

David Whitaker, Esq.
Director
Irvin Corley, Jr.
Executive Policy Manager
Marcell R. Todd, Jr.
Senior City Planner
Janese Chapman
Deputy Director

John Alexander
LaKisha Barclift, Esq.
M. Rory Bolger, Ph.D., AICP
Elizabeth Cabot, Esq.
Tasha Cowan
Richard Drumb
George Etheridge
Deborah Goldstein

City of Detroit

CITY COUNCIL


LEGISLATIVE POLICY DIVISION

208 Coleman A. Young Municipal Center
Detroit, Michigan 48226

Phone: (313) 224-4946 Fax: (313) 224-4336

Christopher Gulock, AICP
Derrick Headd
Marcel Hurt, Esq.
Kimani Jeffrey
Anne Marie Langan
Jamie Murphy
Kim Newby
Analine Powers, Ph.D.
Jennifer Reinhardt
Rebecca Savage
Sabrina Shockley
Thomas Stephens, Esq.
David Teeter
Theresa Thomas
Kathryn L. Underwood, MUP
Ashley A. Wilson

TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: March 4, 2020

RE: Establishment of a Neighborhood Enterprise Zone as requested by
Belcrest Apartment Acquisition, LLC, at 5540 Cass

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

Belcrest Apartment Acquisition, LLC

Belcrest Apartment Acquisition, LLC, the project developer plans to develop 5540 Cass, "The Belcrest Apartments." Located near Wayne State University and constructed in 1926, the building was originally established as a residential hotel, which catered to wealthy tenants and it was known as The Belcrest Apartment Hotel. The building is currently designated a federally registered historic building. Subsequent to its days as a luxury hotel, the property was converted into 142 apartments and 5,800 Sq. ft. of retail space. The property has not been updated since the conversion, which the developer estimates to have been completed in the late 60's or early 70's.

The Developer intends to invest over \$3,000,000 into the property to provide the existing residents and future residents with updated apartments and amenities. Along with those upgrades, the developer plans to invest to preserve the facade of the building along with upgrading the building's security. The developer also plans to relocate its property management office into the building, from outside of the city of Detroit, which will create four new employees in the city. Initially, the developer will offer its long-term residents a limited rent increase (depending upon the extent of renovations conducted for their apartment) and minimal annual rent increases to mitigate displacement. The developer plans on bringing this once proud historic building into the 21st century while maintaining its historic charm.

If approved by Council, the building will have over 154,800 square ft. of rentable space, consisting of 144,000 of residential and 10,800 square ft. of retail space. The entire project's cost is estimated at **\$21.8 million**, which includes the cost of acquisition.⁵ In addition to 85 parking spaces, the plan for the current project includes 142 apartment units, consisting of the following:

Rental Breakdown

Total Units	142 Units (\$1.35/sf)
Studio	12 units, 400sf, \$800-\$850/mo. rent
1 Bedroom	104 units, 500sf-900sf, \$850-\$1,050/mo. rent
2 Bedroom	22 units, 1,100sf-1,200sf, \$1,250-\$1,300/mo. rent
4 Bedroom	4 units, 2,500sf, \$1,600/mo. rent

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.

