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**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

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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director   
Legislative Policy Division Staff

DATE: February 20, 2023

RE: Establishment of a **Neighborhood Enterprise Zone (PA 147 of 1992)**, as requested by **Olympia Development of Michigan (ODM)** for the proposed **408 Temple St NEZ**

**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,<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:

- A downtown district, as defined in the Downtown Development Authority Act.<sup>2</sup>

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

<sup>2</sup> 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).<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>

### Olympia Development of Michigan (ODM)

Olympia Development of Michigan (ODM) is the project developer of the requested NEZ district, with a proposed area that consists of 1 parcel with a total of 0.344 acres of land, located at **408 Temple St**, which is proposed for a NEZ.<sup>5</sup> The planned development is one of ten elements associated with ten (10) mixed-use development projects<sup>6</sup> within Detroit’s DDA Development Area,<sup>7</sup> which proposed together, encompasses Olympia Development’s Transformational Brownfield Plan<sup>8</sup> proposal, commonly referred to as District Detroit, with a total estimated investment cost of \$1.532 billion.

#### 408 Temple St

The American Residential Project at **408 Temple**, is a planned renovation of the 11-story brown brick and terra cotta<sup>9</sup> building, formerly known as the American or Fort Wayne Hotel, which is located in the City’s Cass Park Historic District, with first floor retail, is expected to include 131 residential units, of which 20% (27 units) would be affordable at 50% AMI or below. From 1888 to 2001, the property was used as a church, a lodge hall, and a hotel with stores and restaurants. The current hotel building which opened in 1926, has been unoccupied since 2002.

It is proposed to be renovated into a mixed-use building with first floor retail and a mix of market-rate and affordable residences in the 10 floors above. The building is located on the northwest corner of Temple Street and Cass Avenue adjacent to the Masonic Temple, in the Cass Park Historic District.<sup>10</sup> The rehabilitated building is projected to contain approximately 157,635 gross square feet (GSF) with 152,325 GSF for 131 apartments, 27 of which will be affordable at 50% AMI, as well as 5,310 (net rentable square footage) NRSF/GSF for retail. The residential space will occupy 88,477 NRSF, with the difference of 63,848 square feet comprised of what is referenced as “back of the house” uses, such as common areas, elevators, escalators, lobbies, corridors, mechanical rooms and janitor closets. The currently requested NEZ tax abatement applies to the *residential* elements of this particular development.

In addition to the NEZ request, the developer is also pursuing assistance via a potential refundable loan through the Detroit Downtown Development Authority’s (DDA) newly implemented Affordable Housing Loan Program - \$4.061 million to support 27 affordable units,<sup>11</sup> to assist in providing deep levels of affordable housing.<sup>12</sup> The developer is also pursuing Transformational Brownfield TIF reimbursement

<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.

<sup>5</sup> 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 January 5, 2023

<sup>6</sup> The 10 listed sites include 4 mixed-income residential buildings, 4 commercial office buildings and 2 hotels, along with additional open public and green space. [District Detroit | City of Detroit \(detroitmi.gov\)](https://www.detroitmi.gov/district-detroit)

<sup>7</sup> The “DDA Act,” Public Act 197 of 1975, enacted on August 13, 1975, authorized the use of Tax Increment Finance (TIF) to correct and prevent the deterioration of downtown areas in the State of Michigan.

<sup>8</sup> A Transformational Brownfield Plan must be for mixed-use development and must meet a minimum investment threshold, which is set at \$500 million for a city, village or township with a population of at least 600,000 (i.e., Detroit).

<sup>9</sup> Architectural terra-cotta is an ancient form of masonry that is still used extensively today. Terra-cotta literally means “fired earth,” a nod to the process of turning clay into a durable product used in pottery, floor tiles, and roofing. [The Rise, Fall, and Rise of Architectural Terra-Cotta | Architect Magazine](https://www.architectmagazine.com/feature/the-rise-fall-and-rise-of-architectural-terra-cotta)

<sup>10</sup> [Cass Park Historic District \(placeandsee.com\)](https://www.placeandsee.com/cass-park-historic-district)

<sup>11</sup> The developer is also pursuing Federal 4% Low Income Housing Tax Credits (“LIHTC”)

<sup>12</sup> Affordable loan can be forgiven over time, with a demonstration of 50% of Detroit residents occupying the affordable units. Under these terms, a “Detroit resident” is defined as someone that has lived in the city for a minimum of 3 years prior to occupancy.

over a period of 35-years of TBP capture in the amount of \$22.8 million,<sup>13</sup> and also a PA 210 Commercial Rehabilitation tax abatement, for the *commercial* elements of this development (a ten-year abatement).

