterprise Zone Act (NEZ), 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,<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>

### 8484 Brainard LLC

8484 Brainard LLC is the project developer of the requested NEZ district that consists of three vacant lots on 0.435 acres of land, located at 496, 504 Brainard and 3740 Second, that is proposed for a NEZ. The developer plans to construct a four-story building, with 57 apartments, first floor retail, and 44 parking spaces. 12 of the 57 units will be set aside as affordable (21%).<sup>5</sup>

#### DEGC Project Evaluation Checklist 3740 Second Mixed-Use New Construction

**Developer:** Greatwater Capital

**Principles:** Jed Howbert & Matt Temkin

<b>Neighborhood Enterprise Zone, PA 147 New</b> – 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.	
<b>DEGC Recommendation</b>	<b>Approval of the NEZ District</b>
<b>Request Type</b>	<b>NEZ District</b>
<b>Location</b>	
Address	3740 Second
City Council District	District 5
Neighborhood	Midtown
<b>Building Use</b>	
Residential Square Footage	25,410
Retail Square Footage	3,000
Parking Spaces	44; SD2 Zoning does not require retail parking
<b>Project Description</b>	
3740 Second Avenue is a 4-story mixed-use new construction development at the corner of 2 <sup>nd</sup> Ave and Brainard St. This new construction development will create 57 residential studio and one-bedroom units and 3,000 SqFt of commercial space to be used for added amenities for the residents and surrounding community. 20% of the residential units are income restricted for residents making 80% AMI or below and the remaining units are below 120% AMI to create workforce housing. The developer has recently completed construction and is leasing two nearby buildings at: 3444 Second Ave and 686 Brainard. The adjacent property at 8484 Brainard is being renovated and will be complete by June 2022.	
<b>Rental Breakdown</b>	
Total Units	57 Residential Units
Affordable Units	7 Studio units; 5 one-bdrm units = 12 units at 80% AMI
Studio	26 units, 370sf; \$1,150/mo rent
1 Bedroom	19 units, 550sf; \$1,400/mo rent

<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> Affordable Units: 7 Studio units; 5 one-bdrm units = 12 units at 80% AMI

<b>Project Costs</b>	
Total Investment	\$11.8M
Uses	\$9.3M Hard Construction (79%), \$2.5M Soft Costs (21%)
Sources	\$5.9M Equity (50%); \$5.9 million (50%)
<b>Project Benefits (15 years)</b>	
Estimated jobs	0 FTE, 30 construction jobs
Estimated city benefits before tax abatement	<b>\$1,722,614</b>
Total nominal value of NEZ	<b>\$467,834</b>
Less cost of services & utility deductions	<b>\$411,013</b>
Net benefit to city	<b>\$843,767</b>

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

	Amount
Real Property Taxes, before abatement	\$825,042
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	\$30,004
Municipal Income Taxes - New Res. Inhabitants	\$345,166
Utility Revenue	\$411,013
Utility Users' Excise Taxes	\$5,389
State Revenue Sharing - Sales Tax	\$0
Building Permits and Fees	\$106,000
Miscellaneous Taxes & User Fees	\$0
<b>Subtotal Benefits</b>	<b>\$1,722,614</b>
Cost of Providing Municipal Services	\$0
Cost of Providing Utility Services	(\$411,013)
<b>Subtotal Costs</b>	<b>(\$411,013)</b>
Net Benefits	\$1,311,601

**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	\$1,722,614	(\$411,013)	(\$467,834)	\$0	\$0	\$843,767
Wayne County	\$196,835	\$0	(\$114,187)	\$0	\$0	\$82,648
Detroit Public Schools	\$733,533	\$0	(\$391,663)	\$0	\$0	\$341,870
State Education	\$147,405	\$0	(\$78,710)	\$0	\$0	\$68,695
Wayne RESA	\$133,942	\$0	(\$71,508)	\$0	\$0	\$62,434
Wayne County Comm. College	\$79,545	\$0	(\$42,467)	\$0	\$0	\$37,078
Wayne County Zoo	\$2,449	\$0	(\$1,309)	\$0	\$0	\$1,140
Detroit Institute of Arts	\$4,901	\$0	(\$2,620)	\$0	\$0	\$2,281
<b>Total</b>	<b>\$3,021,223</b>	<b>(\$411,013)</b>	<b>(\$1,170,298)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,439,913</b>

Charts courtesy of DEGC

## Conclusion

The investment in this project is estimated at **\$11.8 million**. The proposed tax abatement is projected to be worth a tax savings of **\$1,170,298** to the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit of **\$843,767** and over **\$1,439,913** to all the impacted taxing units, in addition to 0 FTEs and 30 temporary construction jobs & new housing units.

