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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 **Trumbull Properties LLC** in the Woodbridge 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>

### **Trumbull Properties LLC**

Trumbull Properties LLC is the project developer of the requested NEZ district that consists of three vacant lots on a total of 0.227 acres of land located at 4503, 4515 Trumbull and 1520 Lysander, that is proposed for a NEZ. The developer plans to construct two three-unit buildings, and one four-unit building for a project totaling 10 residential townhome units. All units will be owner-occupied and will include modern two-bedroom floorplans and finishes, with private entries, garages, and balconies. The units will range in size from approximately 1,378 square feet to 1,424 square feet, and will also include energy efficient-heating, cooling and ventilation systems, energy efficient windows and doors, kitchen and bathroom cabinetry, appliances and fixtures, and internal stairwells.

### **DEGC Property Tax Abatement Evaluation**

**Property Address:** 4503, 4515 Trumbull + 1520 Lysander  
**Developer:** Trumbull Properties Inc.  
**Development Team Principal(s):** Lawrence Mio  
**Prepared By:** Kaci Jackson

<b>Description of Incentive:</b>	
<b>DEGC Abatement Term Recommendation</b>	<b>15 years</b>
<b>Location</b>	
Address	4503, 4515 Trumbull + 1520 Lysander
City Council District	6
Neighborhood	Woodbridge
Located in HRD/SNF Targeted Area	
<b>Building Use</b>	
Total Residential Square Footage	13,964
Total Retail Square Footage	NA
Parking Spaces	
Number of Residential Units	10
Number of Affordable Residential Units	NA

<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.

<b>Project Description</b>		
Trumbull Properties Inc. has acquired 3 lots at the northwest corner of Trumbull and Lysander and have plans to develop two three-unit buildings, and one four-unit building for a project totaling 10 residential townhome units. Units will range in size from approximately 1,378 square feet to 1,424 square feet. All units will be owner-occupied and include modern two-bedroom floorplans and finishes, private entry, exit, and garage, individual second story-balconies, energy efficient-heating, cooling and ventilation systems, energy efficient windows and doors, kitchen and bathroom cabinetry, appliances and fixtures, and internal stairwells.		
<b>Underwriting Metrics Summary</b>	<b>Performance w/ Abatement</b>	<b>Performance w/o Abatement</b>
Avg Sale Price of Condo	\$444,340	\$444,340
Monthly P & I	\$2,135.84	\$2,135.84
Monthly RE Tax	\$323.63	\$1,288.98
Total Monthly Burden Less Insurance	\$2,459.47	\$3,424.82
<b>Sources and Uses of Capital Summary</b>		
Total Investment	\$4.2M	
Sources	\$3.165M Sr. Loan (75%) \$1.055 Equity (25%)	
Uses	\$3.4M Hard Costs (80%) \$684K Soft Costs (16.11%) \$160K Acquisition (3.79%)	
<b>Project Economic Benefits Summary</b>		
Estimated Jobs (FTE/Construction)	0 FTE, 35 Construction Jobs	
Estimated City benefits before tax abatement	\$1,664,158	
Total estimated City value of NEZ abatement	<b>\$788,587</b>	
Net Benefit to City with NEZ abatement	<b>\$830,724</b>	

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

	Amount
Real Property Taxes, before abatement	\$1,290,278
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	\$12,970
Municipal Income Taxes - Construction Period	\$35,004
Municipal Income Taxes - New Res. Inhabitants	\$213,830
Utility Revenue	\$31,111
Utility Users' Excise Taxes	\$13,530
State Revenue Sharing - Sales Tax	\$7,249
Building Permits and Fees	\$51,480
Miscellaneous Taxes & User Fees	\$8,706
<b>Subtotal Benefits</b>	<b>\$1,664,158</b>
Cost of Providing Municipal Services	(\$13,736)
Cost of Providing Utility Services	(\$31,111)
<b>Subtotal Costs</b>	<b>(\$44,847)</b>
<b>Net Benefits</b>	<b>\$1,619,311</b>