**Rental Summary**

|                    |   |
|--------------------|---|
| <b>Total Units</b> | 131 Units (27 Affordable)                   |
| <b>Studio</b>      | 38 Units (8 Affordable @ 50% AMI) – 428 SF  |
| <b>1 Bedroom</b>   | 65 Units (13 Affordable @ 50% AMI) – 666 SF |
| <b>2 Bedroom</b>   | 27 Units (6 Affordable @ 50% AMI) – 1054 SF |

**DEGC Project Evaluation Checklist**

**District Detroit – 480 Temple**  
**Developer:** Olympia Predevelopment LLC

|   |  |
|---|--|
| Neighborhood Enterprise Zone, <b>PA 147 of 1997 as amended</b> – Current taxes frozen at pre-construction values, local taxes abated for up to 15 years, years 13-15 have a phase out   |  |
| <b>DEGC Recommendation</b>  | <b>Approval of the NEZ District</b>                                    |
| <b>Request Type</b>   | <b>NEZ District</b>  |
| <b>Location</b>   |  |
| Address   | 480 Temple   |
| City Council District   | District 6   |
| Neighborhood  | Downtown   |
| <b>Building Use</b>   |  |
| Total Rentable Units  | 131 Units (27 Affordable)  |
| Residential Square Footage  | 152,325 SF(Gross), 88,477 SF (Rentable)                                |
| Retail Square Footage   | 5,310 SF   |
| Parking Spaces  | -  |
| <b>Project Description</b>  |  |
| The American Residential Redevelopment Project is a planned renovation of the brown brick and terra cotta building, formerly known as the American or Fort Wayne Hotel located in the City’s Cass Park Historic District. It is proposed to be renovated into a mixed-use building with first floor retail and a mix of market-rate and affordable residences above. The building is located on the northwest corner of Temple Street and Cass Avenue adjacent to the Masonic Temple. It is a contributing building in the Cass Park Historic District. The rehabilitated building is projected to contain approximately 157,635 GSF, including 5,310 NRSF of retail space and 88,477 NRSF of residential space, making up 131 apartments, 27 of which will be affordable at 50% AMI. |  |
| <b>Rental Breakdown</b>   |  |
| Total Units   | 131 Units (27 Affordable)  |
| Studio  | 38 Units (8 Affordable @ 50% AMI) – 428 SF                             |
| 1 Bedroom   | 65 Units (13 Affordable @ 50% AMI) – 666 SF                            |
| 2 Bedroom   | 27 Units (6 Affordable @ 50% AMI) – 1054 SF                            |
| <b>Project Costs</b>  |  |
| Total Investment  | \$68,686,000   |
| Uses  | \$49,262,000 Hard Construction (72%),<br>\$19,424,000 Soft Costs (28%) |

<sup>13</sup> TBP allows for the capture of five sources of new tax revenues associated with a project, in addition to incremental revenue from property taxes. The additional tax revenues available include the following State tax sources, 1.State Construction Period Income Tax; 2.State Construction Period Sales Tax Exemptions; 3.State Construction Period Use Tax Exemptions; 4.State Income Tax Capture; 5. State Withholding Tax Capture

|   |   |                        |
|---|---|------------------------|
| Sources   | \$11.3M Equity (16.4%), \$33.3M Debt (48.5%), \$4.0M DDA AHLF (5.8%), \$1.8M DDA Infrastructure (2.6%), \$1.8M TBP Exemption (2.6%), \$963K AHP (1.4%), \$15.5M LIHTC/FHTC Equity (22.6%) |                        |
| <b>Project Benefits (15 Year NEZ; 10 Year PA 210)</b> | <b>NEZ – PA 147</b>   | <b>CRA – PA 210</b>    |
| Estimated jobs (FTE/Construction)                     | 0 FTE/622 Construction  | 27 FTE/38 Construction |
| Estimated city benefits before tax abatement          | <b>\$4,897,278</b>  | <b>\$1,072,960</b>     |
| Less cost of services & utility deductions            | <b>\$642,311</b>  | <b>\$38,825</b>        |
| Net benefit to city                                   | <b>\$4,254,967</b>  | <b>\$1,034,135</b>     |

### City of Detroit Gross Benefits Summary over the First 35 Years (Prior to Abatement)

|  | Amount             |
|--|--------------------|
| Real Property Taxes, before abatement        | \$0                |
| 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 | \$578,076          |
| Municipal Income Taxes - New Residents       | \$3,418,251        |
| Utility Revenue                              | \$148,740          |
| Utility Users' Excise Taxes                  | \$123,268          |
| State Revenue Sharing - Sales Tax            | \$3,335            |
| Building Permits and Fees                    | \$0                |
| Miscellaneous Taxes & User Fees              | \$625,608          |
| <b>Subtotal Benefits</b>                     | <b>\$4,897,278</b> |
| Cost of Providing Municipal Services         | (\$493,571)        |
| Cost of Providing Utility Services           | (\$148,740)        |
| <b>Subtotal Costs</b>                        | <b>(\$642,311)</b> |
| Net Benefits                                 | \$4,254,967        |

Charts courtesy of DEGC

### Conclusion

The investment in this project is estimated at **\$68,686,000**. The proposed tax abatement is projected to be worth a tax savings of **\$9,138,855** to the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit of **\$4,254,967** and over **\$18,927,885<sup>14</sup>** to all the impacted taxing units, in addition to 0 FTEs,<sup>15</sup> 622 temporary construction jobs and 131 new housing units.

