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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director
Legislative Policy Division Staff

DATE: January 9, 2025

RE: Establishment of a Neighborhood Enterprise Zone (PA 147 of 1992), as requested by 20201 Development, 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.

¹ 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.²
- 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

20201 Development, LLC

20201 Development, LLC, which is a partnership between Brown Schroader & Company and BmK Design+Planning, LLC, is the project developer for the property located at 20201 Livernois⁵. The site is comprised of 1 parcel with a total of 0.583 acres of land. The 17,820 sq ft one-story building currently on the site will be demolished to build a new 46,741 three-story mixed-use building that will include a restaurant and commercial spaces on the first floor and 50 residential units on the second and third floors. The residential units will include 12 studio units, 34 one-bedroom units and 4 two-bedroom units of various sizes and layouts. Eleven of the units will be affordable units for households within income between 60-80% AMI. Additionally, 12,563 square feet of the site will be developed into partially covered secured parking for 45 vehicles.

Total Residential Units	50	
Studios	12 units; 6 affordable 425 avg. SF	\$1,100-\$1,655 rent
1-Bed	34 units; 3 affordable 625 SF	\$846-2,050 rent
2-Bed	4 units; 2 affordable 1018 SF	\$2,281 avg rent

² PA 197 of 1975, MCL 125.1651 - 125.1681

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 former location of Fred's Furniture and Liquidation which ceased operations in 2023.

Impacted Taxing Units: Incentive Summary Over the First 15 Years

Jurisdiction	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Business Personal Property Tax Abatement	Utility User's Tax & Corporation Tax Exemption	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$1,912,872	(\$581,059)	(\$367,002)	\$0	\$0	\$964,811
Wayne County	\$232,409	(\$37,094)	(\$94,910)	\$0	\$0	\$100,405
Detroit Public Schools	\$1,769,542	(\$1,006,339)	(\$339,648)	\$0	\$0	\$423,555
State Education	\$124,846	\$0	(\$65,712)	\$0	\$0	\$59,134
Wayne RESA	\$112,553	\$0	(\$59,535)	\$0	\$0	\$53,018
Wayne County Comm. College	\$66,674	\$0	(\$35,362)	\$0	\$0	\$31,312
Wayne County Zoo	\$2,056	\$0	(\$1,094)	\$0	\$0	\$962
Detroit Institute of Arts	\$4,118	\$0	(\$2,177)	\$0	\$0	\$1,941
Total	\$4,225,071	(\$1,624,492)	(\$965,441)	\$0	\$0	\$1,635,137

20201 Livernois - PA 147 NEZ

	Existing Taxes	New Taxes <u>With</u> Incentive(s)	New Taxes <u>Without</u> Incentive(s)
City of Detroit	\$6,743	\$17,335	\$39,668
Library	\$1,156	\$2,972	\$6,803
Wayne County	\$2,000	\$5,048	\$11,766
Detroit Public Schools	\$7,796	\$20,033	\$45,864
State Education	\$1,509	\$3,879	\$8,877
Wayne RESA	\$1,360	\$3,475	\$8,003
Wayne County Comm. College	\$806	\$2,051	\$4,741
Wayne County Zoo	\$25	\$63	\$146
Detroit Institute of Arts	\$50	\$127	\$293
Total	\$21,446	\$54,985	\$126,161

