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TO: COUNCIL MEMBERS 
FROM: David Whitaker, Director
Legislative Policy Division Staff
DATE: November 5, 2019
RE: Establishment of a Neighborhood Enterprise Zone as requested by
Hunter Pasteur Homes Lafayette Park, LLC, at 1900 Pembridge (1100 St. Aubin)

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

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:

- 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

Hunter Pasteur Homes Lafayette Park, LLC

Hunter Pasteur Homes Lafayette Park, LLC, the project developer plans to develop 1900 Pembridge (1100 St. Aubin), "Pullman Parc," a planned 81-unit multifamily residential neighborhood located in the Lafayette Park neighborhood. The requested NEZ abatement will lower the monthly payment to the future homeowner without it which would make the homes unaffordable for some.

The current site plan consists of three building types: (1) **25 Parc Homes**, (2) **29 Townhomes** and (3) **27 Corner Flats**. The Parc Homes will consist of 2 and 3 bedroom designs, with 1 - 2 car garages, which will range from 1,310 to 2,096 square feet ('SF'). The Townhomes are planned in two, three, and four-bedroom floor plans. Each Townhome will feature expansive floor-to-ceiling windows, modern living spaces, an attached two-car garage, and an optional fourth floor penthouse with a rooftop terrace, and will range from 1,855 to 3,506 SF. The Corner Flats buildings will consist of 4 stories, with 1 bedroom floor plans on the 2nd, 3rd, and 4th stories, ranging from 640 to 935 SF, and a shared garage on the 1st story with 1 space allocated to each unit. The project was designed with a diverse assortment of housing types in order to appeal to individuals and families with broad age and income demographics. As such, the anticipated buyer groups consist of the following (1) existing Detroit residents; (2) primary or secondary residences for suburban transplants; and (3) a smaller percentage of out of state individuals relocating to Detroit.

The entire Pullman Parc project is a sizable housing development at East Lafayette and Saint Aubin streets across from the Dequindre Cut on the former site of the Friends School, which was demolished earlier this year. The multifamily project—a mix of 81 for-sale homes (*which is covered under the current NEZ request*) and 180 apartments—is a joint venture between Broder & Sachse Real Estate, Hunter Pasteur Homes, and Woodborn Partners. The entire Project's estimated to cost up to \$70 million to build.⁵ However, the current phase of the project subject to Council's approval, the 81 for sale units under the aforementioned NEZ request, are estimated at a cost of **\$40.7 million**.

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 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.

⁵ **Pullman Parc residences in Lafayette Park now for sale** By Aaron Mondry, *Curbed Detroit* Apr 24, 2019 <https://detroit.curbed.com/2019/4/24/18514116/pullman-parc-lafayette-park-for-sale-multifamily>

DEGC Project Evaluation Checklist

Pullman Parc For-Sale Residential
 Developer: Hunter Pasteur Homes
 Principal: Randy Wertheimer; Seth Herkowitz