Chart 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	\$1,664,158	(\$44,847)	(\$788,587)	\$0	\$0	\$830,724
Wayne County	\$309,625	(\$1,797)	(\$192,134)	\$0	\$0	\$115,695
Detroit Public Schools	\$516,489	(\$16,988)	(\$288,710)	\$0	\$0	\$210,791
State Education	\$230,525	\$0	(\$133,255)	\$0	\$0	\$97,270
Wayne RESA	\$209,471	\$0	(\$121,098)	\$0	\$0	\$88,373
Wayne County Comm. College	\$124,399	\$0	(\$71,896)	\$0	\$0	\$52,503
Wayne County Zoo	\$3,831	\$0	(\$2,226)	\$0	\$0	\$1,605
Detroit Institute of Arts	\$7,665	\$0	(\$4,425)	\$0	\$0	\$3,240
<b>Total</b>	<b>\$3,066,163</b>	<b>(\$63,632)</b>	<b>(\$1,602,331)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,400,200</b>

### Conclusion

The investment in this project is estimated at **\$4.2 million**. The proposed tax abatement is projected to be worth a tax savings of **\$1,602,331** to the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit of **\$830,724** and over **\$1,400,200** to all the impacted taxing units, in addition to 0 FTEs and 35 temporary construction jobs & new housing units.

### DEGC Chart of Taxes Before, During & After the Incentive<sup>5</sup>

	Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive
City of Detroit	\$142	\$16,852	\$65,753
Library	\$23	\$2,695	\$10,517
Wayne County	\$39	\$4,540	\$18,196
Detroit Public Schools	\$146	\$7,652	\$29,608
State Education	\$29	\$3,493	\$13,627
Wayne RESA	\$27	\$3,173	\$12,382
Wayne County Comm. College	\$16	\$1,886	\$7,353
Wayne County Zoo	\$0	\$57	\$226
Detroit Institute of Arts	\$1	\$117	\$453
<b>Total</b>	<b>\$423</b>	<b>\$40,464</b>	<b>\$158,115</b>

*Charts courtesy of DEGC*

<sup>5</sup> Existing Annual Taxes: \$423 - New Annual Taxes DURING the Incentive: \$40,464 & Taxes after the Incentive EXPIRES: \$158,115

**NEZ Acreage Status:**<sup>6</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>7</sup>

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

**Trumbull Lysander NEZ: 0.227 acres**

**Total Acreage for the Entire city of Detroit: 88,260**<sup>8</sup>

**Total Acreage Remaining 7,582.44**<sup>9</sup>

**Total Acreage Designated 5,656.56**<sup>10</sup>

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

**Attachment:** June 16, 2022- Letter from Finance Assessors

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

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<sup>6</sup> This is a ballpark estimate by LPD, based on current available data.

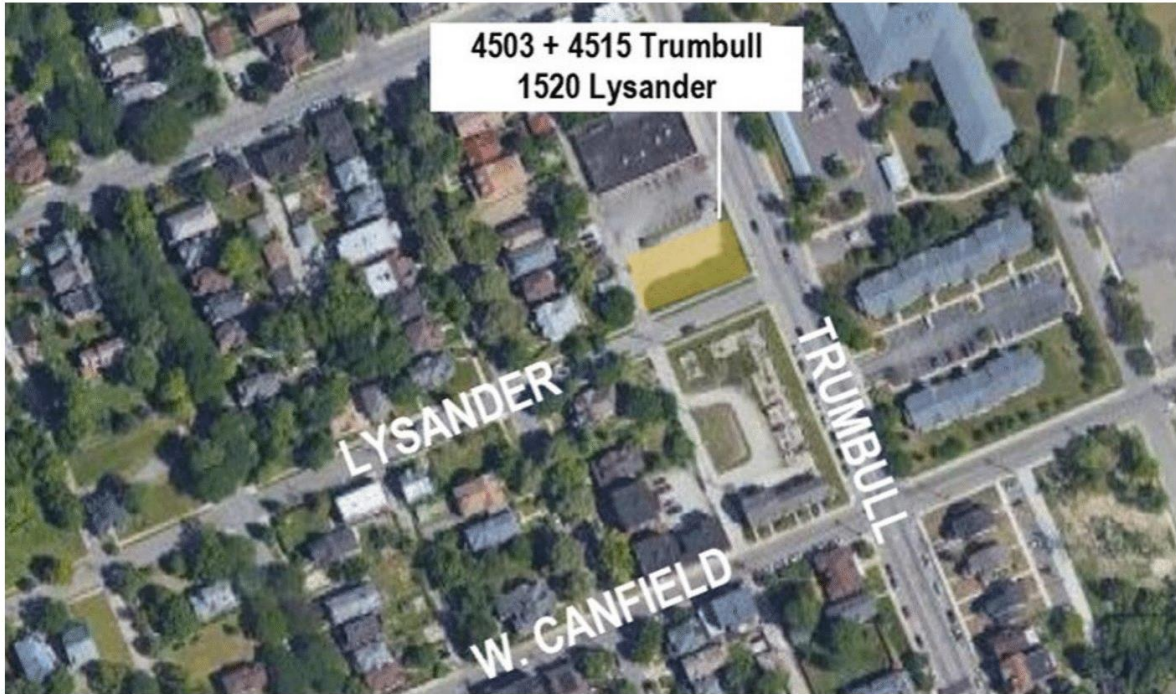
<sup>7</sup> MCL 207.773 (2)

