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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director  
Legislative Policy Division Staff 

DATE: July 15, 2019

RE: Establishment of a Neighborhood Enterprise Zone as requested by  
Corktown Lofts, LLC, in the area of 1720 W. Fort

**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,<sup>1</sup> a NEZ may contain less than 10 platted parcels if the platted parcels together contain 10 or more facilities.

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<sup>1</sup> 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*.<sup>2</sup> 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.<sup>3</sup>
- A principal shopping district or a business improvement district as defined in the principal shopping district Act (BID Act).<sup>4</sup>
- An area of the local unit zoned and primarily used for business, as determined by the local governmental unit.<sup>5</sup>

### 1720 W. Fort

The project to be completed is located at 1720 W. Fort. Corktown Lofts LLC, an affiliate of Bedrock, is the project developer. The project encompasses the rehabilitation of a historic building, to transform it into a mixed-use development with 2 floors of residential apartments, office space, and retail space. In the 4-story building, the 4th floor will be rehabilitated and a new 5th floor will be added and will contain the residential floors.

The rest of the building will also be rehabilitated, but no tax incentive has been requested by the developer to support the commercial or retail portions of the building.

### Affordable Housing

The Detroit City Council has expressed an interest in there being an affordable component included with tax incentivized housing projects. In July of 2017, the Council approved the Affordable Housing Agreement with Bedrock and the City of Detroit. We provided the Council a comprehensive review of the agreement in the Legislative Policy Division Report, "A Review of the Affordable Housing Agreement with Bedrock,"<sup>6</sup> dated July 19, 2017. In the agreement, Bedrock committed to provide one unit of affordable housing for each unit of housing it develops (20%). Bedrock further committed that at least 20% of the units will be "affordable," at or below 80% of the Area Median Income<sup>7</sup> (AMI) for 30 years. The project developer

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<sup>2</sup> In its letter of February 11, 2019, the Finance Department Assessors Division indicated that this proposed district located in the Westside Industrial Area, to create 33 residential units, is eligible for a NEZ designation, per the NEZ statute.

<sup>3</sup> PA 197 of 1975, MCL 125.1651 - 125.1681

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

<sup>5</sup> 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.

<sup>6</sup> <http://www.detroitmi.gov/Portals/0/docs/Legislative%20Policy%20Reports/2017/Affordable%20Housing%20Bedrock.pdf?ver=2017-07-20-094414-037>

<sup>7</sup> According to HUD, 80% of AMI for the Detroit-Warren-Livonia Metro Area is \$38,450.

Corktown Lofts LLC (a subsidiary of Bedrock) needs to express how they intend to meet the aforementioned affordable housing commitment in relationship to this project.

**In the agreement, Bedrock committed to meet its 20% affordable threshold two ways:**

1. **New Affordable Units** – Developing new affordable units at the same time new market rate units are being developed.
2. **Preservation Projects** – Preserving existing affordable housing at the end of its affordability period, so that it stays affordable and the do not convert to market rate units and reduce the affordable housing stock. 30-40% AMI households.

All of the affordable units will be provided within the “Affordable Housing Priority Area”, defined as the Downtown, Midtown, New Center, and Corktown areas, where affordable housing needs to be developed and preserved. The Affordable Housing Priority Area is illustrated below<sup>8</sup>:



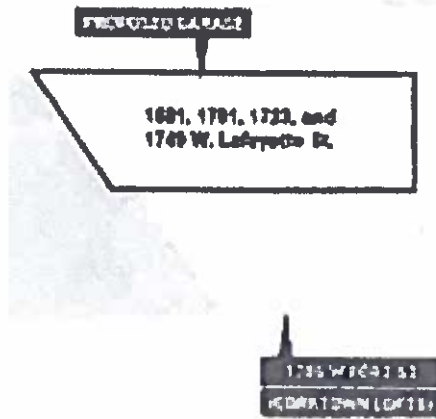
Source: COMMITMENT TO AFFORDABLE HOUSING, Bedrock Detroit

Additionally, the developer will be seeking the assistance of a PA 210 abatement for an accompanying parking structure, located adjacent to the property and the addresses are below (*The 465 space parking structure is not a part of the current request*):

- **1681 and 1749 W. Lafayette St.** are commercial real property used as surface parking lots prior to acquisition by Corktown Lofts, LLC. Accordingly, each parcel meets the definition of a “qualified facility” as “vacant property which, within the immediately preceding 15 years, was commercial property...”
- **1701 and 1723 W. Lafayette St.** were both single story commercial warehouses that were demolished in August 2018 after acquisition by Corktown Lofts, LLC. Accordingly, each parcel meets the definition of a “qualified facility” as “vacant property which, within the immediately preceding 15 years, was commercial property...”