Neighborhood Enterprise Zone Act, PA 147 of 1992 as amended – <i>new allocation</i> ; millage rate reduced to one half the state average tax rate. Rates are set annually by the State Tax Commission, currently the rate is 26.615.	
Request Type	District
DEGC Recommendation	Approval of NEZ NR District
Location	
Address	1100 St. Aubin
City Council District	District 5
Neighborhood	Lafayette Park
Located in HRD Targeted Area	No
Building Use	
Total Usable Square Foot	121,625
Residential Square Feet	121,625
Project Description	
<p>Pullman Parc ('PP') is a planned 81-unit multifamily residential neighborhood located in the Lafayette Park neighborhood, one of Detroit's most progressive districts for architecture. The abatement will lower the monthly payment to the future homeowner without which would make the homes unaffordable.</p> <p>The current site plan consists of three building typologies: (1) 25 Parc Homes, (2) 29 Townhomes and (3) 27 Corner Flats. The Parc Homes will consist of 2 and 3 bedroom layouts, 1 - 2 car garages, and will range from 1,310 to 2,096 square feet ('SF'). The Townhomes will consist of 2, 3, and 4 bedroom plans, 2 car garages, and will range from 1,855 to 3,506 SF. The Corner Flats buildings will consist of 4 stories, 1 bedroom layouts on the 2nd, 3rd, and 4th stories, ranging from 640 to 935 SF, and a shared garage on the 1st story with 1 space allocated to each unit. The diverse assortment of housing types appeals to a broad age and income demographic. As such, the anticipated buyer groups consist of the following (1) existing Detroit residents; (2) primary or secondary residences for suburban transplants; and (3) a smaller percentage of out of state relocations to Detroit.</p>	
Housing Breakdown	
Total Units	81 units; for sale product
Sources and Uses	
Total Investment	\$40.7M (\$503k/unit)
Uses	\$1.5M Acquisition (4%), \$37.5M Hard Construction (91%), \$1.9M Soft Costs (5%)
Project Benefits	
Estimated Jobs	7 FTE
Estimated City benefits before tax abatement	\$7,448,292
Total estimated City value of NEZ abatement	\$2,767,966
Less cost of services & utility deductions	\$65,490
Net Benefit to City	\$4,614,836

Location Map



Rendering⁶



⁶ Location map and rendering courtesy of the DEGC

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

	Amount
Real Property Taxes, before abatement	\$5,163,519
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$110,474
Municipal Income Taxes - Indirect Workers	\$0
Municipal Income Taxes - Corporate Income	\$29,293
Municipal Income Taxes - Construction Period	\$179,780
Municipal Income Taxes - New Res. Inhabitants	\$1,467,378
Utility Revenue	\$0
Utility Users' Excise Taxes	\$0
State Revenue Sharing - Sales Tax	\$38,616
Building Permits and Fees	\$405,000
Miscellaneous Taxes & User Fees	\$54,232
Subtotal Benefits	\$7,448,292
Cost of Providing Municipal Services	(\$65,490)
Cost of Providing Utility Services	\$0
Subtotal Costs	(\$65,490)
Net Benefits	\$7,382,802

Incentive Summary over the First 15 Years

	Additional Benefits		Real Property Tax Abatement	Business Personal Property Tax Abatement	Utility Users Tax & Corporation Income Tax Exemption	Net Benefits After Tax Abatements & Incentives
	Before Tax Abatements	Additional Costs		Property Tax	Property Tax	
City of Detroit	\$7,448,292	(\$65,490)	(\$2,767,966)	\$0	\$0	\$4,614,836
Wayne County	\$1,246,092	(\$9,684)	(\$675,001)	\$0	\$0	\$561,407
Detroit Public Schools	\$4,772,139	\$0	(\$2,430,954)	\$0	\$0	\$2,341,185
State Education	\$923,640	\$0	(\$470,511)	\$0	\$0	\$453,129
Wayne RESA	\$574,178	\$0	(\$300,352)	\$0	\$0	\$273,826
Wayne County Comm. College	\$498,889	\$0	(\$254,190)	\$0	\$0	\$244,699
Wayne County Zoo	\$15,394	\$0	(\$7,829)	\$0	\$0	\$7,565
Detroit Institute of Arts	\$30,788	\$0	(\$15,658)	\$0	\$0	\$15,130
Total	\$15,509,412	(\$75,174)	(\$6,922,461)	\$0	\$0	\$8,511,776

Charts courtesy of DEGC

Conclusion

The investment in this project is estimated at \$40.7 million. The proposed NEZ tax abatement is projected to be worth a savings of \$6,922,461 to the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit is \$4,614,836, and over \$8,511,776 to all of the impacted taxing units, in addition to 81 new housing units.

