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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: November 15, 2023

RE: Establishment of a **Neighborhood Enterprise Zone (PA 147 of 1992)**, as requested
by **1400 Holden, LLC**

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

1400 Holden, LLC NEZ

1400 Holden, LLC,⁵ is the project developer and the owner of the 3 parcels on 0.513 acres of land proposed for the new NEZ district, which includes a 2-story office building, a one-story retail building and a commercial parking lot. The developer plans to rehabilitate the vacant building spread across the addresses of 1420 & 1432 Holden and 6217 Lincoln, to create a mixed-use development on the site. Located in the Northwest Goldberg⁶-Elijah McCoy area of Detroit, if approved by Council, the development will involve the conversion of 29,820 sq. ft. of building space into a retail commercial use and four residential rental units on the first floor and 16 residential units on the second floor, for a total of 20 residential units with 100% affordable rents, ranging from 60%-80% AMI (area median income). All of the apartments are expected to be considered ADA “Type B”⁷ units. **Reduced rate parking** will be offered to occupants of affordable apartments. The future plan for the project includes the combination of the three parcels. The apartments will fill a void for the mixed-use needs of the developments in and around Henry Ford Hospital.

The developer’s plan to restore the exterior and interior of the property includes an extensive reconfiguration and upgrades in carpentry, roofing windows, glass, drywall, flooring, plumbing and HVAC.⁸ The current NEZ involves the *residential* elements of the project. The developer is also seeking the approval of a Commercial Redevelopment Act⁹ (PA 255 of 1978) tax abatement, exclusively for the ground floor retail *commercial* elements of the project, which will be addressed in a separate hearing.

Total Residential Units *20 Units (100% affordable @ 60%-80% AMI)*

Studios	5 Units; 342 Avg. SF; \$963/mo. Avg. Rent
1-Bed	10 Units; 413 Avg. SF; \$1,006/mo. Avg. Rent
2-Bed	5 Units; 963 Avg. SF; \$1,531/mo. Avg. Rent
3-Bed	N/A

DEGC Property Tax Abatement Evaluation

Property Address: 1400 Holden

Developer: 1400 Holden LLC

Incentive:	PA 255 CFE	PA 147 NEZ
DEGC Abatement Term Recommendation	12 years	15 years
Location		
Address	1420 Holden, 1432 Holden, 6217 Lincoln	
City Council District	District 5	

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 principals are Andrew Casazza and John Walton, who are working on the Belcrest Apartments project at 5440 Cass.

⁶ The NW-Goldberg Community boundaries are John C. Lodge and I-94 expressways, West Grand Boulevard and Grand River. The area is home to the Motown Museum, Henry Ford Hospital, Cole Funeral Home, Tabernacle Church and DCP-Northwestern High School.

⁷ **Type B:** Fully usable and adaptable dwelling units. Type B units comply with and in some ways exceed the FHA requirements. According to the FHA Design Manual, ANSI A117.1 Type B units are a “safe harbor” for FHA compliance. [Understanding Accessibility Code in Living Spaces \(bimsmith.com\)](#)

⁸ The term “HVAC” stands for heating, ventilation, and air conditioning.

⁹ The Commercial Redevelopment Act, (known as the Commercial Facilities Exemption), PA 255 of 1978, as amended, affords a tax incentive for the redevelopment of commercial property for the primary purpose and use of a commercial business enterprise. (MCL 207.651 - 207.668) [Michigan Legislature - Act 255 of 1978](#)

