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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: March 4, 2020

RE: Establishment of a Neighborhood Enterprise Zone as requested by
Life Is A Dreamtroit, LLC, at 1331 Holden

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

Life Is A Dreamtroit, LLC

Life Is A Dreamtroit, LLC, the project developer plans to develop 1331 Holden. The NEZ request is associated specifically with the rental units located in former original Lincoln Motor Factory, which houses Recycle Here! and the Lincoln Street Art Park, a free public art space and venue. Life as a Dreamtroit is redeveloping the Lincoln Motor Factory into affordable live/work units for artists, college students and middle income workers. This project entails a mixed-use development consisting of 82 residential units, 36,000 sf of commercial/retail space, a commissary kitchen, and approximately 100,000 sf of programmed public space. In addition to the approval of the NEZ by Council, which is being requested at this time, the developer will also seek approvals of both a PA 210 (for the commercial portion of this project), and the approval of a brownfield plan. The PA 210 request will support the development of new retail and commercial amenities. According to the DEGC, the proposed incentives are a critical component for this project.

The Developer is working with Capital Impact Partners to leverage national funding sources to provide 80% of the units for workforce households (up to 120% AMI) and 20 % as affordable units (80% AMI) with a special consideration of attracting artists and artisans into the live-work space.

The rehabilitation will include the demolition of the outdated interior layout, along with the instillation of new windows, electrical, plumbing and mechanical/HVAC upgrades, to improve the current conditions, in order to meet modern demands while providing increased efficiency.

The entire project's cost is estimated at **\$18.355 million**.⁵

Housing Breakdown

Total Units	82;	
Studio	73 units;	\$666/mo.-\$1,600/mo. (24 @ 80% AMI)
1 Bedroom	7 units;	\$1,719/mo. (1 @ 80% AMI)
2 Bedroom	2 units;	\$2,146/mo.

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 \$2.8M Building (15.25%), \$10.94M Hard Construction (59.60%), \$4.61M Soft Costs (25.23%)

DEGC Project Evaluation Checklist

Life is A Dreamtroit

Developer: Life Is A Dreamtroit, LLC.

Principal: Oren Goldberg + Matt Naimi

Neighborhood Enterprise Zone, PA 147 Rehab - exemption for the development and rehabilitation of residential housing located within eligible distressed communities; taxed at full rate, but value is frozen at tax year prior to certificate approval until the final three years when phase out occurs

Commercial Rehabilitation Act, PA 210 - Provides tax incentives for the rehabilitation of commercial property for the primary purpose and use of commercial activity.

Request Type	Districts
DEGC Recommendation	NEZ: 15 years & PA 210: 12 Year Approval

Location	
Address	1331 Holden
City Council District	District 5
Neighborhood	NW Goldberg
Located in HRD Targeted Area	NA

Building Use	
Total Rentable Square Foot	35,717
Retail Square Foot	28,493

Project Description

Life is a Dreamtroit was established in 2017 by Oren Goldenberg and Matt Naimi. Mr. Goldenberg is a filmmaker and owns Cass Corridor Films. Matt Naimi is the founder of the onsite recycling facility, Recycle Here!, Green Living Science, and Lincoln Street Art Park. This project entails a mixed-use development consisting of 82 residential units, 36,000 sf of commercial/retail space, a commissary kitchen, and approximately 100,000 sf of programmed public space. The project is focused on activating 24/7 Live Work environment for artists and college students. In order to achieve the widespread affordability of the project and convert the former factory, the proposed incentives are a critical component.

The NEZ request is associated specifically with the rental units located in former Lincoln Motor Factory. The Developer is working with Capital Impact Partners to leverage national funding sources to provide 80% of the units for workforce households (up to 120% AMI) and 20 % as affordable units (80% AMI) with a special consideration of attracting artists and artisans into the live-work space. The PA 210 request will support the development of new retail and commercial amenities.

Demolition of the outdated interior layout will occur, along with new windows, electrical, plumbing and mechanical/HVAC upgrades and replacement to improve the current conditions and meet modern demands while providing increased efficiency. The underwriting completed provides return figures based off of both the NEZ and the PA 210 abatements.