### DEGC Chart of Taxes Before, During & After the Incentive<sup>6</sup>

	Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive
City of Detroit	\$13,347	\$31,638	\$60,521
Library	\$2,135	\$5,061	\$9,680
Wayne County	\$3,694	\$8,661	\$16,748
Detroit Public Schools	\$13,764	\$32,627	\$62,415
State Education	\$2,766	\$6,556	\$12,542
Wayne RESA	\$2,513	\$5,958	\$11,397
Wayne County Comm. College	\$1,493	\$3,539	\$6,768
Wayne County Zoo	\$46	\$109	\$208
Detroit Institute of Arts	\$92	\$218	\$417
<b>Total</b>	<b>\$39,850</b>	<b>\$94,367</b>	<b>\$180,697</b>

*Chart courtesy of DEGC*

### NEZ Acreage Status:<sup>7</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>8</sup>

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

**Second/Brainard NEZ:** **0.435 acres**  
**Total Acreage for the Entire city of Detroit:** **88,260**<sup>9</sup>

**Total Acreage Remaining**      **7,582.00** <sup>10</sup>  
**Total Acreage Designated**      **5,657.00** <sup>11</sup>

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

**Attachment:** May 10, 2022- Letter from Finance Assessors

<sup>6</sup> Existing Annual Taxes: \$39,850 - New Annual Taxes DURING the Incentive: \$94,367 & Taxes after the Incentive EXPIRES: \$180,697

<sup>7</sup> This is a ballpark estimate by LPD, based on current available data.

<sup>8</sup> MCL 207.773 (2)

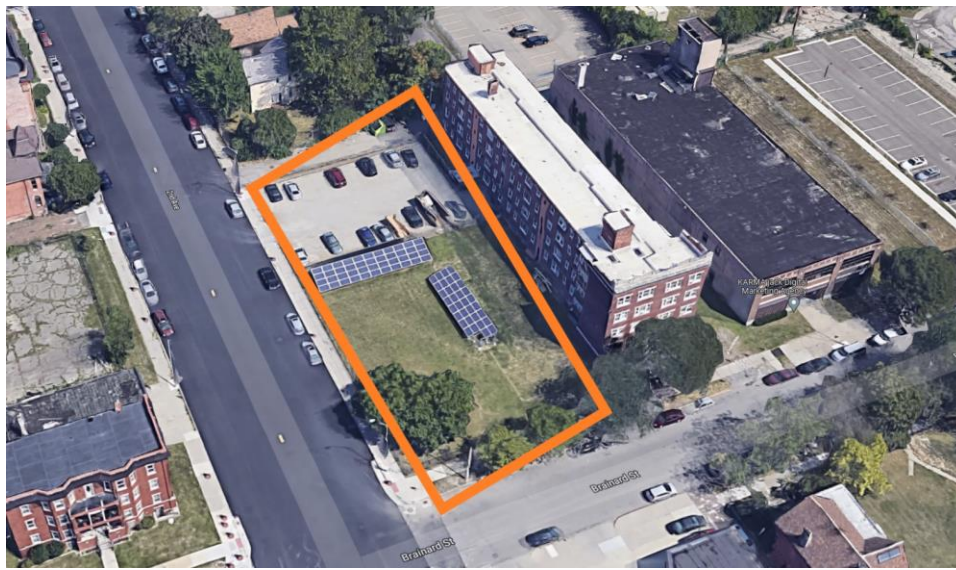
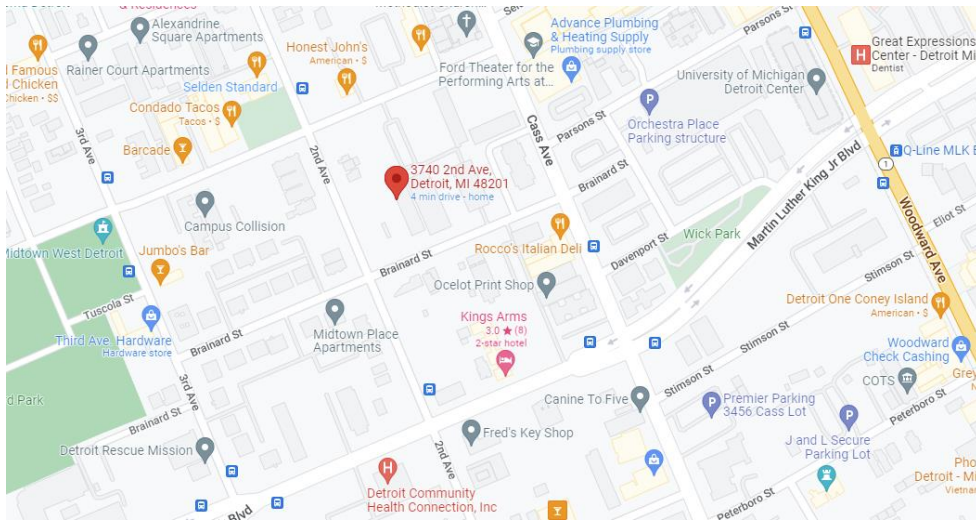
<sup>9</sup> 88,260 Acres = 137.90625 Square Miles

