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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 17, 2021

RE: Establishment of a Neighborhood Enterprise Zone, as requested by 7303 West  
McNichols, LLC at 7303, 7329 and 7355 West McNichols

### 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.

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:

<sup>1</sup> As defined in Section 2 (k) MCL 207.772

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

### 7303 West McNichols, LLC

7303 West McNichols, LLC is the project developer and owner of the property located at 7303, 7329 and 7355 West McNichols. The development group comprised of the development firms URGE Development Group LLC, led by Roderick Hardamon; N’Namdi Holdings, led by LLC George N’Namdi and Hosey Development LLC, led by Richard Hosey, plan to construct a 38,000 square foot mixed-use development on three parcels. The project, which is, will include the demolition of the existing structures and the construction of a new mixed-use development, with approximately 6,100 square feet of first-floor retail space and approximately 38 residential units on the floors above. The NEZ that the developer is currently requesting, is an incentive that applies to the residential element of this project, which is located in the Fitzgerald area of Detroit.

The development will offer studios, one- and two- bedroom housing units, priced for residents within the 60-80% area median income<sup>5</sup> (AMI). On March 9, 2021, the developer received approval of a Brownfiled TIF.<sup>6</sup> The developer is also seeking the approval of a Commercial Rehabilitation Certificate (PA 210) tax abatement and a MCRP<sup>7</sup> loan.

The entire project’s cost is estimated at **\$9,745,297**.

#### DEGC Project Evaluation Checklist

##### 7303 W. McNichols

Developer: URGE Development, LLC; N’namdi Holdings, LLC; Hosey Development, LLC

Neighborhood Enterprise Zone Act, **PA 147 of 1992** - incentive for rehabilitation or new construction of residential buildings. New allocation; property taxed at a discounted tax rate for up to 15 years with 3 year phase out

Commercial Rehabilitation Act, **PA 210 of 2005** - incentive for rehabilitation or new construction of commercial or commercial mixed-use buildings. Current property taxes frozen for up to 10 years

<sup>2</sup> PA 197 of 1975, MCL 125.1651 - 125.1681

<sup>3</sup> Principal shopping Districts and Business Improvements Districts Act 120 of 1961, MCL 125.981 - 125.990n

<sup>4</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>5</sup> Detroit-Warren-Livonia Metro Area HUD 2021 AMI for one person 60%-80% = \$33,000 - \$44,000 (estimated monthly rents of approx. \$825 - \$1,100 (studio rents may differ))

<sup>6</sup> The Developer requested \$1,155,452 in TIF (Tax increment financing) reimbursements (for environ. remediation), however only \$1,115,686 in TIF is projected to be captured during the life of the Plan, a difference of \$39,766.

<sup>7</sup> The Michigan Community Revitalization Program (MCRP) is an incentive program to promote private investment in Michigan communities. Administered by the Michigan Economic Development Corporation (MEDC) on behalf of the Michigan Strategic Fund (MSF).

DEGC Recommendation	10 years PA 210, NEZ Zone Approval
<b>Location</b>	
Address	7303 W. McNichols
City Council District	District 2
Neighborhood	Liv 6
Located in HRD Targeted Area	Liv 6
<b>Building Use</b>	
Total Rentable Square Foot	29,412
Retail Square Foot	5,862
Residential Square Foot	23,550
Public Parking Spaces	29
<b>Project Description</b>	
<p>The mixed-use development at 7303 W McNichols is planned for the southern block of W McNichols between Prairie St. and Monica St. in the Bagley/Fitzgerald neighborhood.</p> <p>This development will be one of several to catalyze the economic vitality of the area by adding 38 new residential units (studios, 1 bedroom and 2-bedroom units) and a unique commercial offering that will offer decreased rental rates to help spur commercial activity in the corridor. Residential rents will be affordable at 80% AMI and below on all units. The development will not only create new housing units for the area but will also create roughly 5,800 sf of commercial space. The McNichols corridor benefits from a walkable, dense built environment. This corridor is anticipated to see a total of roughly \$13M in private investment the next 12 to 18 months.</p> <p>The abatement is a necessary component to the project financing. Without both the NEZ abatement and the PA 210 this project would not be feasible.</p>	
<b>Sources and Uses</b>	
Total Investment	\$9.7M
Uses	\$145K Building (1.45%), \$7.5M Hard Construction (78%), \$2.13M Soft Costs (20.55%)
<b>Project Benefits</b>	
Estimated Jobs	25 FTE, 100 Construction
Estimated City benefits before tax abatement	<b>\$1,875,677</b>
Total estimated City value of NEZ	<b>\$224,839<sup>8</sup></b>
Total estimated City value of PA 210	<b>\$54,248</b>
Less cost of services & utility deductions	<b>\$381,410</b>
Net Benefit to City	<b>\$1,215,180<sup>9</sup></b>

<sup>8</sup> This number does not include the Library portion of the abatement.

