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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director   
Legislative Policy Division Staff

DATE: January 9, 2024

RE: Establishment of a **Neighborhood Enterprise Zone (PA 147 of 1992)**, as requested  
by **Henry Ford Health System and Palace Sports & Entertainment, LLC<sup>1</sup>**  
**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 of the Michigan Department of Treasury. 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>2</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>3</sup>
- A principal shopping district or a business improvement district as defined in the principal shopping district Act (BID Act).<sup>4</sup>
- An area of the local unit zoned and primarily used for business, as determined by the local governmental unit.<sup>5</sup>

<sup>1</sup> This project is an element of the Future of Health (FOH) Transformational Brownfield Plan (TBP)

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

<sup>3</sup> PA 197 of 1975, MCL 125.1651 - 125.1681

<sup>4</sup> Principal shopping Districts and Business Improvements Districts Act 120 of 1961, MCL 125.981 - 125.990n

<sup>5</sup> Under the DDA Act, "downtown district" means that part of an area in a business district.

## Future of Health (FOH) Transformational Brownfield Plan (TBP)

The Henry Ford Health System and Palace Sports & Entertainment NEZ, is one of five projects included in the \$773 million **Future of Health (FOH) Transformational Brownfield Plan (TBP)**, based on a planned related investment of Henry Ford Health System (HFH), Palace Sports & Entertainment (Pistons) and Michigan State University (MSU). The Pistons are investing in residential properties for three of the five projects included in the TBP. The remaining two projects are a newly proposed research project resulting from a joint venture of HFH and MSU, and finally a 320,000 sq. ft. six-story parking garage for the residents of the new apartments and the workers at the research center.<sup>6</sup> In addition to the five TBP projects, Henry Ford Health System is planning to develop a *new hospital adjacent to the five projects*,<sup>7</sup> which will result in the development of six projects in the vicinity. Henry Ford Health System currently owns all of the land for the six project sites and will continue to own all the land once the projects are done.<sup>8</sup> LPD will report in complete detail on the forthcoming FOH TBP<sup>9</sup> project in its entirety, prior to its consideration. The FOH TBP would provide unconventional financial assistance to the developer, which include several State tax revenue sources. Below please find a summary of the five projects in the TBP:

### FOH TBP at a glance

Project	Start Date	Investment	Mixed income Residential Units	Mixed Income Gross Sq Ft.	Office Gross Sq Ft.	Retail Gross Sq Ft.	Parking Gross Sq Ft
Henry Ford + MSU Medical Research Center, 6175 Third Street –(Research Center)	May-24	\$393M			326,362		
<b>6005 Second Avenue – (Current One Ford Place) (Residential 1)</b>	<b>April-27</b>	<b>\$190M</b>	<b>403</b>	<b>609,893</b>		<b>17,060</b>	
725 Amsterdam Street Residential 2)	April-25	\$79M	154	151,189		8,015	
675 Amsterdam Street Residential 3)	April-27	\$54M	105	106,122		6,273	
6205 Third Sreet Parking Garage (804 spaces)	October-25	\$58M					320,000
<b>Totals</b>		<b>\$773M</b>	<b>662</b>	<b>867,204</b>	<b>326,362</b>	<b>31,348</b>	<b>320,000</b>

### **Henry Ford Health System and Palace Sports & Entertainment NEZ**

According to published reports, despite the fact that Henry Ford Health (HFH) won't be involved in the construction or in the operation of the apartments invested in by the **Pistons**, HFH plans to enter into long-term ground leases with a Pistons-related entity (for up to 99 years) for the three apartment sites, including the **Henry Ford Health System and Palace Sports & Entertainment NEZ** site, which is located at **6005 Second Ave.** and is currently subject to Council's consideration. The developer **Palace Sports & Entertainment, LLC**, is investing approximately \$190 million for the adaptive reuse of **One Ford Place** aka **6005 Second Ave.**, which currently serves as the corporate headquarters for Henry Ford Health. The conversion will result in the development of 403 residential rental units, which will include 20% (81) of the residential rental units marketed at rents not to exceed 50% AMI for individuals with incomes not to exceed approximately \$31,000 per year. In addition to the current NEZ request for the *residential component* of this project, which is a 17-year request due to the provision in the act that provides this for historic properties, the developer plans to seek Federal Historic tax credits, a PILOT<sup>10</sup> and a Commercial Redevelopment Act<sup>11</sup> (PA 255 of 1978) tax abatement for the *retail element* associated with this particular development, which will be covered by a separate series of public hearings and will be reported on by us when the certificate approval process reaches the Council.