<sup>10</sup> 57% of total NEZ acreage remaining (9% of the total acreage of the entire city of Detroit)

<sup>11</sup> 43% of total NEZ acreage designated (6% of the total acreage of the entire city of Detroit)

cc:

Auditor General's Office  
Donald Rencher, Chief of Services and Infrastructure  
Antoine Bryant, Planning and Development Department  
Julie Schneider, HRD  
Veronica Farley, HRD  
Stephanie Grimes Washington, Mayor's Office  
Gail Fulton, Mayor's Office  
Malinda Jensen, DEGC  
Kenyetta Bridges, DEGC  
Jennifer Kanalos, DEGC  
Brian Vosburg, DEGC



Site at located at 496, 504 Brainerd and 3740 Second in the Midtown area<sup>12</sup>

<sup>12</sup> Map and photo 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

May 10, 2022

Katy Trudeau, Deputy Director  
Planning & Development Department  
Coleman A. Young Municipal Center  
2 Woodward Ave, Suite 808  
Detroit, MI 48226

RE: **Neighborhood Enterprise Zone – Second/Brainard**  
**Property Address: 3740 Second, 504 Brainard, 496 Brainard**  
**Parcel ID: 02002351-2, 02000773., 02000774.**  
**8484 Brainard LLC**

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed **Second/Brainard Neighborhood Enterprise Zone**, located at 3740 Second, 504 Brainard, and 496 Brainard, submitted by **8484 Brainard LLC** for the neighborhood 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 three vacant land parcels. The owner intends to develop the property to construct a four-story mixed-use structure with first-floor retail, 57 apartments units, and 44 parking spaces. The current True Cash Value of the proposed area is \$923,059 and contains approximately 0.435 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.





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Neighborhood Enterprise Zone  
Second/Brainard  
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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 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



Neighborhood Enterprise Zone  
Second/Brainard  
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PARCEL ID: 02002351-2  
PROPERTY ADDRESS: 3740 SECOND  
OWNER NAME: 8484 BRAINARD LLC  
LEGAL DESCRIPTION: E SECOND BLVD N 70 FT 17-18 BLK 91--SUB PT CASS FARM L1 P175-7 PLATS, W C R 2/103 70 X 99.8

PARCEL ID: 02000773.  
PROPERTY ADDRESS: 504 BRAINARD  
OWNER NAME: 8484 BRAINARD LLC  
LEGAL DESCRIPTION: N BRAINARD S 120 FT 17 BLK 91--SUB PT CASS FARM L1 P175-6 PLATS, W C R 2/103 49.8 X 120

PARCEL ID: 02000774.  
PROPERTY ADDRESS: 496 BRAINARD  
OWNER NAME: 8484 BRAINARD LLC  
LEGAL DESCRIPTION: N BRAINARD S 120 FT 18 BLK 91--SUB PT CASS FARM L1 P175-6 PLATS, W C R 2/103 50 X 120

