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**City of Detroit**  
**CITY COUNCIL**  
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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director   
Legislative Policy Division Staff

DATE: February 8, 2023

RE: Establishment of a **Neighborhood Enterprise Zone (PA 147 of 1992)**, as requested by **Avanath North End Parcel Owner I LLC and Civic Tekton North End LLC** for the proposed **North End Landing NEZ**

**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.

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>

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

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

- 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>

**Avanath North End Parcel Owner I, LLC and Civic Tekton North End, LLC**

Avanath North End Parcel Owner I, LLC and Civic Tekton North End, LLC are the project developers of the requested NEZ district that consists of 20 parcels, on 1.696 acres of land, that is proposed for a NEZ.<sup>5</sup> The developers, each of which is under contract to purchase portions of the subject property, proposes to construct residential units on the property. Avanath North End Parcel Owner I, LLC or its affiliates proposes to construct a total of eight (8) affordable for-sale attached townhomes<sup>6</sup> on the property are the only elements of the property that is currently being requested under the proposed NEZ.<sup>7</sup> *The Council may wish to ask the developers about their plans for the remaining parcels.*

The new apartments will be part of the larger North End Landing development proposed to be constructed on the property and other nearby vacant parcels. The overall North End Landing project is expected to create a total of eight (8) affordable for-sale townhomes and one hundred seventy seven (177) apartments of which ninety five (95) are proposed to be intended for occupancy by senior citizens.<sup>8</sup>

**DEGC Project Evaluation Checklist  
Tekton Condos**

Developer: Avanath North End Parcel Owner I, LLC & Civic Tekton North End LLC

Principals: Jason Jones, Tekton; Daryl Carter, CEO of Avanath

Neighborhood Enterprise Zone Act, <b>PA 147 of 1992 as amended</b> – <i>new allocation</i> ; millage rate reduced to one half the state average tax rate. Rates are set annually by the State Tax Commission, currently the rate is 17.549 mills for principal residence exemption.	
<b>Request Type</b>	<b>NEZ District</b>
<b>DEGC Recommendation</b>	<b>Approval of 15-Year NEZ</b>
<b>Location</b>	
Addresses	405 Smith, 409 Smith, 7718 Brush
City Council District	District 5
Neighborhood	North End
<b>Building Use</b>	
For-sale Townhomes	8 affordable for-sale townhomes
Unit Type	2 Bedroom
Unit Square Footage	1,416 Sq Ft.
<b>Project Description</b>	
Detroit based Tekton Development is partnering with Avanath to bring a \$2.9M investment of new construction, attached town homes to the North End Neighborhood. The development team is seeking to bring for sale, affordable condominiums. This project located within the larger North End Landings project which will consist of 177 apartment units, 95 of which are intended for occupancy by senior citizens, and 20% will be offered at 80% AMI. The development team was born and raised	

<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> 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. Assessor’s Letter dated September 8, 2022

<sup>6</sup> The subsequent requests and approval for the NEZ *certificates* will occur in the City Council BFA Committee.

<sup>7</sup> The current NEZ request includes 20 parcels, thereby qualifying the currently requested NEZ with the required 10 or more.

<sup>8</sup> (With the later proposal) Twenty percent (20%) of the apartments will be offered at rents at 80% AMI.

in Detroit and are eager to develop in their hometown. The developers have undergone significant community engagement including a session led by Council President Sheffield on November 14, 2022.

**Sources and Uses**

Total Investment	\$2,987,348
Sources	\$1,787,500 Debt (60%), \$299,848 Equity (10%), \$900,000 Bridge Loan (30%)
Uses	\$24,980 Acquisition (1%), \$2,410,614 Hard Costs (81%), \$551,754 Soft Costs (18%)