NEZ Acreage Status:⁷

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."*⁸

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

United Artist NEZ: 0.69 acres
Total Acreage for the Entire City of Detroit: 88,260⁹

Total Acreage Remaining 7,611.1
Total Acreage Designated: 5,627.9

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
Katy Trudeau, Planning and Development Department
Donald Rencher, HRD
Veronica Farley, HRD
Stephanie Grimes Washington, Mayor's Office
Malinda Jensen, DEGC
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC

⁷ This is a ballpark estimate by LPD, based on current available data.

⁸ MCL 207.773 (2)

⁹ 88,260 Acres = 137.90625 Square Miles



Rendering of the development at Pullman Parc ¹⁰

¹⁰ <https://www.pullmanparc.com/>



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 – Hunter Pasteur Homes Lafayette Park LLC
Property Address: 1900 Pembridge
Parcel ID: 09004424.002

Mr. Cox,

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed Pullman Parc Neighborhood Enterprise Zone, located in the Elmwood Park 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 vacant land on 3.240 acres with the buildings being demolished in 2019. The developer proposes to new construction of 81 for-sale condominium units under the Pullman Parc Wayne County Condominium Subdivision Plan No. 1115. The current True Cash Value of the proposed area is \$1,553,200 and contains approximately 3.240 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.

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.



Neighborhood Enterprise Zone
Hunter Pasteur Homes Lafayette Park LLC
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Upon review, it has been determined that this proposed district located in the Elmwood Park area is eligible for designation as a Neighborhood Enterprise Zone per PA 147 of 1992, as amended.

Sincerely,

A handwritten signature in cursive script, appearing to read "C. Ericson".

Charles Ericson, MMAO
Assessor, Board of Assessors

mmp



Neighborhood Enterprise Zone
 Hunter Pasteur Homes Lafayette Park LLC
 Page 3

Parcel Number	Property Address	Owner Name	TCV	Acres
09004424.002	1900 Pembridge	Lafayette Park Land Owner LLC	\$1,553,200	3.240

Legal Description: E ST AUBIN PART OF 12 AND 13 ELMWOOD PARK URBAN RENEWAL PLAT NO. 1 L89 P47 PLATS WCR, COMMENCING AT THE SOUTHWESTERLY CORNER OF SAID LOTS 12 AND 13 ALSO BEING THE INTERSECTION OF THE EASTERLY LINE OF ST AUBIN AVE (120 FT WD) AND THE NORTHERLY LINE OF LAFAYETTE AVE (120 FT WD), THENCE N59D51'50"E 114.15 FT TO POB, THENCE N 30D08'38"W 10.77 FT, THENCE 2.72 FT ALONG THE ARC OF A CURVE TO THE RIGHT, HAVING A RADIUS OF 62 FT, CENTRAL ANGLE OF 2D31'03" AND CHORD BEARING N 28D53'07"W 2.72 FT, THENCE N 27D37'35"W 100.95 FT, THENCE 15.81 FT ALONG A ARC OF A CURVE TO THE RIGHT, RADIUS OF 62 FT, CENTRAL ANGLE OF 14D36'32" AND CHORD BEARING N 20D19'19"W 15.77 FT, THENCE 31.58 FT ALONG A CURVE TO THE RIGHT, RADIUS OF 162 FT, CENTRAL ANGLE OF 11D10'06" AND CHORD BEARING N 07D26'0"W 31.53 FT, THENCE N 26D06'45"W 353.42 FT, THENCE S 62D11'44"W 22.28 FT, THENCE N 26D00'00"W 64.39 FT, THENCE N59D52'13"E 428.05 FT, THENCE S 26D08'02"E 317.61 FT, THENCE S 59D51'50"W 297.14 FT, THENCE S 30D06'10"E 20.66 FT, THENCE S 16D04'16"W 158.15 FT, THENCE S 30D08'10"E 129.65 FT, THENCE S 59D51'50"W 21.08 FT TO POB 3.240 ACRES

The legal description matches the NEZ district request.