<sup>6</sup> Located directly across from the proposed Research Center, this newly constructed Parking Garage is projected to contain 320,000 GSF with 804 vehicle parking spaces. The vehicle parking spaces will occupy 271,278 NRSF. Permanent commercial businesses are not contemplated in this building. (FOH TBP listed as page 15 of 59 (22 of 279 of the overall plan))

<sup>7</sup> Although Henry Ford Health's **\$2.248 billion** investment for a new South Campus hospital was voluntarily included in the FOH TBP Community Benefits process, *this development will receive no incentives*. Therefore, the new hospital is not a project included in the TBP.

<sup>8</sup> [Detroitters sound off at hearing over \\$3B New Center development \(freep.com\)](#)

<sup>9</sup> **FOH TBP: Future of Health Transformational Brownfield plan**

<sup>10</sup> Payments in Lieu of Taxes

<sup>11</sup> 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](#)

**Building Use<sup>12</sup>**

Total Square Footage (SF)	626,953 (294,449 Leasable)
Residential SF	609,893 (277,389 Leasable)
Commercial SF	N/A
Retail SF	17,060
Industrial SF	N/A
<b>Total Residential Units</b>	403 Units (81 Affordable @ 50% AMI)
Studios	181 Units (37 Affordable); 565 Avg. SF; \$747-\$1,665/mo.
1-Bed	168 Units (35 Affordable); 718 Avg. SF; \$794-\$1,974/mo.
2-Bed	43 Units (9 Affordable); 1,070 Avg. SF; \$941-\$2,461/mo.
Corporate <sup>13</sup>	11 Units; 781 Avg. SF; \$3,040/mo.

**DEGC Property Tax Abatement Evaluation****Project: Future of Health – 6005 Adaptive Reuse****Developer: Palace Sparts & Entertainment, LLC**

<b>Description of Incentive:</b> Neighborhood Enterprise Zone, <b>PA 147 of 1997 as amended</b> – Current taxes frozen at pre-rehab construction values. Local taxes abated for up to 17 years, with a phase out period in years 15-17.	
<b>DEGC Abatement Term Recommendation</b>	<b>17 years</b>
<b>Location</b>	
Address	6005 Second Ave
City Council District	District 5
Neighborhood	New Center/Techtown
Located in HRD/SNF Targeted Area	New Center
<b>Building Use</b>	
<b>Total Square Footage (SF)</b>	626,953 (294,449 Leasable)
Residential SF	609,893 (277,389 Leasable)
Commercial SF	N/A
Retail SF	17,060
Industrial SF	N/A
<b>Total Residential Units</b>	403 Units (81 Affordable @ 50% AMI)
Studios	181 Units (37 Affordable); 565 Avg. SF; \$747-\$1,665/mo.
1-Bed	168 Units (35 Affordable); 718 Avg. SF; \$794-\$1,974/mo.
2-Bed	43 Units (9 Affordable); 1,070 Avg. SF; \$941-\$2,461/mo.
Corporate	11 Units; 781 Avg. SF; \$3,040/mo.
<b>Project Description</b>	
<p>Henry Ford Health, Michigan State University, and the Detroit Pistons are partnering to invest a combined \$3 billion to create a world class health hub in the City of Detroit. As part of this overall development, 6005 Second Avenue, which is currently the Henry Ford Health corporate headquarters building, will be converted into a mixed-use residential building.</p> <p>The adaptive reuse will convert the building into mixed-use with approximately 403 mixed-income residential apartments. 20% of the units (81) will have rents affordable to occupants with incomes not greater than 50% of AMI. This project will create approximately 17,060 NRSF of new retail/commercial space and 277,389 NRSF of residential apartment space, excluding 332,504 square feet comprised of so-called “back of the house” uses such as common areas, elevators, escalators, lobbies, corridors, mechanical rooms and janitor closets. The plan calls for one floor of retail/commercial and residential apartments and four (4) floors of residential apartments above.</p>	