### NEZ Acreage Status:<sup>16</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>17</sup>*

<sup>14</sup> The second spreadsheet with all taxing jurisdictions that we usually provide was not included, due to the fact that all or partial millages are subject to DDA capture.

<sup>15</sup> However, there are 27 FTE’s associated with the commercial elements of this project.

<sup>16</sup> This is a ballpark estimate by LPD, based on current available data.

<sup>17</sup> MCL 207.773 (2)

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

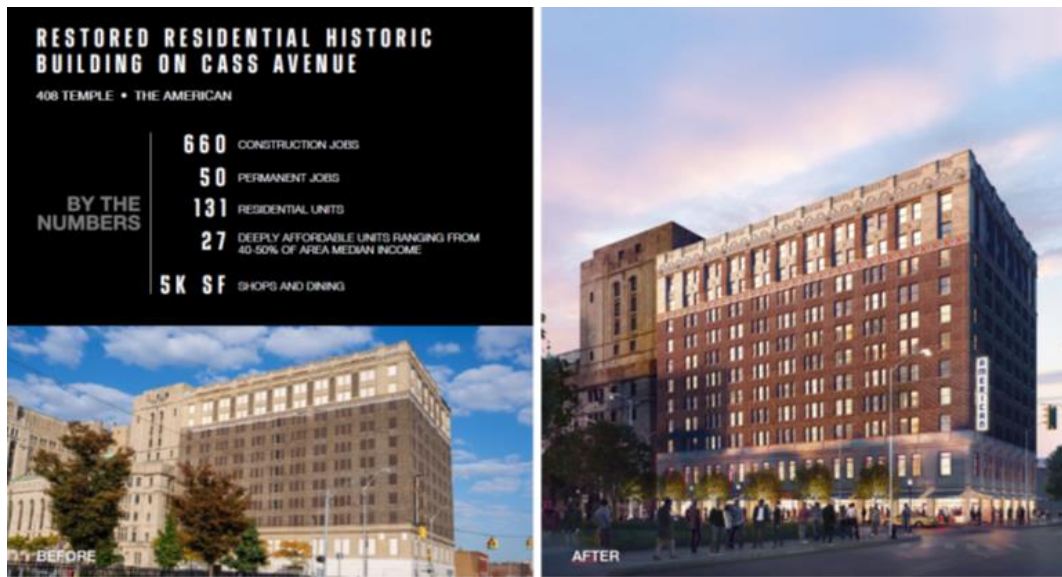
**408 Temple St NEZ: 0.34 acres**  
**Total Acreage for the Entire city of Detroit: 88,260<sup>18</sup>**

**Total Acreage Remaining 7,571.95<sup>19</sup>**  
**Total Acreage Designated 5,667.05<sup>20</sup>**

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

**Attachment:** January 5, 2023 - 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
  - Malik Washington, Mayor’s Office
  - Malinda Jensen, DEGC
  - Kenyetta Bridges, DEGC
  - Jennifer Kanalos, DEGC
  - Brian Vosburg, DEGC



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<sup>18</sup> 88,260 Acres = 137.90625 Square Miles  
<sup>19</sup> 57% of total NEZ acreage remaining (9% of the total acreage of the entire city of Detroit)  
<sup>20</sup> 43% of total NEZ acreage designated (6% of the total acreage of the entire city of Detroit)  
<sup>21</sup> Source: [More details emerge for \\$1.5B District Detroit buildout and incentives \(freep.com\)](https://freep.com)



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 5, 2023

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

RE: **Neighborhood Enterprise Zone – 408 Temple St**  
**Property Address: 408 Temple**  
**Parcel ID: 02002261.**  
**Olympia Development of Michigan**

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed **408 Temple St Neighborhood Enterprise Zone** submitted by **Olympia Development of Michigan (ODM)** 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 1 parcel with a total of 0.344 acres of land. The developer intends to rehabilitate the American Hotel, an 11-story, approximately 157,000 sq.ft. vacant former hospitality structure, into first floor retail space and 131 apartments, 27 of which will be affordable housing. The current True Cash Value of the proposed area is \$6,921,331. 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 the following:

"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

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Neighborhood Enterprise Zone  
408 Temple St  
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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 at **408 Temple** 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  
408 Temple St  
Page 3

Parcel: 02002261.  
Owner: TEMPLE COMMONS LLC  
Property Address: 408 TEMPLE  
Legal Description: W CASS 2-1 BLK 83--PLAT PT CASS FARM L1 P131 PLATS, W C R 2/171 100 X 150