<sup>8</sup> 88,260 Acres = 137.90625 Square Miles

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

<sup>10</sup> 43% of total NEZ acreage designated (6% of the total acreage of the entire city of Detroit)

Site Map



Existing Conditions



Site at located at 4503, 4515 Trumbull and 1520 Lysander in the Woodbridge area<sup>11</sup>

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<sup>11</sup> Photos courtesy of DEGC



**Rendering of the completed project<sup>12</sup>**

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<sup>12</sup> Rendering 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

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June 17, 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 – Trumbull Lysander**  
**Property Address: 4503/4515 Trumbull/1520 Lysander**  
**Parcel ID: 08005871/08005872/08001275**  
**United Hospitality Management**

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed **Trumbull Lysander Neighborhood Enterprise Zone**, located at **4503/4515 Trumbull/1520 Lysander**, submitted by **United Hospitality Management** for the neighborhood located in the **Woodbridge** 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 district as proposed by **United Hospitality Management (an affiliate of Trumbull Properties LLC)** currently consists of three vacant lots on a total of 0.227 acres of land. The proposed project consists of construction two five-unit condo buildings with private entries, garages, and balconies. The current True Cash Value for the district is \$62,904. 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.





Neighborhood Enterprise Zone  
Trumbull Lysander  
Page 2

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 of project details and relevant statutes, it has been determined that this proposed district located in the **Woodbridge area** is eligible for designation as a Neighborhood Enterprise Zone per PA 147 of 1992, as amended.

Sincerely,

A handwritten signature in blue ink, appearing to read "Charles Ericson".

Charles Ericson, MMAO  
Assessor, Board of Assessors



Neighborhood Enterprise Zone  
Trumbull Lysander  
Page 3

Property Address: 4503 TRUMBULL  
Parcel Number: 08005872.  
Property Owner: TRUMBULL PROPERTIES LLC  
Legal Description: W TRUMBULL E 87.18 FT OF S 46 FT 1 BLK 14 AVERY & MURPHYS SUB L9 P42 PLATS, W C R 8/52  
46 X 87.18

Property Address: 4515 TRUMBULL  
Parcel Number: 08005871.  
Property Owner: TRUMBULL PROPERTIES LLC  
Legal Description: W TRUMBULL S 26 FT 2 N 4 FT 1 BLK 14 AVERY & MURPHYS SUB L9 P42 PLATS, W C R 8/52 30 X  
130

Property Address: 1520 LYSANDER  
Parcel Number: 08001275.  
Property Owner: TRUMBULL PROPERTIES LLC  
Legal Description: N LYSANDER W 42.82 FT OF S 46 FT 1 BLK 14 AVERY & MURPHYS SUB L9 P42 PLATS, W C R 8/52  
46 X 42.82

