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TO: COUNCIL MEMBERS
FROM: David Whitaker, Director 
Legislative Policy Division Staff
DATE: July 22, 2020
RE: **Establishment of a Neighborhood Enterprise Zone as requested by Gratiot Acquisition Partners, LLC at 316 Gratiot, 338 Gratiot, 301 Macomb and 343 Macomb**

Neighborhood Enterprise Zone Act (Public Act 147 of 1992)

The Neighborhood Enterprise Zone Act (NEZ), 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.

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,

¹ As defined in Section 2 (k) MCL 207.772

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

Gratiot Acquisition Partners, LLC

Gratiot Acquisition Partners, LLC, the project developer plans to develop the proposed area, which consists of paved parking lots on four (4) parcels with a total of 0.354 acres of land, located at 316 & 338 Gratiot and 301 & 343 Macomb.⁵ The plans for the development include the construction of a new ground up 16-story residential tower. The ground level will feature 6,538 square feet of retail and office space. A total of 165 residential units are proposed on the second through the 16 floors. Rental unit types are anticipated to include 78 studios, 50 one-bedrooms, and 25 two-bedroom apartments as well as 12 for-sale condos. Project amenities will include a fitness center, club room and patio. A total of 20% of the units will be affordable at 80% of the area median income (AMI) across all unit types.⁶

In addition to the current NEZ request, the developer has requested the approval of a \$2,810,673 Brownfield TIF⁷ reimbursement in the Exchange Brownfield Redevelopment Plan, which LPD provided a report on, dated July 15, 2020.

The project is estimated that the project will create 5 FTE jobs and 60 temporary construction jobs. The projected level of investment in the project is \$64.6 million.

DEGC Project Evaluation Checklist Greektown Project

Developer: Gratiot Acquisition Partners, LLC
Principal: Mark Bennett – Pappas Financial

Neighborhood Enterprise Zone, PA 147 New – New allocation; exemption for the development of residential housing located within eligible distressed communities. Full taxable value taxed at discounted rate determined by the until the final three years when phase out occurs.	
Request Type	NEZ District
DEGC Recommendation	Approval of NEZ District
Location	
Address	316-338 Gratiot, 301-343 and 400 Macomb
City Council District	District 5

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 Parcel ID: 01000241-5, 01000240.0021, 01000206, 01000207 – Assessors letter of July 1, 2020 (attached)

⁶ Out of a projected 153 rental units, 20% of the units at an affordable rate would equate to 31 units. *Council may want to inquire on how the developer plans to allocate by type and locate the affordable units throughout the building.*

⁷ Tax Increment Financing (TIF) subsidizes an entity by refunding or diverting a portion of their taxes to help finance development in an area or on a project site.

Neighborhood	Greektown
Building Use	
Total Rentable Square Foot	107,976
Retail Square Foot	800
Commercial Square Foot	5,702
Residential Square Foot	101,474
Project Description	
<p>The proposed Exchange Development is located in the Greektown Neighborhood. The property consists of 5 parcels and contains two parking lots, totaling approximately 0.50 acres. Located within the Central Business District and Entertainment District, the proposed district is a short walk to the Greektown Casino, Comerica Park, Ford Field, Detroit Opera House, and Library Park.</p> <p>The proposed development will include constructing a new 16-story residential tower. The ground level will feature 6,538 square feet of retail and private office space. A total of approximately 165 residential units are proposed to be constructed on floors 2 through 16. Rental unit types are anticipated to include 78 studios, 50 one-bedrooms, and 25 two-bedroom apartments as well as 12 for-sale condos. Project amenities will include a fitness center, club room and patio. 20% of the units will be affordable at 80% of the area median income (AMI) across all unit types.</p>	
Sources and Uses	
Total Investment	\$64.6M
Uses	\$8.5M Acquisition (13%), \$45.3M Hard Construction (70%), \$10.7M Soft Costs (17%)
Project Benefits	
Estimated Jobs	5 FTE, 60 Construction Employees
Estimated City benefits before tax abatement	\$6,045,744
Total estimated City value of NEZ	\$1,447,873
Less cost of services & utility deductions	\$62,369
Net Benefit to City with abatements	\$4,535,501