<sup>9</sup> The numbers in this chart are inclusive of multiple abatements.

Location Map



*The Atrium Rendering*



*Current site conditions*



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

	Amount
Real Property Taxes, before abatement	\$474,307
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	\$56,943
Municipal Income Taxes - New Res. Inhabitants	\$201,897
Utility Revenue	\$43,268
Utility Users' Excise Taxes	\$32,991
State Revenue Sharing - Sales Tax	\$0
Building Permits and Fees	\$39,932
Miscellaneous Taxes & User Fees	\$0
<b>Subtotal Benefits</b>	<b><u>\$849,338</u></b>
Cost of Providing Municipal Services	\$0
Cost of Providing Utility Services	(\$43,268)
<b>Subtotal Costs</b>	<b><u>(\$43,268)</u></b>
Net Benefits	\$806,070

## Incentive Summary over the First 15 Years

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Business Personal Property Tax Abatement	Brownfield TIF Capture	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$849,338	(\$43,268)	(\$260,801)	\$0	(\$110,896)	\$434,373
Wayne County	\$114,390	\$0	(\$66,185)	\$0	(\$32,430)	\$15,776
Detroit Public Schools	\$441,455	\$0	(\$203,196)	\$0	(\$103,002)	\$135,256
State Education	\$85,443	\$0	(\$39,325)	\$0	(\$34,337)	\$11,780
Wayne RESA	\$55,185	\$0	(\$26,748)	\$0	(\$21,636)	\$6,802
Wayne County Comm. College	\$46,151	\$0	(\$21,256)	\$0	(\$18,531)	\$6,363
Wayne County Zoo	\$1,424	\$0	(\$659)	\$0	\$0	\$765
Detroit Institute of Arts	\$2,848	\$0	(\$1,309)	\$0	\$0	\$1,539
<b>Total</b>	<b>\$1,596,234</b>	<b>(\$43,268)</b>	<b>(\$619,478)</b>	<b>\$0</b>	<b>(\$320,832)</b>	<b>\$612,655</b>

## Expanded Incentive Summary over the First 15 Years (Including the Library)

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Business Personal Property Tax Abatement	Brownfield TIF Capture	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$783,936	(\$43,268)	(\$224,839)	\$0	(\$90,006)	\$425,823
Library	\$65,402	\$0	(\$35,962)	\$0	(\$20,890)	\$8,550
Wayne County	\$114,390	\$0	(\$66,185)	\$0	(\$32,430)	\$15,775
Detroit Public Schools	\$441,455	\$0	(\$203,196)	\$0	(\$103,002)	\$135,257
State Education	\$85,443	\$0	(\$39,325)	\$0	(\$34,337)	\$11,781
Wayne RESA	\$55,185	\$0	(\$26,748)	\$0	(\$21,636)	\$6,801
Wayne County Comm. College	\$46,151	\$0	(\$21,256)	\$0	(\$18,531)	\$6,364
Wayne County Zoo	\$1,424	\$0	(\$659)	\$0	\$0	\$765
Detroit Institute of Arts	\$2,848	\$0	(\$1,309)	\$0	\$0	\$1,539
<b>Total</b>	<b>\$1,596,234</b>	<b>(\$43,268)</b>	<b>(\$619,479)</b>	<b>\$0</b>	<b>(\$320,832)</b>	<b>\$612,655</b>

## Conclusion

The investment in this project is estimated at \$9.7 million. The proposed tax abatement is projected to be worth a tax savings of \$619,478 to the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit is **\$434,373**,<sup>10</sup> and over **\$612,655** to all of the impacted taxing units, in addition to 25 FTE and 100 temporary construction jobs & 38 housing units.

### NEZ Acreage Status:<sup>11</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>12</sup>

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

<b>West McNichols NEZ:</b>	<b>0.551 acres</b>
<b><u>Total Acreage for the Entire City of Detroit:</u></b>	<b><u>88,260</u></b> <sup>13</sup>

<b>Total Acreage Remaining</b>	<b>7,604.09</b>
<b>Total Acreage Designated:</b>	<b>5,634.91</b>

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

**Attachment:** January 13, 2021 Letter from Finance Assessors

cc: Auditor General’s Office  
Donald Rencher, Chief of Services and Infrastructure  
Katy Trudeau, Planning and Development Department  
Julie Schneider, HRD  
Veronica Farley, HRD  
Stephanie Grimes Washington, Mayor’s Office  
Avery Peebles, Mayor’s Office  
Malinda Jensen, DEGC  
Kenyetta Bridges, DEGC  
Jennifer Kanalos, DEGC  
Brian Vosburg, DEGC

<sup>10</sup> Existing Annual Taxes: \$1,874 - New Annual Taxes AFTER Incentive: \$8,144

<sup>11</sup> This is a ballpark estimate by LPD, based on current available data.