Neighborhood	Elijah McCoy		
Located in HRD/SNF Targeted Area	N/A		
Building Use			
Total Square Footage (SF)	24,630		
Residential SF	11,190		
Commercial SF	N/A		
Retail SF	13,440		
Industrial SF	N/A		
Total Residential Units	20 Units (100% affordable @ 60%-80% AMI)		
Studios	5 Units; 342 Avg. SF; \$963/mo. Avg. Rent		
1-Bed	10 Units; 413 Avg. SF; \$1,006/mo. Avg. Rent		
2-Bed	5 Units; 963 Avg. SF; \$1,531/mo. Avg. Rent		
3-Bed	N/A		
Project Description			
<p>The 1400 Holden St. building (which currently is located on the 1420-1432 Holden St & 6217 Lincoln parcels) includes is a long-vacant mixed-use commercial office building in the Elijah McCoy neighborhood of Detroit. During its vacancy, the building has suffered significant structural and other damage as a result of neglect and exposure to many seasons of weather inside the building. The developer intends to gut-renovate the property to create a community hub of first-floor businesses and 20 residential units. The project will bring this neighborhood much-needed safe, secure, and affordable housing. The abatement is needed for a viable project because of the significant capital investment required to restore the building and property.</p>			
Sources and Uses of Capital Summary			
Total Investment	\$5,195,888		
Sources	Debt: \$3.38M (65.06%); Equity: \$688.8K (13.26%)		
Uses	Acquisition: \$600K (11.55%); Hard Costs: \$3.8M (73.4%); Soft Costs: \$782K (15.05%)		
Project Economic Benefits Summary	PA 255 - CFE	PA 147 - NEZ	Total
Estimated Jobs (FTE/Construction)	0 Developer / 30 Tenant FTE / 30 Construction		
Estimated City benefits before tax abatement	\$1,319,109	\$572,152	\$1,891,261
Total estimated City value of PA 255 + NEZ	\$151,339	\$131,384	\$282,723
Less cost of services & utility deductions	\$409,858	\$192,579	\$602,437
Net Benefit to City with PA 255 + NEZ	\$757,912	\$248,189	\$1,006,101

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

	Amount
Real Property Taxes, before abatement	\$162,468
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	\$13,674
Municipal Income Taxes - New Res. Inhabitants	\$128,283
Utility Revenue	\$81,971
Utility Users' Excise Taxes	\$20,026
State Revenue Sharing - Sales Tax	\$57,276
Building Permits and Fees	\$15,901
Miscellaneous Taxes & User Fees	\$92,554
<u>Subtotal Benefits</u>	<u>\$572,152</u>
Cost of Providing Municipal Services	(\$110,609)
Cost of Providing Utility Services	(\$81,971)
<u>Subtotal Costs</u>	<u>(\$192,579)</u>
Net Benefits	\$379,572

Impacted Taxing Units: 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	\$572,152	(\$192,579)	(\$131,384)	\$0	\$0	\$248,189
Wayne County	\$54,169	(\$12,970)	(\$31,718)	\$0	\$0	\$9,481
Detroit Public Schools	\$712,913	(\$542,769)	(\$112,722)	\$0	\$0	\$57,421
State Education	\$29,027	\$0	(\$22,512)	\$0	\$0	\$6,515
Wayne RESA	\$26,257	\$0	(\$20,364)	\$0	\$0	\$5,893
Wayne County Comm. College	\$15,579	\$0	(\$12,082)	\$0	\$0	\$3,496
Wayne County Zoo	\$480	\$0	(\$372)	\$0	\$0	\$108
Detroit Institute of Arts	\$961	\$0	(\$745)	\$0	\$0	\$216
Total	\$1,411,538	(\$748,319)	(\$331,900)	\$0	\$0	\$331,319

DEGC Chart of Taxes Before, During & After the Incentive¹⁰

	Existing Taxes	New Taxes <i>With</i> Incentive(s)	New Taxes <i>Without</i> Incentive	
City of Detroit	\$4,500	\$4,503	\$12,764	
Library	\$720	\$720	\$2,042	
Wayne County	\$1,240	\$1,241	\$3,518	
Detroit Public Schools	\$4,670	\$4,672	\$13,245	
State Education	\$933	\$933	\$2,645	
Wayne RESA	\$844	\$844	\$2,393	
Wayne County Comm. College	\$501	\$501	\$1,420	
Wayne County Zoo	\$15	\$15	\$44	
Detroit Institute of Arts	\$31	\$31	\$88	
Total	\$13,453	\$13,461	\$38,158	11

¹⁰ **EXISTING Annual Taxes: \$13,453 - Annual Taxes DURING the Incentive: \$13,461 & Taxes after the Incentive EXPIRES: \$38,158**

¹¹ Charts courtesy of the DEGC

Conclusion

The investment in this project is estimated at **\$5,195,888**. The abatement is projected to be worth a tax savings of **\$331,900** for the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit of **\$248,189** and **\$331,319** to all the impacted taxing units, in addition to 30 temporary construction jobs and 20 new housing units.¹² The result of this finished project revitalizes a building that has been blighted and abandoned in the neighborhood, and provides it a benefit, by returning a distressed property to a productive use, as a residential/commercial investment in the community.