Housing Breakdown	
Total Units	82;
Studio	73 units; \$666/mo-\$1,600/mo (24 @ 80% AMI)
1 Bedroom	7 units; \$1,719/mo (1 @ 80% AMI)
2 Bedroom	2 units; \$2,146/mo

Sources and Uses

Total Investment	\$18.355M
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Uses	\$2.8M Building (15.25%), \$10.94M Hard Construction (59.60%), \$4.61M Soft Costs (25.23%)
Project Benefits	
Estimated Jobs	1 FTE, 46 Construction Employees
Estimated City benefits before tax abatement	\$2,694,307
Total estimated City value of NEZ	\$648,131
Total estimated City Value of PA 210	\$401,602
Less cost of services & utility deductions	\$89,161
Net Benefit to City with NEZ abatement	\$1,555,413

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

	Amount
Real Property Taxes, before abatement	\$925,273
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	\$38,254
Municipal Income Taxes - New Res. Inhabitants	\$797,051
Utility Revenue	\$0
Utility Users' Excise Taxes	\$0
State Revenue Sharing - Sales Tax	\$0
Building Permits and Fees	\$11,125
Miscellaneous Taxes & User Fees	\$0
Subtotal Benefits	\$1,771,703
Cost of Providing Municipal Services	\$0
Cost of Providing Utility Services	\$0
Subtotal Costs	\$0
Net Benefits	\$1,771,703

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	\$1,771,703	\$0	(\$648,131)	\$0	\$0	\$1,123,573
Wayne County	\$235,367	\$0	(\$167,128)	\$0	\$0	\$68,239
Detroit Public Schools	\$908,202	\$0	(\$607,818)	\$0	\$0	\$300,384
State Education	\$175,781	\$0	(\$117,642)	\$0	\$0	\$58,139
Wayne RESA	\$113,346	\$0	(\$79,777)	\$0	\$0	\$33,568
Wayne County Comm. College	\$94,945	\$0	(\$63,542)	\$0	\$0	\$31,403
Wayne County Zoo	\$2,930	\$0	(\$1,961)	\$0	\$0	\$969
Detroit Institute of Arts	\$5,859	\$0	(\$3,921)	\$0	\$0	\$1,938
Total	\$3,308,134	\$0	(\$1,689,921)	\$0	\$0	\$1,618,213

Charts courtesy of DEGC

Conclusion

The investment in this project is estimated at \$18.355 million. The proposed tax abatement is projected to be worth a savings of \$1,689,921 to the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit is \$1,123,573, and over \$1,618,213 to all of the impacted taxing units, in addition to 1 FTE and 46 temporary construction jobs & 82 housing units.

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

Life Is A Dreamtroit NEZ:	2.981 acres
<u>Total Acreage for the Entire City of Detroit:</u>	<u>88,260</u> ⁸

Total Acreage Remaining	7,607.06
Total Acreage Designated:	5,631.94

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

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



1331 Holden⁹

⁹ Photo: Eric Seals, Detroit Free Press <https://www.freep.com/story/entertainment/arts/2017/05/03/lead-detroit-graffiti-artist-gravely-injured/101229896/>



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER
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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 – Life Is A Dreamtroit LLC**
Property Address: 1331 Holden and 5924-6138 Lincoln
Parcel Number: See Attached List

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the request from Life Is A Dreamtroit LLC proposed Holden Street Neighborhood Enterprise Zone, located at 1331 Holden and 5924-6138 Lincoln in the NW Goldberg area in the City of Detroit. Life Is A Dreamtroit LLC's proposed plan is to rehabilitate the Albert Kahn constructed warehouse building at 1331 Holden which is currently undergoing consideration for a federal historic resource nomination into 77 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 partially occupied warehouse building located at 1331 Holden containing 160,674 square feet of building area and was built in 1932 on 2.981 acres of land. The developer plans to rehabilitate units on the first and second floor of the building totaling approximately 37,140 square feet into 77 residential units ranging from 315 to 964 square feet including interior demolition, interior buildout, new mechanical, plumbing, electrical and HVAC, window replacement and fire protection systems. In addition, 67% of the apartments 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 \$638,000 and contains 2.981 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
Life Is A Dreamtroit LLC
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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 Holden Street Neighborhood Enterprise Zone district located at 1331 Holden and 5924-6138 Lincoln in the NW Goldberg 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