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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: October 19, 2022

RE: Establishment of a **Neighborhood Enterprise Zone (PA 147 of 1992)**, as requested by **5440 Cass, LLC** in the Midtown area

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.

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 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:

- A downtown district, as defined in the Downtown Development Authority Act.²

¹ As defined in Section 2 (k) MCL 207.772

² PA 197 of 1975, MCL 125.1651 - 125.1681

- 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

5440 Cass LLC

5440 Cass LLC is the project developer of the requested NEZ district that consists of the Belcrest Apartment building, containing 158,535 square feet of building area, and was built in 1926 with 141 apartment units, on 1.060 acres of land, that is proposed for a NEZ.⁵ The developer’s plans to improve the building include updating flooring, paint, and light fixtures in the common area, repairing and adding additional safety elements to the parking lot, repairing and improving the building’s three elevators and reconfiguring the lobby to accommodate modern-day deliveries and tenant amenities. The units will be upgraded and improved with essential safety repairs to the electrical and plumbing systems, repair and replacement as needed to the building’s through-wall HVAC units, cosmetic damage repairs, update of bathrooms with new, more efficient fixtures, update of kitchens with new cabinetry, countertops, and appliances, and new flooring and paint. Energy efficient lighting will be installed throughout the building.

Designed originally as the Belcrest Hotel⁶ by architect Charles N. Agree,⁷ this 13 story t-shaped building is located just across the street from Wayne State University.

At least 20% of the rental units will be offered as affordable housing. In addition, the low income residents, currently residing in the property, will be offered to opportunities to remain as residents in the building, with an initial limited rent increase, documented in a signed agreement with the Housing Department.

**DEGC Project Evaluation Checklist
Belcrest Apartments Rehabilitation
Developer: Holcomb Development Company
Principle: Andrew Casazza**

Neighborhood Enterprise Zone, PA 147 of 1992 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 Units	141 Units

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 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. Assessor’s Letter dated September 8, 2022

⁶ The Belcrest Apartment Hotel was constructed on Cass as a residential hotel for a very upscale clientele. Charles N. Agree, one of Detroit’s highly talented architects whose career was truncated by the Great Depression—used a Neo- Romanesque approach (Romanesque Revival buildings tended to feature more simplified arches and windows than their historic counterparts). This is a T-shaped building with the base of the T facing Cass Avenue. [Untitled Document \(archive.org\)](#)

⁷ Charles Agree was an architect who designed iconic buildings in the Detroit area from the 1920s through the 1960s. [Agree, Charles | Detroit Historical Society](#)

Residential Rentable Square Footage	114,850
Retail Square Footage	5,800
Parking Spaces	85
Project Description	
<p>The Belcrest Apartments building located at 5440 Cass is a federally registered historic building. Originally built as a hotel, the property was converted into a retail space (currently occupied by Common Pub). 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 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 will be offering to low-income residents an initial limited rent increase documented in a signed agreement with the Housing Department.</p>	
Rental Breakdown	
Total Units	141 Units
Studio	12 units, 400sf, \$800-\$925/mo rent
1 Bedroom	103 units, 500sf-900sf, \$1,150-\$1,350/mo rent
2 Bedroom	22 units, 1,100sf-1,200sf, \$1,800-\$2,000/mo rent
3 Bedroom	3 units, 1,900-2,500sf, \$2,000-\$2,400/mo rent
Penthouse	1 unit, 2,300sf, \$2,800/mo rent
Project Costs	
Total Investment	\$25.9M
Uses	\$19.1M Acquisition (74%), \$5.5M Hard Construction (21%), \$1.2M Soft Costs (5%)
Sources	\$15.0M Debt (58%), \$5.8M Seller Financing (22%), \$5.2M Owner's Equity (20%)
Project Benefits (15 years)	
Estimated jobs	0 FTE / 45 Construction
Estimated city benefits before tax abatement	\$6,339,543
Total nominal value of NEZ	\$3,586,521
Less cost of services & utility deductions	\$779,471
Net benefit to city	\$1,910,116