NEZ Acreage Status:¹³

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.”*¹⁴

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

1400 Holden, LLC NEZ: 0.51 acres
Total Acreage for the Entire city of Detroit: 88,260¹⁵

Total Acreage Remaining 7,557.93¹⁶
Total Acreage Designated 5,681.07¹⁷

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

Attachment: September 26, 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
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC

¹² The developer anticipates a creation of 30 tenant positions; however, those additions are associated with the commercial elements of the project.

¹³ This is a ballpark estimate by LPD, based on current available data.

¹⁴ MCL 207.773 (2)

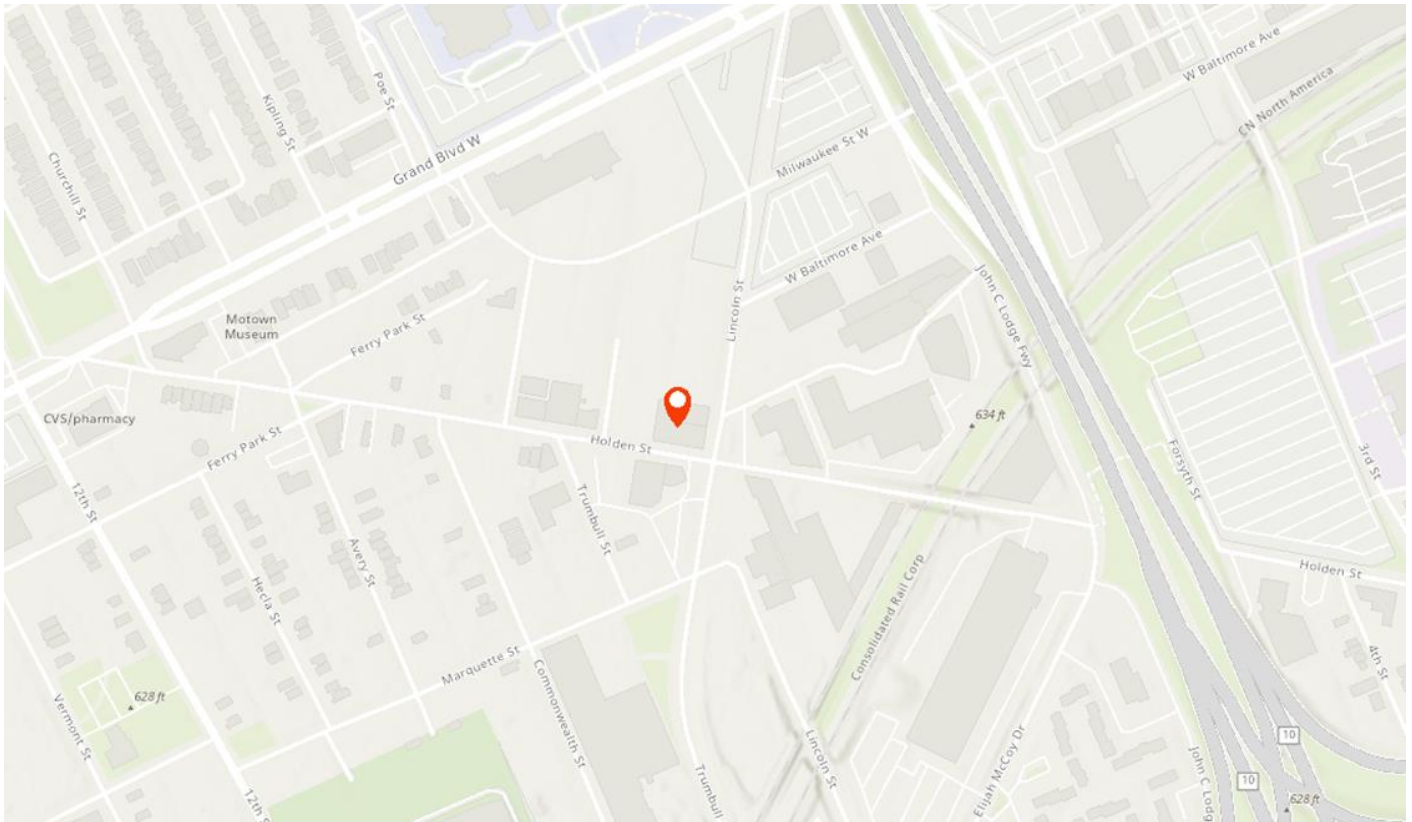
¹⁵ 88,260 Acres = 137.90625 Square Miles