<sup>12</sup> Source: DEGC Fact Sheet data<sup>13</sup> A corporate apartment, or corporate housing, is a short-term rental designed for business travelers, independent contractors, college students, and persons on long-term vacations, among others. [What are Corporate Apartments and How to Find Them | Redfin](#)

<b>Sources and Uses of Capital Summary</b>			
Total Investment	\$189,865,000		
Sources	\$36.5M Equity (19%); \$4.7M TBP Benefit (2%); \$96.8M HUD 223(f) Loan (52%); \$51.8M LIHTC/HTC Equity (27%)		
Uses	\$7.3M Acquisition (4%); \$129.9M Hard Costs (69%); \$52.7M Soft Costs (28%)		
<b>Project Economic Benefits Summary</b>	<b>PA 147 NEZ</b>	<b>PA 255 CFE</b>	<b>Total</b>
Estimated Jobs (FTE/Construction)	11 FTE (Developer); 87 FTE (Tenant); 539 (Construction)		
Estimated City benefits before tax abatement	\$78,556,501	\$7,359,961	\$85,916,462
Total estimated City value of abatement	\$16,119,536	\$498,226	\$16,617,762
Less cost of services & utility deductions	\$15,073,092	\$962,112	\$16,035,204
Net Benefit to City with abatement	\$22,164,123	\$4,291,128	\$26,455,251

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

	Amount
Real Property Taxes, before abatement	\$49,741,267
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$230,840
Municipal Income Taxes - Indirect Workers	\$65,318
Municipal Income Taxes - Corporate Income	\$89,090
Municipal Income Taxes - Construction Period	\$470,593
Municipal Income Taxes - New Residents	\$10,600,943
Utility Revenue	\$4,290,826
Utility Users' Excise Taxes	\$1,223,327
State Revenue Sharing - Sales Tax	\$35,743
Building Permits and Fees	\$1,742,822
Miscellaneous Taxes & User Fees	\$10,065,732
<b>Subtotal Benefits</b>	<b>\$78,556,501</b>
Cost of Providing Municipal Services	(\$10,782,265)
Cost of Providing Utility Services	(\$4,290,826)
<b>Subtotal Costs</b>	<b>(\$15,073,091)</b>
<b>Net Benefits</b>	<b>\$63,483,410</b>

**Impacted Taxing Units: Incentive Summary over the First 15 Years**

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Brownfield TIF Capture	Corporate Income & Utility User's Exemption	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$78,556,501	(\$15,073,092)	(\$16,119,536)	(\$25,199,751)	\$0	\$22,164,123
Wayne County	\$13,818,979	(\$1,361,180)	(\$3,997,974)	(\$8,176,892)	\$0	\$282,933
Detroit Public Schools	\$82,279,170	(\$34,823,971)	(\$14,322,368)	(\$17,852,963)	\$0	\$15,279,867
State Education	\$9,159,695	\$0	(\$2,860,374)	(\$6,285,148)	\$0	\$14,173
Downtown Dev. Authority	\$0	\$0	\$0	\$0	\$0	\$0
Wayne RESA	\$8,285,708	\$0	(\$2,587,446)	(\$5,685,440)	\$0	\$12,821
Wayne County Comm. College	\$4,916,008	\$0	(\$1,535,163)	(\$3,373,239)	\$0	\$7,607
Wayne County Zoo	\$151,440	\$0	(\$47,292)	\$0	\$0	\$104,149
Detroit Institute of Arts	\$303,186	\$0	(\$94,678)	\$0	\$0	\$208,508
<b>Total</b>	<b>\$197,470,687</b>	<b>(\$51,258,243)</b>	<b>(\$41,564,830)</b>	<b>(\$66,573,434)</b>	<b>\$0</b>	<b>\$38,074,180</b>

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<sup>14</sup> Charts courtesy of the DEGC