<sup>8</sup> Source: Bedrock Detroit's presentation to the Detroit City Council, “COMMITMENT TO AFFORDABLE HOUSING” (Page 8)

**Area of the Proposed New Parking Structure (Covered under a PA210)**



**DEGC Project Evaluation Checklist**  
**Corktown Lofts**  
 Developer: Corktown Lofts LLC  
 Principal: Bedrock

<b>Neighborhood Enterprise Zone Act, PA 147 of 1992 as amended – current taxes frozen at pre-rehab values, local taxes abated for up to 15 years, phase out in final 3 years</b>	
<b>Request Type</b>	<b>NEZ District</b>
<b>DEGC Recommendation</b>	<b>15 Years</b>
<b>Location</b>	
Address	1720 W. Fort
City Council District	District 6
Neighborhood	Corktown
Located in HRD Targeted Area	Yes, Greater Downtown
<b>Building Use</b>	
Total Rentable Square Feet	108,830
Residential Square Feet	31,657
Commercial + Retail Square Feet	77,173
<b>Total Investment</b>	<b>\$42.5MM</b>
<b>Project Benefits</b>	
Estimated Jobs	0 (analysis only concerns residential component)
Estimated City benefits before tax abatement	\$4,738,635
Total estimated City value of NEZ abatement	<b>\$1,302,108</b>
Less cost of services & utility deductions	<b>\$2,087,558</b>
<b>Net Benefit to City</b>	<b>\$1,348,970</b>

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

	Amount
Real Property Taxes, before abatement	\$1,709,734
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	\$200,588
Municipal Income Taxes - New Res. Inhabitants	\$421,698
Utility Revenue	\$2,087,558
Utility Users' Excise Taxes	\$0
State Revenue Sharing - Sales Tax	\$0
Building Permits and Fees	\$319,057
Miscellaneous Taxes & User Fees	\$0
<u>Subtotal Benefits</u>	<u>\$4,738,635</u>
Cost of Providing Municipal Services	\$0
Cost of Providing Utility Services	(\$2,087,558)
<u>Subtotal Costs</u>	<u>(\$2,087,558)</u>
Net Benefits	\$2,651,077

## 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	\$4,738,635	(\$2,087,558)	(\$1,302,108)	\$0	\$0	\$1,348,970
Wayne County	\$434,971	\$0	(\$335,811)	\$0	\$0	\$99,160
Detroit Public Schools	\$1,678,190	\$0	(\$1,221,119)	\$0	\$0	\$457,070
State Education	\$324,811	\$0	(\$236,346)	\$0	\$0	\$88,465
Wayne RESA	\$211,353	\$0	(\$160,274)	\$0	\$0	\$51,078
Wayne County Comm College	\$175,441	\$0	(\$127,658)	\$0	\$0	\$47,783
Wayne County Zoo	\$5,414	\$0	(\$3,939)	\$0	\$0	\$1,474
Detroit Institute of Arts	\$10,827	\$0	(\$7,878)	\$0	\$0	\$2,949
<b>Total</b>	<b>\$7,579,641</b>	<b>(\$2,087,558)</b>	<b>(\$3,395,134)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,096,950</b>

## Conclusion

This project is estimated at a \$42.5 million investment and the abatement is estimated to be worth the developer a savings of \$3.39 million. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit is **\$1.34 million** and over **\$2 million** to all of the impacted taxing units, in addition to 33 new housing units.

### NEZ Acreage Status:<sup>9</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>10</sup>*

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

<b>1720 W. Fort:</b>	<b>0.751 acres</b>
<b><u>Total Acreage for the Entire City of Detroit:</u></b>	<b><u>88,260<sup>11</sup></u></b>

<b>Total Acreage Remaining</b>	<b>7,838.50</b>
<b>Total Acreage Designated:</b>	<b>5,400.50</b>

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

**Attachment:** February 11, 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

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<sup>9</sup> This is a ballpark estimate by LPD, based on current available data.

<sup>10</sup> MCL 207.773 (2)

<sup>11</sup> 88,260 Acres = 137.90625 Square Miles



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

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February 11, 2019

Mr. Maurice Cox  
Director, Planning & Development  
2 Woodward Ave, Suite 808  
Detroit, MI 48226

RE: **Neighborhood Enterprise Zone – Corktown Lofts LLC**  
Property Address: **1720 W. Fort Street**  
Parcel ID: **08000048.**

Mr. Cox:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the request for the proposed Corktown Lofts LLC **Neighborhood Enterprise Zone**, located in the **West Side Industrial** area in the City of Detroit. The owner's proposed plan is to rehabilitate the fourth floor and construct an additional floor to create 33 residential units in the building the vacant historic 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.

Corktown Lofts LLC overall project will be to rehabilitate the historic building and transform it into a mixed-use development with an anticipated 2 floors (33 units) of residential apartments, 2 floors of office space, 2 floors of retail space and below grade parking. The total building consists of a 4-story vacant retail building with 111,046 square feet of total above ground floor area. Corktown Lofts LLC proposes that the fourth floor of the building will be *rehabilitated* to create 22 residential units and a *new* fifth floor has been built above it with a plan to add 11 residential units. The current True Cash Value of the whole building is \$2,054,600 and contains approximately .751 acres of land. The True Cash Value of this area would be expected to increase due to the rehabilitation and new 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.



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Neighborhood Enterprise Zone  
Corktown Lofts 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 district located in the **West Side Industrial** area is eligible for designation as a Neighborhood Enterprise Zone per PA 147 of 1992, as amended.

Sincerely,

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

Charles Ericson, MMAO  
Assessor, Board of Assessors

mmp





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Neighborhood Enterprise Zone  
Corktown Lofts LLC  
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Parcel Number	Property Address	Owner Name	Current Use	2019 TCV	Taxable Value	Acres
08000048.	1702 W. Fort Street	Corktown Lofts LLC	Vacant 4 story building	\$2,054,600	\$205,926	.751

The legal description matches the NEZ district request.

