David Whitaker, Esq.
Director
Irvin Corley, Jr.
Executive Policy Manager
Marcell R. Todd, Jr.
Director, City Planning
Commission
Janese Chapman
Director, Historic Designation
Advisory Board

John Alexander LaKisha Barclift, Esq. Paige Blessman M. Rory Bolger, Ph.D., FAICP

Victory Corley Lisa DiChiera Eric Fazzini, AICP Willene Green Christopher Gulock, AICP

Marcel Hurt, Esq.

Sandra Jeffers

City of Detroit
CITY COUNCIL

LEGISLATIVE POLICY DIVISION

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Ashley A. Wilson

TO: COUNCIL MEMBERS

FROM: David Whitaker, Director

Legislative Policy Division Staff

DATE: January 16, 2025

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

Stafford House (9301 Oakland Ave)

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. 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

¹ PA 197 of 1975, MCL 125.1651 - 125.1681

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

• An area of the local unit zoned and primarily used for business, as determined by the local governmental unit.⁴

STAFFORD HOUSE

Stafford House, the project developer, is seeking a PA147 NEZ for property located 9301 Oakland Avenue. Stafford House⁵ is a 501(c)(3) organization operating the North End neighborhood since 2007. In the last 17 years, this organization has championed initiatives to empower individuals to uplift the community and enhance their quality of life. This project is in furtherance of their mission to provide safe and affordable housing, quality educational opportunities and comprehensive job training within the community.

The 9301 Oakland property is a 2-story commercial structure built in 1925 on a 0.204 acre lot and 9,975 sq ft. structure. The building will be reconfigured into a mixed-use development with the creation of these 10 new apartment units. This building has been vacant and obsolete for over a decade and as such the rehabilitation will require site remediation and a full rehabilitation of the interior. This will include new HVAC systems, new electrical and plumbing systems, additional structural support, façade restoration and rear demolition to support the additional 750 sq. ft. of residential space. The Stafford House is receiving an ADA Accessibility Grant that will cover the commercial spaces of the building. However, the grant does not address the residential portion of the development.

The first floor will contain four 1,000 SF commercial spaces that will be leased as a coffee shop, a training center, a retail space and an office for space for an engineering firm. The second floor will house 10 residential units.⁶ All ten apartments will be affordable rental units for residents with incomes between 60-80% AMI.

Total Residential Units: 10

Studios 2 units; 450 avg. SF \$1,100 rent 1-Bed 8 units; 525 avg. SF \$1,250-1,300 rent

Impacted Taxing Units: Incentive Summary Over the First 15 Years

	Additional	A 1 155	D 10 . T	Business Personal	Utility User's Tax	Net Benefits After Tax
Jurisdiction	Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatment	Property Tax Abatement	& Corporation Tax Exemption	Abatements & Incentives
City of Detroit	\$156,484	(\$26,848)	(\$85,845)	\$0	\$0	\$43,792
Wayne County	\$26,838	\$0	(\$22,050)	\$0	\$0	\$4,788
Detroit Public Schools	\$99,796	\$0	(\$77,398)	\$0	\$0	\$22,398
State Education	\$20,227	\$0	(\$15,687)	\$0	\$0	\$4,540
Wayne RESA	\$18,275	\$0	(\$14,174)	\$0	\$0	\$4,102
Wayne County Comm. College	\$10,856	\$0	(\$8,419)	\$0	\$0	\$2,436
Wayne County Zoo	\$334	\$0	(\$259)	\$0	\$0	\$75
Detroit Institute of Arts	\$670	\$0	(\$519)	\$0	\$0	\$150
Total	\$333,480	(\$26,848)	(\$224,351)	\$0	\$0	\$82,281

⁴ Under the DDA Act, "downtown district" means that part of an area in a business district.

⁶ This NEZ request only applies to the residentials units.