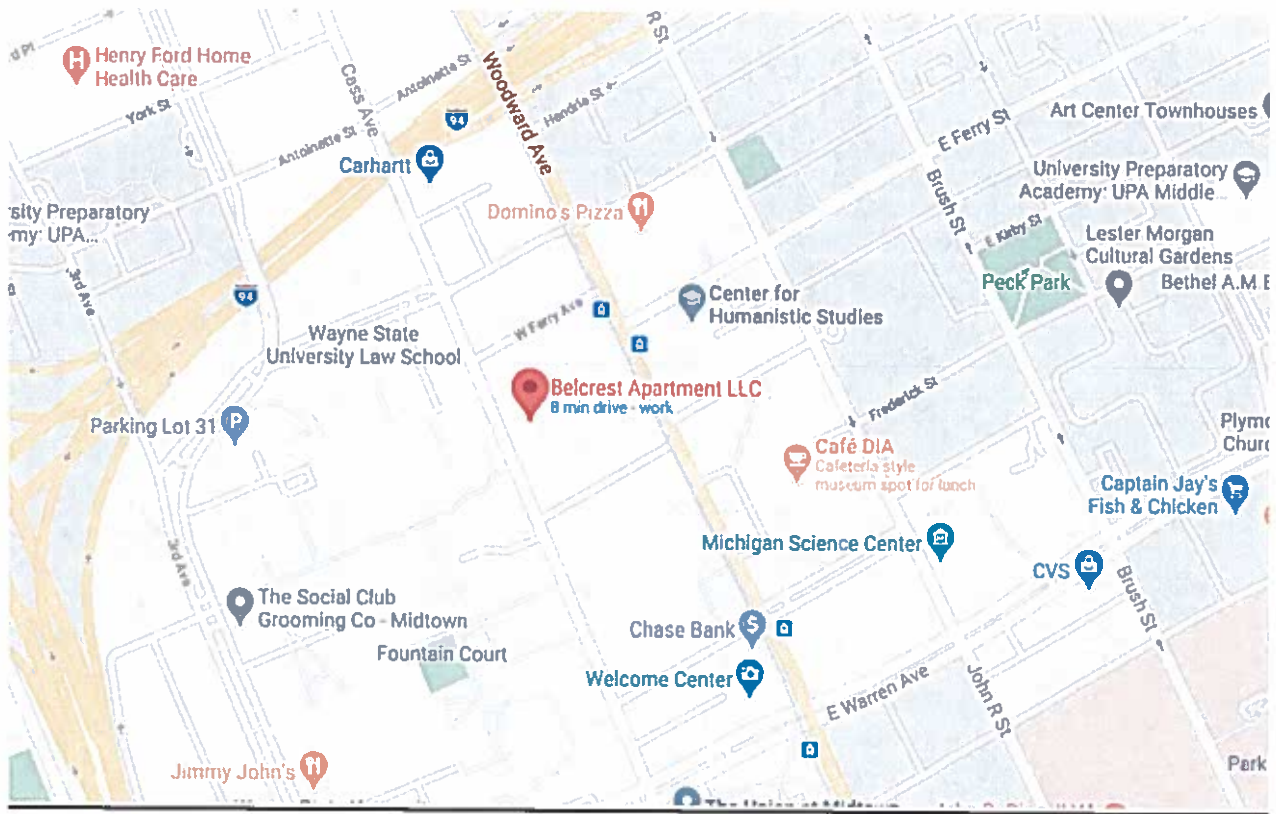
⁵ \$19M Acquisition (87%), \$2.3M Hard Construction (10%), \$565k Soft Costs (3%)

DEGC Project Evaluation Checklist
Belcrest Apartments Rehabilitation
Developer: Belcrest Apartment Acquisition LLC
Principle: Winfire Capital

Neighborhood Enterprise Zone, PA 147 of 1997 as amended – Current taxes frozen at pre-rehab construction values, local taxes abated for up to 15 years, years 13-15 have a phase out	
DEGC Recommendation	Approval of the NEZ District
Request Type	NEZ District
Location	
Address	5440 Cass
City Council District	District 6
Neighborhood	Wayne State
Building Use	
Total Rentable Square Footage	154,800
Residential Square Footage	144,000
Retail Square Footage	10,800
Parking Spaces	85
Project Description	
<p>The Belcrest Apartments building located at 5540 Cass is a federally registered historic building. Originally built as a hotel, the property was converted into 142 apartments and 5,800 Sq ft of retail space. The property has not been updated since the conversion, which the Developer estimates to have been completed in the late 60's or early 70's. The Developer intends to infuse over \$3,000,000 into the property to provide existing residents and future residents with updated apartments and amenities. Along with those upgrades the Developer plans on investing into the preservation of the facade along with upgrading the security of the building. The Developer also plans to move its property management office to the building, which will create four new employees for the City. The Developer will be offering to long term residents an initial limited rent increase (depending upon the extent of renovations conducted for their apartment) and minimal annual rent increases to help prevent displacement. The Developer plans on bringing this once proud historic building into the 21st century while keeping its historic charm.</p>	
Rental Breakdown	
Total Units	142 Units (\$1.35/sf)
Studio	12 units, 400sf, \$800-\$850/mo rent
1 Bedroom	104 units, 500sf-900sf, \$850-\$1,050/mo rent
2 Bedroom	22 units, 1,100sf-1,200sf, \$1,250-\$1,300/mo rent
4 Bedroom	4 units, 2,500sf, \$1,600/mo rent
Project Costs	
Total Investment	\$21.8M
Uses	\$19.0M Acquisition (87%), \$2.3M Hard Construction (10%), \$565k Soft Costs (3%)

Project Benefits (12 years)	
Estimated jobs	6 FTE, 16 construction jobs
Estimated city benefits before tax abatement	\$4,976,335
Total nominal value of NEZ	\$1,839,329
Less cost of services & utility deductions	\$977,368
Net benefit to city	\$2,159,638

