

David Whitaker, Esq.
Director
Irvin Corley, Jr.
Executive Policy Manager
Marcell R. Todd, Jr.
Director, City Planning
Commission
Janese Chapman
Director, Historic Designation
Advisory Board

John Alexander
Megha Bamola
LaKisha Barclift, Esq.
Nur Barre
M. Rory Bolger, Ph.D., AICP
Elizabeth Cabot, Esq.
Tasha Cowen


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

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

TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: April 13, 2021

RE: Establishment of a Neighborhood Enterprise Zone, as requested by 484 Brainard, LLC at 484 Brainard

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 that 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, defines "qualified downtown revitalization district" as an area located within the boundaries of one or more of the following:

¹ As defined in Section 2 (k) MCL 207.772

- 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

484 Brainard, LLC

484 Brainard, LLC, a subsidiary of Greatwater Opportunity Capital, is the project developer and owner of the property located at 484 Brainard, a 45 unit apartment building, which according to the Assessor's Office, is located in the Willis –Selden Historic District,⁵ in the Midtown area of Detroit, with a total area of 0.218 acres of land. The property was seriously fire damaged in February 2020. The developer plans to repair the damages in the currently uninhabited building. The repairs include a new roof, structural repairs, the renovation of the fire impacted units; the installation of life safety systems, replacement of the elevator, general updates to non-fire impacted units; a new security system; efficiency upgrades; new lighting and updates to the hallways and common areas.

Of the 45 rental units offered in the development, the property will include one and two-bedroom housing units, with nine (9) priced for residents within 80% of AMI⁶ (area median income).⁷

The estimated cost of the project is **\$6.4MM**.



484 Brainard⁸

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.

⁵ The Willis-Selden Historic District comprises the area along Willis, Alexandrine, and Selden streets, running from Woodward Avenue on the east to Third Avenue on the west. The district was added to the National Register of Historic Places in 1997. <https://detroithistorical.org/learn/encyclopedia-of-detroit/willis-selden-historic-district>

⁶ Detroit-Warren-Livonia Metro Area HUD 2021 AMI for one person 80% = \$44,000.

⁷ **1-bedroom:** 26 units, 500sf; \$1,250/mo. rent (5 units @ 80% AMI) & **2-bedroom:** 19 units, 600sf; \$1,375/mo. rent (4 units @ 80% AMI)

⁸ MCL 207.774 (2) An application may be filed after a building permit is issued only if one or more of the following apply: ... (g) For a rehabilitated facility if all or a portion of the rehabilitated facility is a qualified historic building.

DEGC Project Evaluation Checklist

484 Brainard Apartments Rehabilitation

Developer: Greatwater Capital

Principles: Jed Howbert & Matt Temkin

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	484 Brainard
City Council District	District 5
Neighborhood	Midtown
Building Use	
Residential Square Footage	24,400
Other Square Footage	1,928
Parking Spaces	22
Project Description	
<p>The proposed project will result in the rehabilitation of the 45-unit Brainard Apartment building located at 484 Brainard St in the Midtown area. The rehabilitation will include renovations as a result of a previous fire including new roof, structural repairs, and renovation impacted units; the installation of life safety systems, replacement of the elevator, general updates to non-fire impacted apartment units; efficiency upgrades; a new security system; and updates to hallways and common areas including new lighting. The building is currently uninhabited. The construction is projected to commence in the second quarter of 2021 with a 12-month construction period.</p>	
Rental Breakdown	
Total Units	45 Units (9 Units Affordable at 80% AMI)
1 Bedroom	26 units, 500sf; \$1,250/mo rent (5 units @ 80% AMI)
2 Bedroom	19 units, 600sf; \$1,375/mo rent (4 units @ 80% AMI)
Project Costs	
Total Investment	\$6.4M
Uses	\$2.95M Acquisition (47%), \$2.4M Hard Construction (38%), \$1.0M Soft Costs (15%)
Sources	\$6.4M Equity (100%)
Project Benefits (15 years)	
Estimated jobs	0 FTE, 15 construction jobs
Estimated city benefits before tax abatement	\$1,299,706
Total nominal value of NEZ	\$352,389
Less cost of services & utility deductions	\$20,752
Net benefit to city	\$926,565

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

	Amount
Real Property Taxes, before abatement	\$947,203
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	\$15,286
Municipal Income Taxes - New Res. Inhabitants	\$285,936
Utility Revenue	\$20,752
Utility Users' Excise Taxes	\$0
State Revenue Sharing - Sales Tax	\$0
Building Permits and Fees	\$30,530
Miscellaneous Taxes & User Fees	\$0
Subtotal Benefits	<u>\$1,299,706</u>
Cost of Providing Municipal Services	\$0
Cost of Providing Utility Services	(\$20,752)
Subtotal Costs	<u>(\$20,752)</u>
Net Benefits	\$1,278,954