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

	Amount
Real Property Taxes, before abatement	\$4,435,052
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	\$12,970
Municipal Income Taxes - Construction Period	\$45,038
Municipal Income Taxes - New Res. Inhabitants	\$966,965
Utility Revenue	\$765,735
Utility Users' Excise Taxes	\$50,798
State Revenue Sharing - Sales Tax	\$7,249
Building Permits and Fees	\$47,030
Miscellaneous Taxes & User Fees	\$8,706
Subtotal Benefits	\$6,339,543
Cost of Providing Municipal Services	(\$13,736)
Cost of Providing Utility Services	(\$765,735)
Subtotal Costs	(\$779,471)
Net Benefits	\$5,560,072

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	\$6,339,543	(\$779,471)	(\$3,586,521)	\$0	\$0	\$1,973,551
Wayne County	\$1,059,695	(\$1,601)	(\$869,091)	\$0	\$0	\$189,003
Detroit Public Schools	\$3,960,158	(\$16,988)	(\$3,058,144)	\$0	\$0	\$885,026
State Education	\$792,382	\$0	(\$614,540)	\$0	\$0	\$177,842
Wayne RESA	\$456,425	\$0	(\$353,985)	\$0	\$0	\$102,440
Wayne County Comm. College	\$427,595	\$0	(\$331,626)	\$0	\$0	\$95,969
Wayne County Zoo	\$13,167	\$0	(\$10,212)	\$0	\$0	\$2,955
Detroit Institute of Arts	\$26,347	\$0	(\$20,433)	\$0	\$0	\$5,913
Total	\$13,075,312	(\$798,061)	(\$8,844,552)	\$0	\$0	\$3,432,699

Charts courtesy of DEGC

DEGC Chart of Taxes Before, During & After the Incentive⁸

	Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive
City of Detroit	\$15,954	\$16,273	\$241,794
Library	\$2,552	\$2,603	\$38,673
Wayne County	\$4,415	\$4,503	\$66,913
Detroit Public Schools	\$16,453	\$16,782	\$249,359
State Education	\$3,306	\$3,372	\$50,109
Wayne RESA	\$3,004	\$3,064	\$45,533
Wayne County Comm. College	\$1,784	\$1,820	\$27,041
Wayne County Zoo	\$55	\$56	\$833
Detroit Institute of Arts	\$110	\$112	\$1,666
Total	\$47,632	\$48,585	\$721,920

⁸ Existing Annual Taxes: \$47,632 - New Annual Taxes DURING the Incentive: \$48,585 & Taxes after the Incentive EXPIRES: \$721,920

Conclusion

The investment in this project is estimated at **\$25.9 million**. The proposed tax abatement is projected to be worth a tax savings of **\$8,844,552** to the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit of **\$1,973,551** and over **\$3,432,699** to all the impacted taxing units, in addition to 0 FTEs and 45 temporary construction jobs.

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

Belcrest Apartment NEZ:	1.06 acres
<u>Total Acreage for the Entire city of Detroit:</u>	<u>88,260</u> ¹¹

Total Acreage Remaining	7,580.94 ¹²
Total Acreage Designated	5,658.06 ¹³

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

Attachment: September 8, 2022- Letter from Finance Assessors

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

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

¹⁰ MCL 207.773 (2)

