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**TO:** COUNCIL MEMBERS

**FROM:** David Whitaker, Director   
Legislative Policy Division Staff

**DATE:** November 6, 2024

**RE:** **Establishment of a Neighborhood Enterprise Zone (PA 147 of 1992), as requested by North Corktown Neighborhood Association & North Corktown Equitable Housing Initiative**

**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.

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

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>
- 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>

### **North Corktown Neighborhood Association & North Corktown Equitable Housing Initiative**

**The North Corktown Neighborhood Association (NCNA) & North Corktown Equitable Housing Initiative (NCEHI)** are the project developers for property located in the Corktown area in the city of Detroit. The proposed zone is comprised primarily of property currently owned by NCNA or property owned by the Detroit Land Bank Authority which is proposed to be included in future phases of this development. These properties are anticipated to be included in the establishment of a Community Land Trust<sup>5</sup> which is being created to provide affordable housing for households with incomes ranging from 50% to 80% of the area median income (AMI). Initially the homes will be sold to buyers within that income range with 99-year ground leases and restrictive covenants that require the homes to be transferred to affordable buyers of similar income levels.

The proposed zone consists of 37 vacant parcels with a total of 3.359 acres of land. The initial phase will consist of the construction of 7 single-family homes and two (2) duplex townhomes.

<b>Total Residential Units</b>	<b>11<sup>6</sup></b>
Single family 3 Bed/2 Bath	7 units; 1500 avg. SF
Duplex 3 Bed/2.5 Bath	2 units; 1543 SF
Duplex 2 Bed/2.5 Bath	2 units; 1126 SF

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<sup>2</sup> PA 197 of 1975, MCL 125.1651 - 125.1681

<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> <https://www.craigslist.com/real-estate/new-gilbert-backed-manufactured-homes-built-north-corktown>

<sup>6</sup> According to the DEGC, all 11 units will be affordable at the 50%-80% AMI.

## DEGC Property Tax Abatement Evaluation

**Project: North Corktown Land Trust**

**Developer: North Corktown Neighborhood Association**

<b>Description of Incentive:</b> Neighborhood Enterprise Zone, PA 147 of 1997 as amended – Current taxes frozen at pre-rehab construction values. Local taxes abated for up to 15 years, with a phase out period in years 13-15.	
<b>DEGC Abatement Term Recommendation</b>	<b>District Approval</b>
<b>Location</b>	
Address	N. Corktown ( <i>see addendum attached</i> )
City Council District	District 6
Neighborhood	North Corktown
Located in HRD/SNF Targeted Area	N/A
<b>Building Use</b>	
<b>Total Square Footage (SF)</b>	<b>17,998</b>
Residential SF	17,998
Commercial SF	N/A
Retail SF	N/A
Industrial SF	N/A
<b>Total Residential Units</b>	<b>11 Units: 7 Single Family Homes + 2 Duplexes</b>
<b>Project Description</b>	
<p>North Corktown Neighborhood Association has created a community land trust which will provide current and future residents of the neighborhood permanent affordable housing. All houses will be offered for purchase for families earning between 50% to 80% area median income levels. The first phase of the CLT is anticipated to offer 11 total units consisting of 7 single family homes and 2 duplexes. The single-family units will average 1,500 sf, with 3 bedrooms and 2 bathrooms. The duplex units will offer two sizes, 1,543sf with 3 bedrooms and 2.5 bathrooms. The second duplex type will offer 1,126sf, 2 bedrooms and 2.5 bathrooms.</p> <p>North Corktown Neighborhood Association has partnered with Gilbert Family Foundation and Enterprise Community Partners to offer the units at the affordable rates. NCNA will also work with City of Detroit for downpayment assistance for future home buyers.</p>	
<b>Sources and Uses of Capital Summary</b>	
Total Investment	\$5,766,422
<b>Project Economic Benefits Summary</b>	
Estimated Jobs (FTE/Construction)	0 FTE   20 Construction
Estimated City benefits before tax abatement	<b>\$1,568,997</b>
Total estimated City value of abatement	<b>\$682,619</b>
Less cost of services & utility deductions	<b>\$179,324</b>
Net Benefit to City with abatement	<b>\$707,054</b>

Location



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

Jurisdiction	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatment	Business Personal Property Tax Abatement	Utility Users Tax & Corporation Income Tax Exemption	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$1,568,997	(\$179,324)	(\$682,619)	\$0	\$0	\$707,054
Wayne County	\$298,943	(\$8,161)	(\$176,641)	\$0	\$0	\$114,141
Detroit Public Schools	\$718,995	(\$228,104)	(\$266,192)	\$0	\$0	\$224,699
State Education	\$214,203	\$0	(\$122,851)	\$0	\$0	\$91,352
Wayne RESA	\$193,536	\$0	(\$111,751)	\$0	\$0	\$81,785
Wayne County Comm. College	\$114,963	\$0	(\$66,623)	\$0	\$0	\$48,340
Wayne County Zoo	\$3,541	\$0	(\$2,054)	\$0	\$0	\$1,487
Detroit Institute of Arts	\$7,090	\$0	(\$4,114)	\$0	\$0	\$2,976
<b>Total</b>	<b>\$3,120,268</b>	<b>(\$415,588)</b>	<b>(\$1,432,846)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,271,834</b>