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

	Amount
Real Property Taxes, before abatement	\$3,121,548
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$60,700
Municipal Income Taxes - Indirect Workers	\$22,512
Municipal Income Taxes - Corporate Income	\$19,455
Municipal Income Taxes - Construction Period	\$285,066
Municipal Income Taxes - New Res. Inhabitants	\$2,110,274
Utility Revenue	\$9,967
Utility Users' Excise Taxes	\$7,933
State Revenue Sharing - Sales Tax	\$30,896
Building Permits and Fees	\$334,000
Miscellaneous Taxes & User Fees	\$43,393
<u>Subtotal Benefits</u>	<u>\$6,045,744</u>
Cost of Providing Municipal Services	(\$52,403)
Cost of Providing Utility Services	(\$9,967)
<u>Subtotal Costs</u>	<u>(\$62,369)</u>
Net Benefits	\$5,983,375

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	\$6,045,744	(\$62,369)	(\$1,447,873)	\$0	\$0	\$4,535,501
Wayne County	\$755,710	(\$9,428)	(\$354,104)	\$0	\$0	\$392,177
Detroit Public Schools	\$2,913,373	(\$30,154)	(\$1,259,647)	\$0	\$0	\$1,623,573
State Education	\$557,707	\$0	(\$243,810)	\$0	\$0	\$313,896
Downtown Dev. Authority	\$91,901	\$0	(\$40,190)	\$0	\$0	\$51,711
Wayne RESA	\$366,317	\$0	(\$165,749)	\$0	\$0	\$200,568
Wayne County Comm. College	\$301,236	\$0	(\$131,720)	\$0	\$0	\$169,516
Wayne County Zoo	\$9,295	\$0	(\$4,065)	\$0	\$0	\$5,230
Detroit Institute of Arts	\$18,590	\$0	(\$8,131)	\$0	\$0	\$10,459
Total	\$11,059,872	(\$101,951)	(\$3,655,289)	\$0	\$0	\$7,302,632

Charts courtesy of DEGC

Conclusion

The investment in this project is estimated at \$64.6 million. The proposed tax abatement is projected to be worth a tax savings of \$3,655,289 to the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit in the amount of **\$4,535,501**, and over **\$7,302,632** to all of the impacted taxing units,⁸ in addition to 5 FTE jobs and 60 temporary construction jobs, 153 new rental units and 12 for-sale condos.

NEZ Acreage Status:⁹

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.”*¹⁰

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

Greektown Neighborhood NEZ: 0.354 acres

Total Acreage for the Entire City of Detroit: 88,260¹¹

Total Acreage Remaining 7,604.65

Total Acreage Designated: 5,634.35

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

⁸ Existing Taxes: \$46,271 - New Taxes AFTER Incentive: \$161,516 (a 249% increase)

⁹ This is a ballpark estimate by LPD, based on current available data.

¹⁰ MCL 207.773 (2)

¹¹ 88,260 Acres = 137.90625 Square Miles



Rendering of the completed project

Attachment: July 1, 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
Avery Peeples, Mayor's Office
Malinda Jensen, DEGC
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC



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

COLEMAN A. YOUNG MUNICIPAL CENTER
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July 1, 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 – Greektown**
Property Address: 316 Gratiot, 338 Gratiot, 301 Macomb, 343 Macomb
Parcel ID: 01000241-5, 01000240.002L, 01000206, 01000207
Gratiot Acquisition Partners LLC

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed **Greektown Neighborhood Enterprise Zone**, located at 316/338 Gratiot and 301/343 Macomb, submitted by **Gratiot Acquisition Partners LLC** for the neighborhood located in the **Greektown** 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 paved parking lots on four parcels with a total of 0.354 acres of land. The developer, **Gratiot Acquisition Partners LLC**, intends to acquire and develop the property to include 153 residential apartment facilities and first floor retail. The current True Cash Value of the proposed area is \$1,567,496. 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. Except as provided in subparagraph (ii), new facility does not include apartments.

(ii) A new structure or a portion of a new structure that meets all of the following: (A) Is rented or leased or is available for rent or lease. (B) Is a mixed use building or located in a mixed use building that contains retail business space on the street level floor. (C) Is located in a qualified downtown revitalization district.

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



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Neighborhood Enterprise Zone
Greektown Area
Page 2

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 **Greektown 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