**DEGC Chart of Taxes Before, During & After the Incentive**<sup>15</sup>

	Existing Taxes	New Taxes With NEZ + Brownfield TIF	New Taxes Without NEZ + Brownfield TIF	Taxes After NEZ Expires
City of Detroit	\$0	\$72,162	\$1,091,184	\$428,724
Library	\$0	\$0	\$180,772	\$0
Wayne County	\$0	\$0	\$311,514	\$0
Detroit Public Schools	\$0	\$117,263	\$1,172,812	\$696,677
State Education	\$0	\$0	\$234,227	\$0
Wayne RESA	\$0	\$0	\$211,878	\$0
Wayne County Comm. College	\$0	\$0	\$125,710	\$0
Wayne County Zoo	\$0	\$895	\$3,873	\$5,316
Detroit Institute of Arts	\$0	\$1,791	\$7,753	\$10,643
<b>Total</b>	<b>\$0</b>	<b>\$192,112</b>	<b>\$3,339,722</b>	<b>\$1,141,360</b>

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**Conclusion**

The investment in this project is estimated at **\$189,865,000**. The abatement is projected to be worth a tax savings of **\$41,564,830** for the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit of **\$22,164,123** and **\$38,074,180** to all the impacted taxing units, which includes a TIF capture; in addition to 11 FTE (developer jobs); 87 FTE (tenant jobs), and 539 (temporary construction jobs) and 403 new housing units.<sup>17</sup>

**NEZ Acreage Status:**<sup>18</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>19</sup>

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

**Henry Ford Health System and Palace Sports & Entertainment, LLC NEZ: 9.7 acres**  
**Total Acreage for the Entire city of Detroit: 88,260**<sup>20</sup>

**Total Acreage Remaining 7,548.07**<sup>21</sup>  
**Total Acreage Designated 5,690.93**<sup>22</sup>

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

**Attachment:** November 9, 2023 - Letter from Finance Assessors

cc: Auditor General’s Office  
 Antoine Bryant, Planning and Development Department  
 Julie Schneider, HRD  
 Justus Cook, HRD  
 Veronica Farley, Law Department  
 Stephanie Grimes Washington, Mayor’s Office

<sup>15</sup> **EXISTING Annual Taxes: \$0 - Annual Taxes DURING the Incentives: \$192,112, New Taxes Without the NEZ + Brownfield TIF: \$3,339,722 & Taxes after the Incentives EXPIRE: \$1,141,360**

<sup>16</sup> Charts courtesy of the DEGC

<sup>17</sup> The developer anticipates a creation of 87 tenant positions; however, those additions are associated with the retail elements of the project.

<sup>18</sup> This is a ballpark estimate by LPD, based on current available data.

<sup>19</sup> MCL 207.773 (2)

<sup>20</sup> 88,260 Acres = 137.90625 Square Miles

<sup>21</sup> 57% of total NEZ acreage remaining (9% of the total acreage of the entire city of Detroit)

<sup>22</sup> 43% of total NEZ acreage designated (6% of the total acreage of the entire city of Detroit)

