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TO: COUNCIL MEMBERS 

FROM: David Whitaker, Director
Legislative Policy Division Staff

DATE: June 19, 2019

RE: Establishment of a Neighborhood Enterprise Zone as requested by
Wellesley Propco, LLC, in the area of 651 W. Hancock

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 which 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.

¹ As defined in Section 2 (k) MCL 207.772

Downtown Revitalization District

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*.² The Act as modified, defines "qualified downtown revitalization district" as an area located within the boundaries of one or more of the following:

- A downtown district, as defined in the Downtown Development Authority Act.³
- A principal shopping district or a business improvement district as defined in the principal shopping district Act (BID Act).⁴
- An area of the local unit zoned and primarily used for business, as determined by the local governmental unit.⁵

651 W. Hancock

The project to be completed on 651 W. Hancock. The Sturgeon Bay Partners acquired the Wellesley in October 2018. They are looking to apply their historic preservation and rehabilitation experience to activate a building that has been neglected for decades. Rehabilitation work to include, but not be limited to: removing and replacing the front entrance step / masonry / structural work, roof replacement, new plumbing, tuckpointing, common area upgrades (lobby / hallways), electrical upgrades, new kitchens / bathrooms, and landscaping. By investing significant capital in building repairs and unit upgrades, the Sturgeon Bay Partners are seeking to deliver a quality product to the market at affordable rents. The abatement will support the investment needed to rehabilitate the building.

Housing Breakdown

Total Units 28 units (\$1.58 rent psf)
 Studio 14 units, 600sf, \$895/mo rent
 1 Bedroom 14 units, 700sf, \$1,136-\$1,170/mo rent

Incentive Summary Over the First 15 Years

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Personal Property Tax Abatement	Enter Incentive Description*	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$1,029,219	(\$69,433)	(\$311,185)	\$0	\$0	\$648,601
Wayne County	\$164,741	(\$1,383)	(\$90,439)	\$0	\$0	\$72,919
Detroit Public Schools	\$607,754	\$0	(\$248,501)	\$0	\$0	\$359,253
State Education	\$117,630	\$0	(\$48,097)	\$0	\$0	\$69,533
Downtown Dev. Authority	\$0	\$0	\$0	\$0	\$0	\$0
Wayne RESA	\$107,127	\$0	(\$43,803)	\$0	\$0	\$63,325
Wayne County Comm. College	\$63,536	\$0	(\$25,979)	\$0	\$0	\$37,557
Wayne County Zoo	\$1,960	\$0	(\$802)	\$0	\$0	\$1,159
Detroit Institute of Arts	\$3,921	\$0	(\$1,603)	\$0	\$0	\$2,318
Total	\$2,095,889	(\$70,817)	(\$770,407)	\$0	\$0	\$1,254,665

² In its letter of June 4, 2019, the Finance Department Assessors Division indicated that this proposed district located in the Midtown Area, is eligible for a NEZ designation, per the NEZ statute.

³ PA 197 of 1975, MCL 125.1651 - 125.1681

⁴ Principal shopping Districts and Business Improvements Districts Act 120 of 1961, MCL 125.981 - 125.990n

⁵ Under the DDA Act, "downtown district" means that part of an area in a business district that is specifically designated by ordinance of the governing body of the municipality pursuant to the Act. A downtown district may include one or more separate and distinct geographic areas in a business district as determined by the municipality.

Conclusion

This project is estimated at a \$2.8 million investment and its projected positive cost benefit to the City of Detroit is \$648,601 and over \$1.25 million to all of the impacted taxing units, in addition to the development of 28 new housing units, create approximately 1 FTE and 15 construction jobs.

NEZ Acreage Status:⁶

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."*⁷

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

651 W. Hancock:	0.29 acres
<u>Total Acreage for the Entire City of Detroit:</u>	<u>88,260</u> ⁸

Total Acreage Remaining	7,839.98
Total Acreage Designated:	5,399.02

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

Attachment: June 4, 2019 Letter from Finance Assessors

cc: Auditor General's Office
Arthur Jemison, Chief of Services and Infrastructure
Maurice Cox, Planning and Development Department
Donald Rencher, HRD
Dinah Bolton, Planning and Development Department
Stephanie Grimes Washington, Mayor's Office
Malinda Jensen, DEGC
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC

⁶ This is a ballpark estimate by LPD, based on current available data.

⁷ MCL 207.773 (2)

⁸ 88,260 Acres = 137.90625 Square Miles



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

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June 4, 2019

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

RE: Neighborhood Enterprise Zone – Wellesley Propco LLC
Property Address: 651 W. Hancock
Parcel ID: 04000990.

Mr. Cox:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed **The Wellesley Neighborhood Enterprise Zone**, located in the **Midtown** area in the City of Detroit. The developer's proposed plan is to rehabilitate the apartment building.

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.

Wellesley Propco LLC plans to rehabilitate the apartment building with 12,569 square foot, three-stories, built in 1919 with 28 residential units. Twenty percent of the apartments will be offered at affordable rates. Rehabilitation will include façade restoration, electrical upgrades, plumbing upgrades, roof work, front entrance masonry, window replacement and common area and unit upgrades. The current True Cash Value of the proposed area is \$297,800 and contains approximately .641 acres of land. The True Cash Value of this area would be expected to increase due to the rehabilitation and construction.

Per MCL 207.772 Sec.2 (m) "Rehabilitated facility" means an existing structure or a portion of an existing structure with a current true cash value of \$80,000.00 or less per unit that has or will have as its primary purpose residential housing, consisting of 1 to 8 units, the owner of which proposes improvements that if done by a licensed contractor would cost in excess of \$5,000.00 per owner-occupied unit or 50% of the true cash value, whichever is less, or \$7,500.00 per nonowner-occupied unit or 50% of the true cash value, whichever is less, or the owner proposes improvements that would be done by the owner and not a licensed contractor and the cost of the materials would be in excess of \$3,000.00 per owner-occupied unit or \$4,500.00 per nonowner-occupied unit and will bring the structure into conformance with minimum local building code standards for occupancy or improve the livability of the units while meeting minimum local building code standards. Rehabilitated facility also includes an individual condominium unit, in a structure with 1 or more condominium units that has as its primary purpose residential housing, the owner of which proposes the above described improvements. Rehabilitated facility also includes existing or proposed condominium units in a qualified historic building with 1 or more existing or proposed condominium units. Rehabilitated facility does not include a facility rehabilitated with the proceeds of an insurance policy for property or casualty loss. A qualified historic building may contain multiple rehabilitated facilities.



Neighborhood Enterprise Zone
Wellesley Propco LLC
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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 **The Wellesley Neighborhood Enterprise Zone** 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

mmp



Neighborhood Enterprise Zone
Wellesley Propco LLC
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Parcel Number	Property Address	Owner Name	Current Use	2019 TCV	Taxable Value	Acres
04000990.	651 W. Hancock	Wellesley Propco LLC	Apartment Building	\$1,167,600	\$583,800	.227

Legal Description: S HANCOCK 40 E 20 FT 39 WM A BUTLERS SUB L11 P89 PLATS, W C R 4/46 60 X 165

The legal description matches the NEZ district request.