DEGC Property Tax Abatement Evaluation

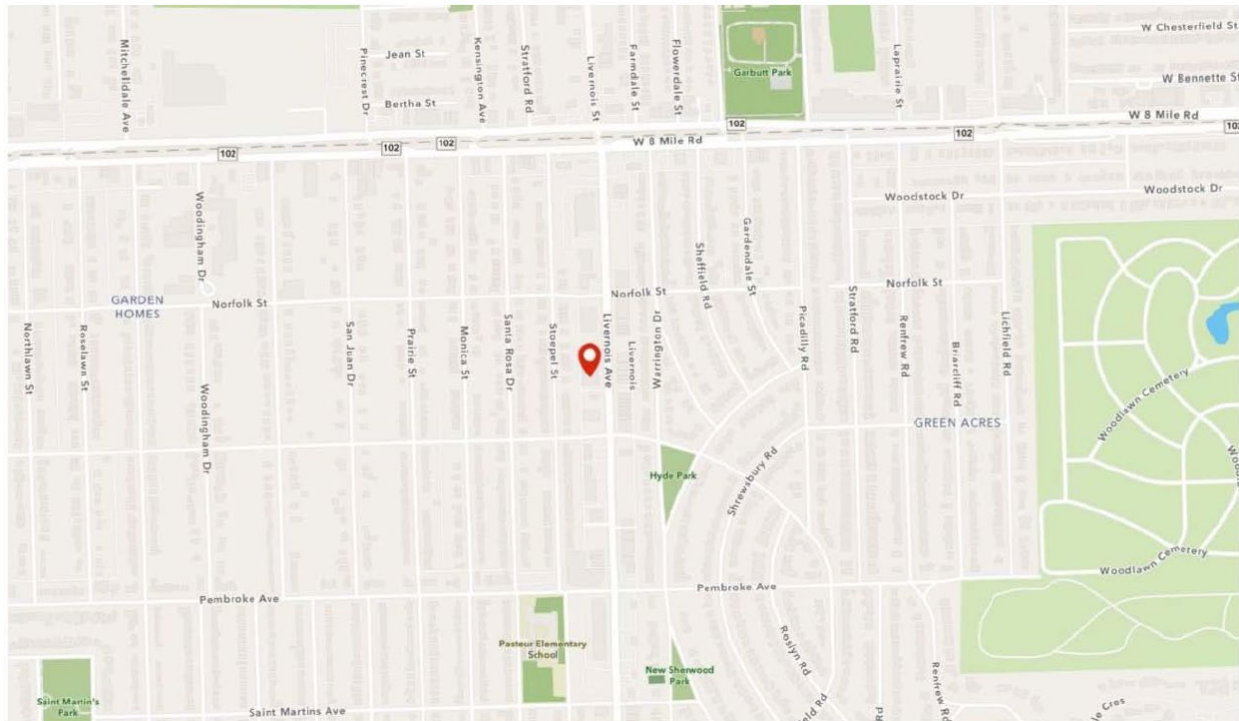
Property Address: 20201 Livernois
Developer: 20201 Development LLC

Incentive:	PA 210 CRA	PA 147 NEZ	
DEGC Abatement Term Recommendation	District Approval	District Approval	
Location			
Address	20201 Livernois		
City Council District	District 2		
Neighborhood	Garden Homes		
Located in HRD/SNF Targeted Area	SNF – Livernois/McNichols		
Building Use			
Total Square Footage (SF)	46,741		
Residential SF	36,237		
Commercial SF	N/A		
Retail SF	7,120		
Industrial SF	N/A		
Total Residential Units	53 Units (11 Affordable @ 60%-80% AMI)		
Studios	17 Units; 6 Affordable; 425 Avg SF; \$1,295 Avg Rent		
1-Bed	32 Units; 3 Affordable; 625 Avg SF; \$1,900 Avg Rent		
2-Bed	4 Units; 2 Affordable; 1,018 Avg SF; \$2,281 Avg Rent		
3-Bed	N/A		
Project Description			
<p>20201 Livernois, previously home to Fred’s Furniture and Liquidation, is a vacant building that will be demolished for a new, ground-up mixed-use development project. This project will consist of three floors with ground level retail and two floors of residential containing a total of 50 units. Units will be a mix of studios, 1-bed and 2-bed units with 11 available as affordable to residents earning 50%-70% AMI.</p>			
Sources and Uses of Capital Summary			
Total Investment	\$14.2 Million		
Sources	Debt: \$10.81M (76.05%); Grants: \$1.5M (10.55%) Owner Equity: \$1.78M (12.54%); Deferred Fees: \$121K (0.86%)		
Uses	Acquisition: \$975K (6.85%); Hard Costs: \$11.4M (79.81%); Soft Costs: \$1.9M (13.33%)		
Project Economic Benefits Summary			
	PA 210 CRA	PA 147 NEZ	Total
Estimated Jobs (FTE/Construction)	26 Tenant FTE / 46 Construction		
Estimated City benefits before tax abatement	\$570,375	\$1,912,872	\$2,483,247
Total estimated City value of PA 210 + NEZ	\$80,556	\$367,002	\$447,558
Less cost of services & utility deductions	\$216,898	\$581,059	\$797,957
Net Benefit to City with PA 210 + NEZ	\$272,921	\$964,811	\$1,237,732

