

City of Detroit

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March 8, 2024

HONORABLE CITY COUNCIL

RE: Neighborhood Enterprise Zone Certificate Application for the rehabilitation of a building at 6005 Second Avenue/One Ford Place in the Henry Ford Health System and Palace Sports & Entertainment LLC Neighborhood Enterprise Zone (RECOMMEND APPROVAL)

The office of the City Planning Commission (CPC) has received an application requesting a Neighborhood Enterprise Zone (NEZ) certificate for the rehabilitation of a building at 6005 Second Avenue/One Ford Place to include 403 rental units.

The property is located on the south side of Ford Place between 2nd and 3rd Avenues. Below is a map of the location and an image of the building. The petitioner for the certificate is DP FOH OFP, LLC. The developer is an affiliate of Pistons Sports & Entertainment LLC under the Future of Health project. The building is in the process of being proposed for listing on the National Register of Historic Places, and as a result, the developer is requesting a NEZ certificate for 17 years.

The site contains a 4-story medical office building built in 1971. The developer is proposing an adaptive reuse to convert the building into a mixed-use building consisting of 403 mixed-income residential apartments. The historic adaptive reuse is projected to cost \$189 million.

The developer is proposing to spend about \$313,400 per unit. The building lacks efficient utility systems and requires substantial interior rehabilitation to be able to be repurposed - substantial interior demolition is required.

Regarding affordability, the developer indicates per the signed affordable housing agreement and community benefits agreement, 20% of the 403 units (81 units) will be offered at an average of 50% of AMI spread among unit types (37 studios, 35 1-bedroom, and 9 2-bedroom). The affordable units will range between 30-70% AMI.

Below is a summary of the units:

Unit	Square Footage	# Bedrooms	Estimated sale price or rental price
181 studios (37 affordable)	565 sf average	0	Affordable: \$416 to \$1,079/month Market: \$1,340 to \$1,700/month
179 1-bedrooms (35 affordable)	722 sf average	1	Affordable: \$438 to \$1,149/month Market: \$1,790 to \$2,302/month Market Furnished (11): \$3,040/month
43 2-bedrooms (9 affordable)	1,070 sf average	2	Affordable: \$514 to \$1,367/month Market: \$2,230 to \$2,830/month

Regarding parking, the developer indicates parking will be available at an existing surface lot directly west across Third Avenue; also, Henry Ford Health is building a new 804 space parking deck. There are expected to be different rates for the surface lot and the new parking deck. The current estimated rate that Henry Ford Health will charge is \$125/space in the deck. The rate at the surface lot rate is still to be determined.

Regarding handicap accessibility, the developer indicates the building will meet or exceed ADA requirements. Specific features will be determined during the design phase expected to be conducted in 2025-2027, prior to the expected commencement of the conversion of the building in mid-2027.

In the report dated January 9, 2024, to City Council from Legislative Policy Staff, regarding the establishment of this NEZ district, the report included the following conclusion regarding the cost of the abatement:

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.¹⁷

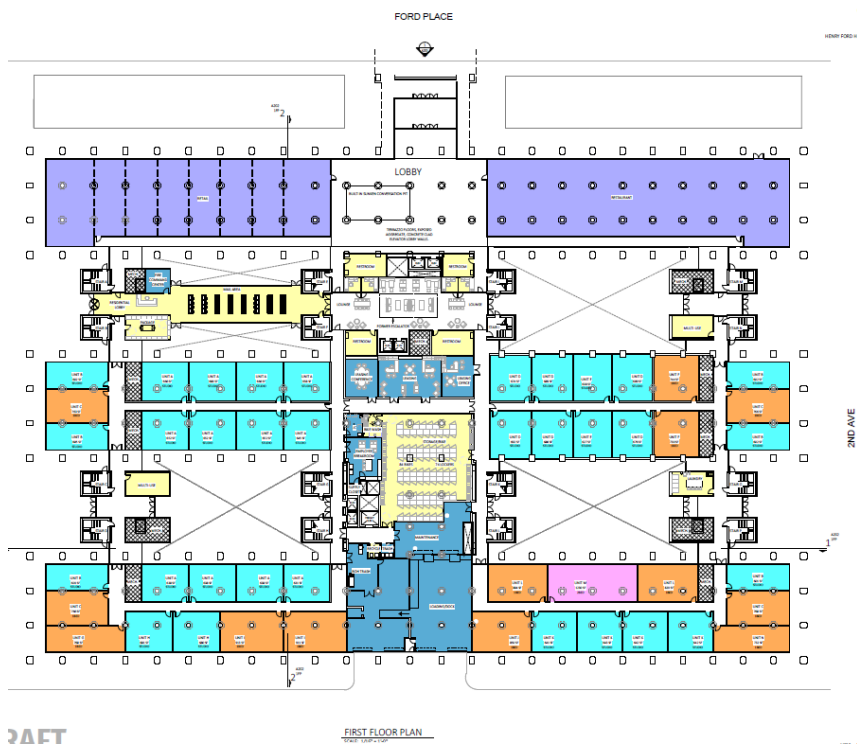
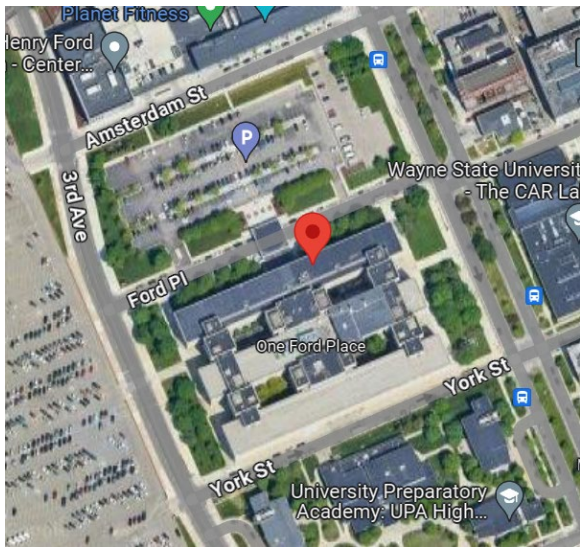
The subject property has been confirmed as being within the boundaries of the Henry Ford Health System and Palace Sports & Entertainment LLC NEZ which was established by a vote of City Council on February 27, 2024. CPC staff has reviewed the application and recommends approval. Attached is a resolution for Your consideration. Please contact our office should you have any questions.

Respectfully submitted,



Marcell R. Todd, Jr., Director CPC
Christopher J. Gulock, AICP, Planner

cc: Janice Winfrey, City Clerk
Angela Jones, City Clerk





DRAFT

FIFTH FLOOR PLAN
SCALE: 1/8" = 1'-0"



DRAFT

SECOND - FOURTH FLOOR TYPICAL PLAN
SCALE: 1/8" = 1'-0"

USG Building Systems LLC

Resolution

By Council Member _____

WHEREAS, Michigan Public Act 147 of 1992 allows the local legislative body to establish Neighborhood Enterprise Zones for the purpose of providing exemption from ad valorem property taxes, and the imposition of specific tax in lieu of ad valorem taxes; and

WHEREAS, The Detroit City Council has established a Neighborhood Enterprise Zone for the following area, in the manner required by and pursuant to Public Act 147 of 1992.

NOW, THEREFORE, BE IT RESOLVED, That the Detroit City Council approves the submission of the application to the State Tax Commission, and, if applicable, the City Council concurs with the issuance of the certificates if the application was filed not more than 6 months after the date of the issuance of a building permit for the facility.

BE IT FINALLY RESOLVED, That the Detroit City Council approve the following for receipt of a Neighborhood Enterprise Zone Certificate for a seventeen-year period:

<u>Zone</u>	<u>Address</u>	<u>Application No.</u>
Henry Ford Health System and Palace Sports & Entertainment LLC (6605 Second Avenue)	6005 Second (403 rental apartments)	07-1032