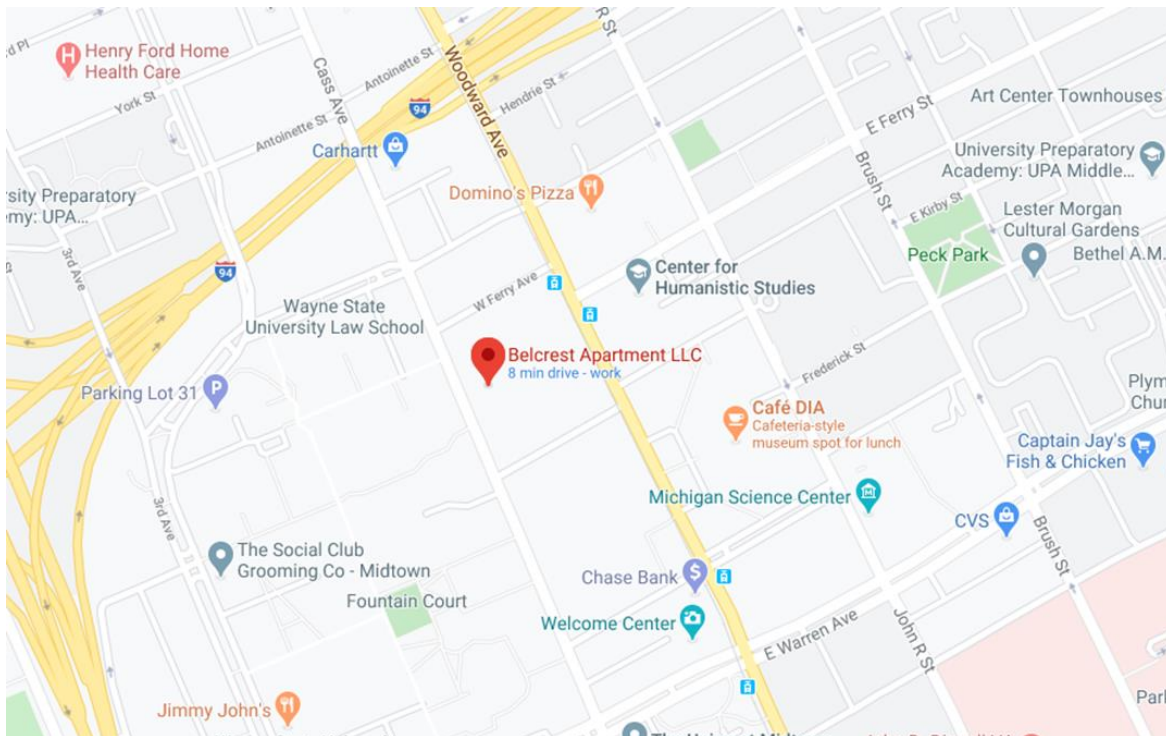
¹¹ 88,260 Acres = 137.90625 Square Miles

¹² 57% of total NEZ acreage remaining (9% of the total acreage of the entire city of Detroit)

¹³ 43% of total NEZ acreage designated (6% of the total acreage of the entire city of Detroit)



The Belcrest Apartments 5440 Cass¹⁴



Property map¹⁵

¹⁴ Source: [Belcrest Apartments Apartments - 5440 Cass Ave Detroit, MI | Apartments.com](https://www.apartments.com/belcrest-apartments-5440-cass-ave-detroit-mi/)

¹⁵ Source: 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

September 8, 2022

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

RE: **Neighborhood Enterprise Zone – 6550 Cass 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 5440 Cass LLC proposed **Belcrest Apartment Neighborhood Enterprise Zone**, located at **5440 Cass** in the **Midtown** area in the City of Detroit. The developer's proposed plan is to acquire and rehabilitate the Belcrest Apartment historical building, which is listed on National Register of Historic Places. 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 with 142 apartment units. The Applicant's intent is to improve the property in various ways, including by updating flooring, paint, and light fixtures in the common area, repairing and adding additional safety to the parking lot, repair and otherwise improve the building's three elevators and reconfiguring the lobby to accommodate modern-day deliveries and tenant amenities including more secure access for residents. Units will benefit from all necessary safety repairs to electrical and plumbing, repair and replacement as necessary of the building's through-wall HVAC units, repair of cosmetic damage, update of bathrooms with new, more efficient fixtures, update of kitchens with new cabinetry, countertops, and appliances, and new flooring and paint. Energy efficient lighting will be installed throughout the building. In addition, 20% of the apartment will be offered at rent rates considered affordable to those individuals with certain income levels. The 2022 True Cash Value of the proposed project is \$19,356,479 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(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



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Neighborhood Enterprise Zone
5440 Cass LLC
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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.

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



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

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Neighborhood Enterprise Zone
5440 Cass LLC
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Parcel: 02002133-5
Property Address: 5440 CASS
Property Owner: BELCREST APARTMENTS LLC
Legal Description: E CASS N 28.19 FT OF 5SUB OF PARK LOT 53 L206 P254 DEEDS, W C R 2/119 2WALKERS SUB L1 P282 PLATS, W C R 2/131 169.54 X 272.24A