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⁵ https://www.staffordhouseinc.org/

⁷ All tables in this report provided by the Detroit Economic Growth Corporation

9301 Oakland - PA 147 NEZ

	Existing	New Taxes With	New Taxes Without
	Taxes	Incentive(s)	Incentive(s)
City of Detroit	\$59	\$60	\$5,391
Library	\$10	\$10	\$925
Wayne County	\$17	\$18	\$1,601
Detroit Public Schools	\$65	\$66	\$5,952
State Education	\$13	\$13	\$1,206
Wayne RESA	\$12	\$12	\$1,090
Wayne County Comm. College	\$7	\$7	\$647
Wayne County Zoo	\$0	\$0	\$20
Detroit Institute of Arts	\$0	\$0	\$40
Total	\$183	\$186	\$16,872

Stafford House PA 147 NEZ Impact Analysis Summary

City of Detroit: Incentive Summary Over the First 15 Years

	Additional	-		Business		Net Benefits	Present Value
	Benefits		Real	Personal		After Tax	of NB After Tax
	Before Tax	Additional	Property Tax	Property Tax	Enter Incentive	Abatements	Abatement
Year	Abatements	Costs	Abatement	Abatement	Description*	& Incentives	& Incentives
1	\$37,939	(\$6,397)	(\$6,123)	\$0	\$0	\$25,419	\$25,419
2	\$17,574	(\$6,525)	(\$6,245)	\$0	\$0	\$4,803	\$4,574
3	\$17,925	(\$6,656)	(\$6,370)	\$0	\$0	\$4,899	\$4,443
4	\$18,284	(\$6,789)	(\$6,498)	\$0	\$0	\$4,997	\$4,316
5	\$18,649	(\$6,925)	(\$6,628)	\$0	\$0	\$5,097	\$4,193
6	\$19,022	(\$7,063)	(\$6,760)	\$0	\$0	\$5,199	\$4,073
7	\$19,403	(\$7,205)	(\$6,895)	\$0	\$0	\$5,303	\$3,957
8	\$19,791	(\$7,349)	(\$7,033)	\$0	\$0	\$5,409	\$3,844
9	\$20,187	(\$7,496)	(\$7,174)	\$0	\$0	\$5,517	\$3,734
10	\$20,590	(\$7,646)	(\$7,318)	\$0	\$0	\$5,627	\$3,627
11	\$21,002	(\$7,798)	(\$7,464)	\$0	\$0	\$5,740	\$3,524
12	\$21,427	(\$7,954)	(\$7,613)	\$0	\$0	\$5,859	\$3,426
13	\$21,855	(\$8,114)	(\$1,837)	\$0	\$0	\$11,905	\$6,629
14	\$22,292	(\$8,276)	(\$1,249)	\$0	\$0	\$12,767	\$6,771
15	\$22,738	(\$8,441)	(\$637)	\$0	\$0	\$13,660	\$6,899
	\$318,678	(\$110,634)	(\$85,845)	\$0	\$0	\$122,199	\$89,430

Total Incentive	\$85,845	
Rate of Return	16.2%	
Payback period (years)	5.7	

DEGC Property Tax Abatement Evaluation

Property Address: 9301 Oakland

Developer: Stafford House

Incentive:	PA 255 CFE	PA 147 NEZ		
DEGC Abatement Term Recommendation	District Approval	District Approval		
Location				
Address	9301 Oakland			
City Council District	District 5			
Neighborhood	North End			
Located in HRD/SNF Targeted Area	N/A	N/A		
Building Use				
Total Square Footage (SF)	10,300	10,300		
Residential SF	5,300	5,300		
Commercial SF	N/A	N/A		
Retail SF	5,200			
Industrial SF	N/A	N/A		
Total Residential Units	10 Units (100% Affordable)	10 Units (100% Affordable)		
Studios	2 Units; 450 Avg. SF; \$1,100 R	2 Units; 450 Avg. SF; \$1,100 Rent		
1-Bed	8 Units; 525 Avg. SF; \$1,250-\$	8 Units; 525 Avg. SF; \$1,250-\$1,300 Rent		
2-Bed	N/A	N/A		
3-Bed	N/A	N/A		
Project Description				

The rehabilitation of 9301 Oakland is being led by Stafford House, a 501(c)(3) non-profit community organization dedicated to serving the North End neighborhood members. The existing building has fallen into disrepair and will be fully rehabilitated to create 5,200 square feet of ground level commercial retail space and 10 rental units on the second floor. Rental units will be a mix of studios and 1-bedrooms. 100% of the units will be available at rents below 80% AMI.