<sup>12</sup> MCL 207.773 (2)

<sup>13</sup> 88,260 Acres = 137.90625 Square Miles

**Incentive Information Chart: 7303 West McNichols Development**

<b>Project Type</b>	<b>Incentive Type</b>	<b>Investment Amount</b>	<b>District</b>
Mixed-use	Brownfield	\$9.7 MM	2

<b>Jobs Available</b>							
<b>Construction</b>				<b>Post Construction</b>			
<b>Professional</b>	<b>Non-professional</b>	<b>Skilled Labor</b>	<b>Non-Skilled Labor</b>	<b>Professional</b>	<b>Non-professional</b>	<b>Skilled Labor</b>	<b>Non-Skilled Labor</b>
<b>2</b>	<b>1</b>	<b>30</b>	<b>70</b>			<b>5</b>	<b>20</b>

**1. What is the plan for hiring Detroiters?**

Lewand Building, as the project's general contractor, is well-versed and has an inventory of Detroit-based subcontractors that they intend to utilize during redevelopment activities. The project is expected to create 103 new jobs during the construction phase. The Development team will actively work with Lewand Building to ensure minority and women subcontractors are utilized to the extent possible.

**2. Please give a detailed description of the jobs available as listed in the above chart, i.e: job type, job qualifications, etc.**

Available construction jobs are anticipated to include site supervision, security, demolition, concrete, masonry, carpentry, framing, roofing, window glass and glazing, framing, painting, flooring, tiling, plumbing, HVAC, and electrical. The Developer anticipates the creation of two full-time equivalent permanent jobs related to property management. Additional post-construction jobs will be created via the business owners who will be tenants of the commercial spaces.

**3. Will this development cause any relocation that will create new Detroit residents?**

The development will not cause any relocation and is anticipated to create an estimated 38 new residential units in the City of Detroit.

**4. Has the developer reached out to any community groups to discuss the project and/or any potential jobs?**

Based upon the premise that communities are built through collaborative partnerships and/or alliances to improve the vitality of the population. To gain input and feedback from local residents, business owners, property owners, and community leaders. The Development Team has established partnerships/ relationships with Invest Detroit, Live 6 Alliance, City of Detroit District 2 and various block associations and community boards, not only to raise community awareness of the project and the arts and healthy lifestyles. Restarting in September 2020, the team has shared

the vision for its 7303 West McNichols development and will continue to engage through its Creative Cultural Exchange program formally launching in 2021.

**5. When is construction slated to begin?**

Construction is slated to commence Summer 2021.

**6. What is the expected completion date of construction?**

24 months following project commencement.





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

COLEMAN A. YOUNG MUNICIPAL CENTER  
2 WOODWARD AVE., SUITE 824  
DETROIT, MI 48226  
PHONE: 313•224•3011  
FAX: 313•224•9400

January 13, 2021

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

RE: **Neighborhood Enterprise Zone – West McNichols**  
**Property Address: 7303, 7329, 7355 W McNichols**  
**Parcel ID: 16007950-4, 16007955-6, 16007957-8**  
**7303 West McNichols LLC**

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed **West McNichols Neighborhood Enterprise Zone**, located at 7303/7329/7355 W McNichols, submitted by **7303 West McNichols LLC** for the neighborhood located in the **Fitzgerald** 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 currently consists of office, retail, and garage structures on three parcels with a total of 0.551 acres of land. The developer, **7303 West McNichols LLC**, intends to acquire and develop the property to include 38 residential apartment facilities and first floor retail. Existing structures will be demolished. The current True Cash Value of the proposed area is \$229,359. 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  
West McNichols  
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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 **Fitzgerald 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



Neighborhood Enterprise Zone  
West McNichols  
Page 3

Parcel: 16007950-4  
Owner: 7303 WEST MCNICHOLS LLC  
Address: 7303 W MCNICHOLS  
Legal Description: S--W MC NICHOLS RD 18 THRU 14 MARSHALL MICHAELSON & KOHN SUB L33 P46 PLATS, W C R  
16/293 100 X 100

Parcel: 16007955-6  
Owner: CITY OF DETROIT  
Address: 7329 W MCNICHOLS  
Legal Description: S-W MC NICHOLS 13 THRU 11 MARSHALL MICHAELSON & KOHN SUB L33 P46 PLATS, W C R  
16/293 60 X 100

Parcel: 16007957-8  
Owner: CITY OF DETROIT P&DD, CARE OF DBA  
Address: 7355 W MCNICHOLS  
Legal Description: S--W MC NICHOLS RD 10 THRU 7 MARSHALL MICHAELSON & KOHN SUB L33 P46 PLATS, W C R  
16/293 80 X 100