Incentive Summary over the First 15 Years

	Additional Benefits	Additional Costs	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					
City of Detroit	\$1,299,706	(\$20,752)	(\$352,389)	\$0	\$0	\$926,565
Wayne County	\$226,560	\$0	(\$85,635)	\$0	\$0	\$140,925
Detroit Public Schools	\$874,357	\$0	(\$311,968)	\$0	\$0	\$562,390
State Education	\$169,230	\$0	(\$60,381)	\$0	\$0	\$108,850
Wayne RESA	\$149,371	\$0	(\$54,990)	\$0	\$0	\$94,381
Wayne County Comm. College	\$91,407	\$0	(\$32,614)	\$0	\$0	\$58,793
Wayne County Zoo	\$2,821	\$0	(\$1,006)	\$0	\$0	\$1,814
Detroit Institute of Arts	\$5,641	\$0	(\$2,013)	\$0	\$0	\$3,628
Total	\$2,819,094	(\$20,752)	(\$900,995)	\$0	\$0	\$1,897,346

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

Jurisdiction	Additional Benefits	Additional Costs	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					
City of Detroit	\$1,169,097	(\$20,752)	(\$303,798)	\$0	\$0	\$844,547
Library	\$130,609	\$0	(\$48,591)	\$0	\$0	\$82,018
Wayne County	\$226,560	\$0	(\$85,635)	\$0	\$0	\$140,925
Detroit Public Schools	\$874,357	\$0	(\$311,968)	\$0	\$0	\$562,389
State Education	\$169,230	\$0	(\$60,381)	\$0	\$0	\$108,849
Wayne RESA	\$149,371	\$0	(\$54,990)	\$0	\$0	\$94,381
Wayne County Comm. College	\$91,407	\$0	(\$32,614)	\$0	\$0	\$58,793
Wayne County Zoo	\$2,821	\$0	(\$1,006)	\$0	\$0	\$1,815
Detroit Institute of Arts	\$5,641	\$0	(\$2,013)	\$0	\$0	\$3,628
Total	\$2,819,094	(\$20,752)	(\$900,995)	\$0	\$0	\$1,897,346

Charts courtesy of DEGC

Conclusion

The investment in this project is estimated at \$6.4 million. The proposed tax abatement is projected to be worth a tax savings of \$900,995 to the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit is **\$926,565**, and over **\$1,897,346** to all of the impacted taxing units, in addition to 15 temporary construction jobs & 45 housing units.

DEGC Chart of Taxes Before, During & After the Incentive⁹

Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive
City of Detroit	\$6,012	\$26,622
Library	\$962	\$4,352
Wayne County	\$1,668	\$7,638
Detroit Public Schools	\$6,438	\$29,480
State Education	\$1,246	\$5,706
Wayne RESA	\$1,135	\$5,197
Wayne County Comm. College	\$673	\$3,082
Wayne County Zoo	\$21	\$95
Detroit Institute of Arts	\$42	\$341
Total	\$18,195	\$82,362
		\$148,106

NEZ Acreage Status:¹⁰

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.”*¹¹

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

Brainard Neighborhood NEZ: 0.218 acres
Total Acreage for the Entire City of Detroit: 88,260¹²

Total Acreage Remaining 7,603.88
Total Acreage Designated 5,635.12

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

Attachment: March 2, 2021 Letter from Finance Assessors

⁹ Existing Annual Taxes: \$18,195 - New Annual Taxes DURING the Incentive: \$82,362 & Taxes after the Incentive EXPIRES: \$148,106

¹⁰ This is a ballpark estimate by LPD, based on current available data.

¹¹ MCL 207.773 (2)

¹² 88,260 Acres = 137.90625 Square Miles

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



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

March 2, 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 – Midtown Brainard**
Property Address: 484 Brainard
Parcel ID: 02000775.
8484 Brainard LLC

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed **Brainard Neighborhood Enterprise Zone**, located at 484 Brainard, submitted by the 8484 Brainard LLC for the neighborhood located in the **Midtown** 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 a 45-unit apartment building located in the Willis-Selden Historic District with a total of 0.218 acres of land. The developer, **8484 Brainard LLC**, intends to rehabilitate the property, including new roof, structural repairs, life safety systems, elevator replacement, and efficiency upgrades. The current True Cash Value of the proposed area is \$2,201,571. The True Cash Value of this area would be expected to increase due to the rehabilitation of this project.

Per MCL 207.772 Sec 2 (m):

"Rehabilitated facility" means, except as otherwise provided in section 2a, an existing structure or a portion of an existing structure with a current true cash value of \$120,000.00 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 \$10,000.00 per owner-occupied unit or 50% of the true cash value, whichever is less, or \$15,000.00 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 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.



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

Neighborhood Enterprise Zone
Midtown Brainard Area
Page 2

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.

Upon review, it has been determined that this proposed district located in the **Midtown 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