Location Map⁶



⁶ Location map courtesy of the DEGC

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

	Amount
Real Property Taxes, before abatement	\$2,575,799
Personal Property Taxes, before abatement	\$5,195
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$80,498
Municipal Income Taxes - Indirect Workers	\$32,568
Municipal Income Taxes - Corporate Income	\$34,115
Municipal Income Taxes - Construction Period	\$23,593
Municipal Income Taxes - New Res. Inhabitants	\$1,106,256
Utility Revenue	\$888,557
Utility Users' Excise Taxes	\$68,849
State Revenue Sharing - Sales Tax	\$52,364
Building Permits and Fees	\$35,000
Miscellaneous Taxes & User Fees	\$73,542
Subtotal Benefits	<u>\$4,976,335</u>
Cost of Providing Municipal Services	(\$88,811)
Cost of Providing Utility Services	(\$888,557)
Subtotal Costs	<u>(\$977,368)</u>
Net Benefits	\$3,998,967

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	\$4,976,335	(\$977,368)	(\$1,839,329)	\$0	\$0	\$2,159,638
Wayne County	\$670,984	(\$15,193)	(\$474,538)	\$0	\$0	\$181,253
Detroit Public Schools	\$2,592,395	(\$57,674)	(\$1,721,838)	\$0	\$0	\$812,882
State Education	\$490,331	\$0	(\$333,259)	\$0	\$0	\$157,072
Wayne RESA	\$314,184	\$0	(\$222,876)	\$0	\$0	\$91,308
Wayne County Comm. College	\$264,844	\$0	(\$180,004)	\$0	\$0	\$84,840
Wayne County Zoo	\$8,172	\$0	(\$5,554)	\$0	\$0	\$2,618
Detroit Institute of Arts	\$16,344	\$0	(\$11,109)	\$0	\$0	\$5,236
Total	\$9,333,589	(\$1,050,235)	(\$4,788,507)	\$0	\$0	\$3,494,847

Charts courtesy of DEGC

Conclusion

The investment in this project is estimated at \$21.8 million. The proposed NEZ tax abatement is projected to be worth a savings of \$4,788,507 to the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit is **\$2,159,638**, and over **\$3,494,847** to all of the impacted taxing units, in addition to 6 FTE and 16 temporary construction jobs & 142 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

Belcrest Apartment NEZ:	1.06 acres
<u>Total Acreage for the Entire City of Detroit:</u>	<u>88,260</u> ⁹

Total Acreage Remaining	7,610.04
Total Acreage Designated:	5,628.96

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

Attachment: January 2, 2020 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



Belcrest Apartments



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

COLEMAN A. YOUNG MUNICIPAL CENTER
2 WOODWARD AVENUE, SUITE 824
DETROIT, MICHIGAN 48226
(313) 224-3011 • TTY: 711
(313) 224-9400
WWW.DETROITMI.GOV

January 2, 2020

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

RE: Neighborhood Enterprise Zone – Belcrest Apartment Acquisition LLC
Property Address: 5440 Cass
Parcel Number: 02002133-5

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the request from Belcrest Apartments Acquisition LLC proposed Belcrest Apartment Neighborhood Enterprise Zone, located at 5440 Cass in the Midtown area in the City of Detroit. Belcrest Apartments Acquisition LLC's proposed plan is to rehabilitate the Belcrest Apartment historical building listed on National Register of Historic Places with 142 apartment units.

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 rehabilitation project consists of the Belcrest Apartment building containing 158,535 square feet of building area and was built in 1926 on 1.060 acres of land. The developer plans to restore the entrance lobby, tuck point and replace bricks throughout the façade, update security system, create a package facility for resident's mail, improve the lobby and a gym throughout the 1st floor and basement areas. Improvements within all apartments will include new energy star windows, new individual HVAC units and individual renovations will vary but many will include new cabinetry and appliances, retiling, new vinyl flooring and energy efficient shower heads and toilets. In addition, 20% of the apartment will be offered at rent rates considered affordable to those individual with certain income levels. The 2019 True Cash Value of the proposed project is \$11,035,800 and contains 1.060 acres of land. The True Cash Value of this area would be expected to increase due to the rehabilitation and construction.

MCL 207.772 Sec 2(k) "Qualified downtown revitalization district" means an area located within 1 or more of the following: (i) The boundaries of a downtown district as defined in section 1 of 1975 PA 197, MCL 125.1651. (ii) The boundaries of a principal shopping district or a business improvement district as defined in section 1 of 1961 PA 120, MCL 125.981. (iii) The boundaries of the local governmental unit in an area that is zoned and primarily used for business as determined by the local governmental unit.

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



Neighborhood Enterprise Zone
Belcrest Apartments Acquisition LLC
Page 2

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.

Upon review, it has been determined that this proposed district located at 5440 Cass in the Midtown area as a qualified historic building 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