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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*.¹ 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

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	\$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

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

⁵ <https://www.staffordhouseinc.org/>

⁶ This NEZ request only applies to the residential units.

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

9301 Oakland - PA 147 NEZ

	Existing Taxes	New Taxes <u>With</u> Incentive(s)	New Taxes <u>Without</u> 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

Year	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Business Personal Property Tax Abatement	Enter Incentive Description*	Net Benefits After Tax Abatements & Incentives	Present Value of NB After Tax Abatement & 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		
Building Use			
Total Square Footage (SF)	10,300		
Residential SF	5,300		
Commercial SF	N/A		
Retail SF	5,200		
Industrial SF	N/A		
Total Residential Units	10 Units (100% Affordable)		
Studios	2 Units; 450 Avg. SF; \$1,100 Rent		
1-Bed	8 Units; 525 Avg. SF; \$1,250-\$1,300 Rent		
2-Bed	N/A		
3-Bed	N/A		
Project Description			
<p>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.</p>			
Sources and Uses of Capital Summary			
Total Investment	\$3.2 Million		
Sources	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 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
North Corktown :	0.204 acres
<u>Total Acreage for the Entire city of Detroit:</u>	<u>88,260</u> ¹⁰
Total Acreage Remaining	7,573.50 ¹¹
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

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

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

⁹ MCL 207.773 (2)

¹⁰ 88,260 Acres = 137.90625 Square Miles

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)



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

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.



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Neighborhood Enterprise Zone
Stafford House
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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



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER
OFFICE OF THE ASSESSOR

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Neighborhood Enterprise Zone
Stafford House
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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