Table 9. City of Detroit: Benefits, Costs, and Net Benefits Over the Next 15 Years

	Amount
Real Property Taxes, before abatement	\$653,573
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	\$38,268
Municipal Income Taxes - New Res. Inhabitants	\$414,471
Utility Revenue	\$367,053
Utility Users' Excise Taxes	\$64,670
State Revenue Sharing - Sales Tax	\$1,419
Building Permits and Fees	\$128,024
Miscellaneous Taxes & User Fees	\$245,394
Subtotal Benefits	\$1,912,872
Cost of Providing Municipal Services	(\$214,006)
Cost of Providing Utility Services	(\$367,053)
Subtotal Costs	(\$581,059)
Net Benefits	\$1,331,814
<i>Present Value (5% discount rate)</i>	<i>\$950,522</i>

Map



Current Conditions



Project Rendering



Conclusion

The investment in this project is estimated at **\$14.2 million**. The abatement is projected to be worth a tax savings of **\$965,441** for the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit of **\$964,811** and a total of **\$1,635,137** to all the impacted taxing units combines, in addition 46 temporary construction jobs, 26 tenant FTE positions. 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:⁶

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.”*⁷

Total acreage available (15% of Detroit acreage):	13,239.00
North Corktown :	0,583 acres
<u>Total Acreage for the Entire city of Detroit:</u>	<u>88,260</u> ⁸
Total Acreage Remaining	7,573.70 ⁹
Total Acreage Designated	5,695.30 ¹⁰

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

Attachment: August 19, 2024 - *Letter from Finance Assessors

cc: Auditor General’s Office
Alexa Bush, 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
Derrick Headd, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC
Cora Capler, DEGC

⁶ This is a ballpark estimate by LPD, based on current available data.

⁷ MCL 207.773 (2)

⁸ 88,260 Acres = 137.90625 Square Miles

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

¹⁰ 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
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PHONE: 313•224•3011
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August 19, 2024

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

RE: **Neighborhood Enterprise Zone – 20201 Development LLC**
Property Address: 20201 Livernois Ave.
Parcel Number: 16017473-81

Dear Mr. Antoine Bryant:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed **Neighborhood Enterprise Zone**, located at 20201 Livernois Ave., submitted by **20201 Development LLC** for the neighborhood located in the **Avenue of Fashion** 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 **20201 Development LLC** consists of 1 parcel with a total of 0.583 acres of land which includes one single-story retail building built in 1958 with approximately 17,820 sq. ft, and a commercial parking lot. Since the current building is not constructed in a way that can support the proposed project, the owner plans to have it demolished. This proposed project includes demolishing the existing single-story retail building and constructing a new three-story mixed-use building with a total floor area of approximately 46,741 square feet with 7,120 square feet of first floor commercial space and 36,237 square feet of residential space (the "Project"). The ground level has 3,120 square feet for (up to 2) commercial tenant spaces, and 4,000 square feet for restaurant use. Levels 2 and 3 feature fifty (50) residential apartments including, (14) studio units, (32) one-bedroom units and (4) two-bedroom units of various sizes and layouts. Included in the site redevelopment is 12,563 square feet of (partially) covered, secured parking seamlessly integrated providing essential parking for 45 vehicles. (all approximate). **The current True Cash Value of the proposed area is \$598,800. 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 proposed property (36,237 square feet).

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 207.773 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
20201 Development 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 at **20201 Livernois Ave.** 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
20201 Development LLC
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Address: 20201 Livernois Ave.
Parcel: 16017473-81

Legal Description: W LIVERNOIS S 11.5 FT 232 233 THRU 237 EXC LIVERNOIS AVE AS WD KENILWORTH PARK SUB L31 P82 PLATS, W C R 16/277 1 THRU 3 EXC LIVERNOIS AVE AS WD ZEIGENS WARWICK PARK SUB L37 P47 PLATS, W C R 16/280 260.50 X 97.49A