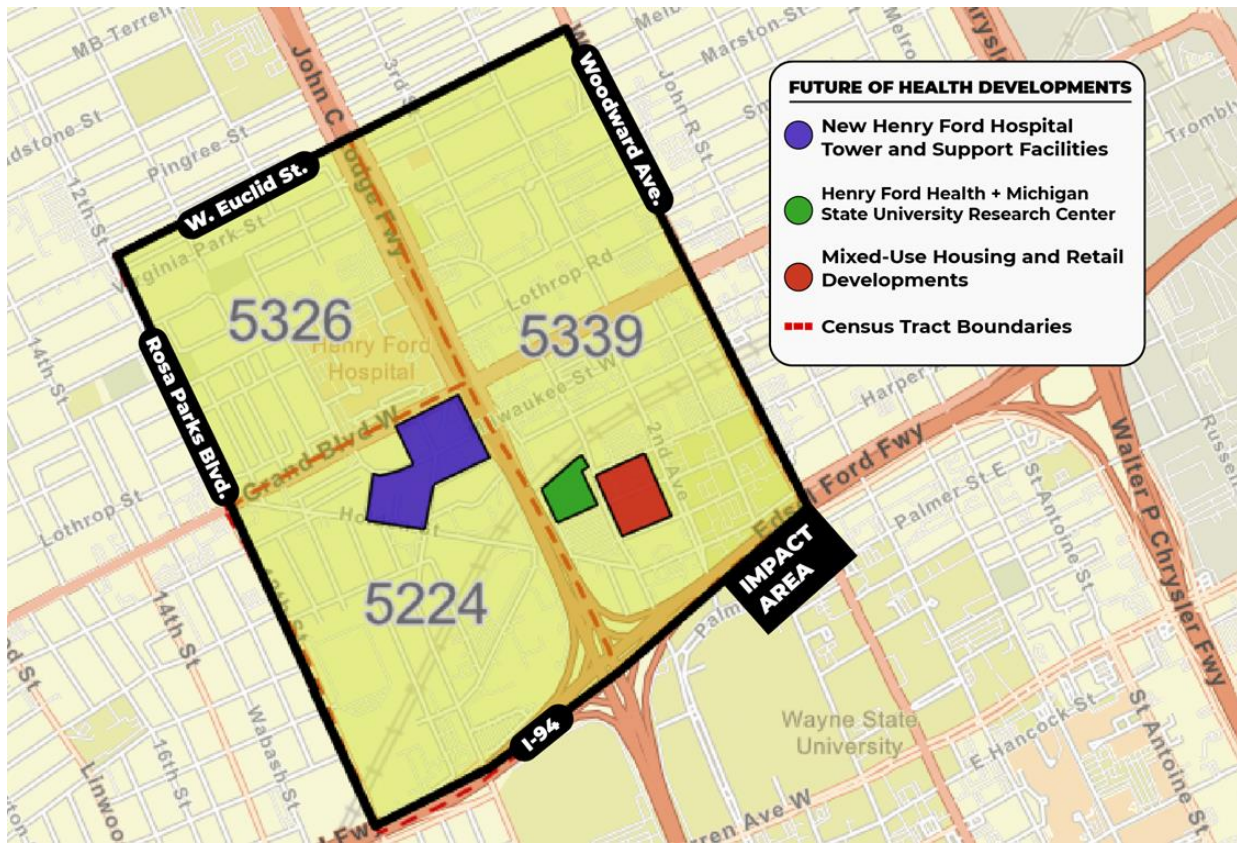
Gail Fulton, Mayor's Office  
Malik Washington, Mayor's Office  
Kenyetta Bridges, DEGC  
Jennifer Kanalos, DEGC  
Brian Vosburg, DEGC  
Cora Capler, DEGC



**Rendering of 6005 Second Avenue<sup>23</sup>**

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<sup>23</sup> Source: [5 things to know about Henry Ford Health's expansion project \(detroitnews.com\)](https://www.detroitnews.com/story/news/development/2018/05/15/henry-ford-health-expansion-project/441111002/)



<sup>24</sup> Map of Area and Rendering of the FOH completed TBP 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

November 9, 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**  
Henry Ford Health System & Palace Sports & Entertainment LLC  
Property Address: 6005 Second Ave.  
Parcel Number: 04003440.003

Dear Mr. Antoine Bryant:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed Neighborhood Enterprise Zone for the property located at 6005 Second Ave. **in the New Center district** 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 **Henry Ford Health System & Palace Sports & Entertainment LLC** consists of 1 parcel with a total of 9.700 acres of land which includes one 4-story medical office building built in 1971 with approximately 593,372 sq. ft, and a commercial parking lot. The owner plans to rehabilitate the commercial portion of the property by creating a planned conversion and rehabilitation by Palace Sports or its affiliate of the ground floor of the building located at 6005 Second Avenue. Approximately 17,060 gross square feet of retail/commercial space will be created on the ground floor and approximately four hundred three (403) mixed-income rental apartments with an estimated 277,389 net rentable square feet will be created on all of the floors of the building. The conceptual plan for the project currently includes 181 Studios, 168 one-bedrooms, 43 two-bedrooms and 11 corporate apartments, which remains subject to change during the design process. The restoration to the property's exterior and interior requires extensive reconfiguration and upgrades, including replacement of substantial portions of all building systems including carpentry, roofing, windows, doors, glass, drywall, flooring, plumbing, and HVAC. **The current True Cash Value of the proposed area is \$72,675,082. 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 property.**

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. The 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.





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**Neighborhood Enterprise Zone**

Henry Ford Health System & Palace Sports & Entertainment 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 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



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**Neighborhood Enterprise Zone**

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