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

	Amount
Real Property Taxes, before abatement	\$1,121,361
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	\$19,949
Municipal Income Taxes - New Res. Inhabitants	\$165,952
Utility Revenue	\$132,243
Utility Users' Excise Taxes	\$30,194
State Revenue Sharing - Sales Tax	\$312
Building Permits and Fees	\$45,000
Miscellaneous Taxes & User Fees	\$53,987
<b><u>Subtotal Benefits</u></b>	<b><u>\$1,568,997</u></b>
Cost of Providing Municipal Services	(\$47,081)
Cost of Providing Utility Services	(\$132,243)
<b><u>Subtotal Costs</u></b>	<b><u>(\$179,324)</u></b>
Net Benefits	\$1,389,673
<i>Present Value (5% discount rate)</i>	\$961,210

**DEGC Chart of Taxes Before, During & After the Incentive<sup>7</sup>**

	Existing Taxes	New Taxes <i>With</i> Incentive(s)	New Taxes <i>Without</i> Incentive
City of Detroit	\$0	\$14,704	\$56,458
Library	\$0	\$2,521	\$9,682
Wayne County	\$0	\$4,216	\$16,764
Detroit Public Schools	\$0	\$7,130	\$27,374
State Education	\$0	\$3,291	\$12,634
Wayne RESA	\$0	\$2,916	\$11,415
Wayne County Comm. College	\$0	\$1,714	\$6,781
Wayne County Zoo	\$0	\$53	\$209
Detroit Institute of Arts	\$0	\$105	\$418
<b>Total</b>	<b>\$0</b>	<b>\$36,649</b>	<b>\$141,735</b>

<sup>7</sup> EXISTING Annual Taxes: \$0 - Annual Taxes DURING the Incentive: \$36,649 & Taxes after the Incentive EXPIRES: \$141,735

## Conclusion

The investment in this project is estimated at **\$5,766,422**. The abatement is projected to be worth a tax savings of **\$1,432,846** for the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit of **\$707,054** and **\$1,271,834** to all the impacted taxing units, in addition 20 temporary construction jobs and 11 new housing units. 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 investment in the community.

### NEZ Acreage Status:<sup>8</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>9</sup>

<b>Total acreage available (15% of Detroit acreage):</b>	<b>13,239.00</b>
<b>North Corktown :</b>	<b>3.36 acres</b>
<b><u>Total Acreage for the Entire city of Detroit:</u></b>	<b><u>88,260</u></b> <sup>10</sup>
<b>Total Acreage Remaining</b>	<b>7,544.24</b> <sup>11</sup>
<b>Total Acreage Designated</b>	<b>5,694.76</b> <sup>12</sup>

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

**Attachment:** July 29, 2024 - \*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  
Gail Fulton, Mayor’s Office  
Malik Washington, Mayor’s Office  
Kenyetta Bridges, DEGC  
Jennifer Kanalos, DEGC  
Brian Vosburg, DEGC  
Cora Capler, DEGC

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<sup>8</sup> This is a ballpark estimate by LPD, based on current available data.

<sup>9</sup> MCL 207.773 (2)

<sup>10</sup> 88,260 Acres = 137.90625 Square Miles

<sup>11</sup> 57% of total NEZ acreage remaining (9% of the total acreage of the entire city of Detroit)

<sup>12</sup> 43% of total NEZ acreage designated (6% of the total acreage of the entire city of Detroit)



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

July 29, 2024

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

RE: Neighborhood Enterprise Zone – **North Corktown Neighborhood Association & North Corktown Equitable Housing Initiative**

Property Address: See attached list

Parcel ID: See attached list

Dear Mr. Bryant:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed Neighborhood Enterprise Zone District located in the **Corktown** area in 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 proposed area consists of 37 vacant parcels with a total of 3.359 acres of land. The proposed project consists of constructing seven (7) single-family homes and two (2) duplex townhomes as well as subsequent phases that will include a to-be-determined amount of housing units. The current True Cash Value of the proposed area is \$33,855. The True Cash Value of this area would be expected to increase due to the new construction of this project.

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 facility includes 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 207.772 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



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Neighborhood Enterprise Zone  
North Corktown Neighborhood Association & North Corktown Equitable Housing Initiative  
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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.

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 of project details and relevant statutes, it has been determined that this proposed district located in the **Corktown 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