Sources and Uses of Capital Summary						
Total Investment	\$3.2 Million					
Sources	Debt: \$1.35M (42% \$350K (11%)	Debt: \$1.35M (42%) Grants: \$1.48M (46%) Owner Equity: \$350K (11%)				
Uses		Acquisition: \$13.3K (0.38%); Hard Costs: \$2.66M (83%); Soft Costs: \$530K (16.62%)				
Project Economic Benefits Summary	PA 255 CFE	PA 147 NEZ	Total			
Estimated Jobs (FTE/Construction)	4	4 FTE / 22 Construction				
Estimated City benefits before tax abatement	\$246,265	\$318,678	\$564,943			
Total estimated City value of PA 255 + NEZ	\$87,150	\$85,845	\$172,995			
Less cost of services & utility deductions	\$75,484	\$110,634	\$186,118			
Net Benefit to City with PA 255 + NEZ	\$83,631	\$122,199	\$205,830			

Conclusion

The investment in this project is estimated at \$3.2 million. Over the 15-year period of the abatement, the projected tax savings is \$224,351 for the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit of \$43,792 and a total of \$82,281 to all the impacted taxing units combines, in addition 22 temporary construction jobs, 4 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:8

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."9

Total acreage available (15% of Detroit acreage): 13,239.00 0.204 acres **North Corktown:** 88,26010

Total Acreage for the Entire city of Detroit:

7,573.50 11 **Total Acreage Remaining Total Acreage Designated** 5,695.50 12

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

Attachment: September 23, 2024 - *Letter from Finance Assessors

Auditor General's Office cc:

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

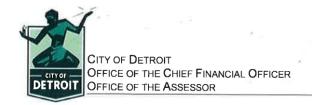
¹⁰ 88,260 Acres = 137.90625 Square Miles

⁸ This is a ballpark estimate by LPD, based on current available data.

⁹ MCL 207.773 (2)

^{11 57%} of total NEZ acreage remaining (9% of the total acreage of the entire city of Detroit)

¹² 43% of total NEZ acreage designated (6% of the total acreage of the entire city of Detroit)



COLEMAN A. YOUNG MUNICIPAL CENTER 2 WOODWARD AVE., SUITE 824

DETROIT, MI 48226 PHONE: 313•224•3011 FAX: 313•224•9400

September 23, 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 – Stafford House

Property Address: 9301 Oakland Parcel Number: 03002993.

Dear Mr. Bryant:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed **Neighborhood Enterprise Zone**, located at 9301 Oakland, submitted by **Stafford House** for the neighborhood located in the **North End** 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.

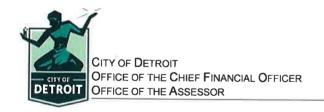
The proposed project by Stafford House consists of a mixed use two story commercial property built in 1925 with approximately 9,978 square feet on 0.204 acres of land. The owner proposes to convert the property into a mix use development, with 10 units of affordable rental housing on the second level of the building. Each unit would be approximately 500 square feet. There will also be four 1,000 sqft commercial spaces that would be available for leasing. The restoration requires extensive reconfiguration and upgrades, including replacement of substantial portions of carpentry, roofing, windows, glass, drywall, flooring, plumbing, and HVAC. This NEZ request is solely for the residential portion of the property.

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.

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.



COLEMAN A. YOUNG MUNICIPAL CENTER 2 WOODWARD AVE., SUITE 824 DETROIT, MI 48226

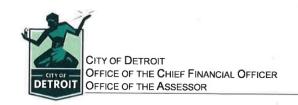
PHONE: 313•224•3011 FAX: 313•224•9400

Neighborhood Enterprise Zone Stafford House Page 2

Upon review, it has been determined that this proposed district located at **9301 Oakland**, is eligible for designation as a Neighborhood Enterprise Zone per PA 147 of 1992, as amended.

Sincerely,

Charles Ericson, MMAO Assessor, Board of Assessors



COLEMAN A. YOUNG MUNICIPAL CENTER 2 WOODWARD AVE., SUITE 824 DETROIT, MI 48226

PHONE: 313•224•3011 FAX: 313•224•9400

Neighborhood Enterprise Zone Stafford House Page 3

Address: 9301 Oakland Parcel: 03002993

Legal Description: W OAKLAND 40-41 BLK 3-- THOMAS & WAGNERS L11 P80 PLATS, W C R 3/113 117X 75.84A