¹⁶ 57% of total NEZ acreage remaining (9% of the total acreage of the entire city of Detroit)

¹⁷ 43% of total NEZ acreage designated (6% of the total acreage of the entire city of Detroit)



Current view of 1420 & 1432 Holden and 6217 Lincoln



Map of Area¹⁸

¹⁸ Current view of 1420 & 1432 Holden and 6217 Lincoln and Map of Area courtesy of the 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 26, 2023

Mr. Antoine Bryant, Director
Planning & Development Department
Coleman A. Young Municipal Center
2 Woodward Ave, Suite 808
Detroit, MI 48226

RE: **Neighborhood Enterprise Zone - 1400 Holden LLC**
Property Addresses: 1420 Holden, 1432 Holden, 6217 Lincoln
Parcel Numbers: 06001557-9, 06001556, 06005642.002L

Dear Mr. Bryant:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed Neighborhood Enterprise Zone for the properties located at 1420 Holden, 1432 Holden, 6217 Lincoln in the **NW Goldberg** area of the City 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 district as proposed by **1400 Holden LLC** consists of 3 parcels with a total of 0.513 acres of land which includes one 2-story office building, a single, one-story store-retail building, and a commercial parking lot. The owner plans to rehabilitate the commercial portion of the first floor of the building located across 1420 Holden, 1432 Holden and 6217 Lincoln, Detroit, Michigan. The owner proposes to redevelop a vacant, approximately 29,820 gross sq ft (excluding basement area) building on its property to create a mixed-use development including commercial/retail. In addition, the owner will rehabilitate the second floor and the remaining portion of the first floor of the building into approximately twenty (20) apartments. Four (4) of the proposed apartments will be at ground-level with the remainder on the second floor. There are expected to be 6 studios, 12 one-bedroom and 2 two-bedroom apartments. A parcel combination for the three parcels is anticipated in the near future. The restoration to the properties exterior and interior requires extensive reconfiguration and upgrades, including replacement of substantial portions of carpentry, roofing, windows, glass, drywall, flooring, plumbing, and HVAC. **The combined current True Cash Value of the proposed areas is \$1,149,148. The True Cash Value of the areas would be expected to increase due to the new construction of this project.**

This NEZ request is solely for the residential portion of the properties.

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 facilities include 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.



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Neighborhood Enterprise Zone
1400 Holden LLC
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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 NW Goldberg 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
1400 Holden LLC
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Parcels: 06001557-9, 06001556, 06005642.002L
Owner: 1400 Holden LLC

Parcel Number	Property Address	Property Owner	Legal Description
06001557-9	1420 Holden	1400 Holden LLC	N HOLDEN 13-14 & S 70 FT 15-16-17 AVERY & VAN HUSANS SUB L11 P13 PLATS, W C R 6/98 150 X IRRG (13800 SF)
06001556.	1432 Holden	1400 Holden LLC	N HOLDEN 12 AVERY & VAN HUSANS SUB L11 P13 PLATS, W C R 6/98 30 X 125
06005642.002L	6217 Lincoln	1400 Holden LLC	W LINCOLN N 55 FT OF LOTS 17 THRU 15 AVERY & VAN HUSANS SUB L11 P13 PLATS, W C R 6/98 55 X 90

Note: parcels are expected to be combined.