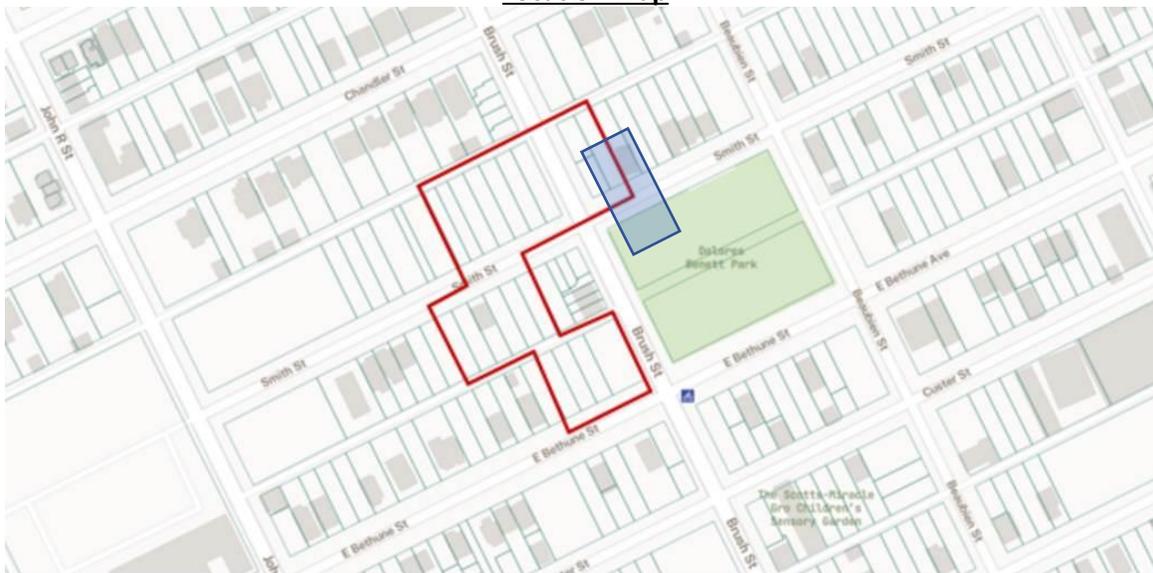
**Project Benefits**

Estimated Jobs	0 FTE / 24 Construction
Estimated City benefits before tax abatement	<b>\$574,673</b>
Total estimated City value of NEZ abatement	<b>\$266,301</b>
Less cost of services & utility deductions	<b>\$25,093</b>
Net Benefit to City	<b>\$283,279</b>

**Rendering**



**Location Map**



<sup>9</sup> Rendering and map courtesy of DEGC

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

	Amount
Real Property Taxes, before abatement	\$442,604
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	\$28,354
Municipal Income Taxes - New Res. Inhabitants	\$52,244
Utility Revenue	\$25,093
Utility Users' Excise Taxes	\$6,379
State Revenue Sharing - Sales Tax	\$0
Building Permits and Fees	\$20,000
Miscellaneous Taxes & User Fees	\$0
<b>Subtotal Benefits:</b>	<b><u>\$574,673</u></b>
Cost of Providing Municipal Services	\$0
Cost of Providing Utility Services	(\$25,093)
<b>Subtotal Costs:</b>	<b><u>(\$25,093)</u></b>
<b>Net Benefits</b>	<b>\$549,580</b>

### Incentive Summary over the First 15 Years

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Business Personal Property Tax Abatement	Utility Users Tax & Corporation Income Tax Exemption	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$574,673	(\$25,093)	(\$266,301)	\$0	\$0	\$283,279
Wayne County	\$105,170	\$0	(\$64,546)	\$0	\$0	\$40,624
Detroit Public Schools	\$395,952	\$0	(\$317,983)	\$0	\$0	\$77,969
State Education	\$79,077	\$0	(\$45,006)	\$0	\$0	\$34,071
Wayne RESA	\$71,532	\$0	(\$40,677)	\$0	\$0	\$30,855
Wayne County Comm. College	\$42,441	\$0	(\$24,140)	\$0	\$0	\$18,300
Wayne County Zoo	\$1,307	\$0	(\$744)	\$0	\$0	\$563
Detroit Institute of Arts	\$2,617	\$0	(\$1,491)	\$0	\$0	\$1,127
<b>Total</b>	<b>\$1,272,770</b>	<b>(\$25,093)</b>	<b>(\$760,888)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$486,789</b>

### DEGC Chart of Taxes Before, During & After the Incentive<sup>10</sup>

	Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive
City of Detroit	\$0	\$5,990	\$22,506
Library	\$0	\$958	\$3,600
Wayne County	\$0	\$1,616	\$6,203
Detroit Public Schools	\$0	\$2,934	\$23,354
State Education	\$0	\$1,241	\$4,664
Wayne RESA	\$0	\$1,126	\$4,219
Wayne County Comm. College	\$0	\$667	\$2,503
Wayne County Zoo	\$0	\$21	\$77
Detroit Institute of Arts	\$0	\$41	\$154
<b>Total</b>	<b>\$0</b>	<b>\$14,594</b>	<b>\$67,281</b>

Charts courtesy of DEGC

<sup>10</sup> Existing Annual Taxes: \$0 - New Annual Taxes DURING the Incentive: \$14,594 & Taxes after the Incentive EXPIRES: \$67,281

## Conclusion

The investment in this project is estimated at **\$2.9 million**. The proposed tax abatement is projected to be worth a tax savings of **\$760,888** to the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit of **\$283,279** and over **\$486,789** to all the impacted taxing units, in addition to 0 FTEs and 24 temporary construction jobs.

A hyperlink to the North End Landing's (NEL) community engagement presentation from President Mary Sheffield's Zoom community meeting can be found here: [NELNovember142022comp to Sheffield Zoom community meeting 121322\(46264117\\_1\).PDF](#)

### NEZ Acreage Status:<sup>11</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>12</sup>

**Total acreage available (15% of Detroit acreage): 13,239.00**

<b>North End Landing NEZ:</b>	<b>1.70 acres</b>
<b><u>Total Acreage for the Entire city of Detroit:</u></b>	<b><u>88,260</u></b> <sup>13</sup>

<b>Total Acreage Remaining</b>	<b>7,579.25</b> <sup>14</sup>
<b>Total Acreage Designated</b>	<b>5,659.75</b> <sup>15</sup>

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

**Attachment:** November 18, 2022- Letter from Finance Assessors

cc: Auditor General's Office  
Donald Rencher, Chief of Services and Infrastructure  
Antoine Bryant, Planning and Development Department  
Julie Schneider, HRD  
Veronica Farley, HRD  
Stephanie Grimes Washington, Mayor's Office  
Gail Fulton, Mayor's Office  
Malik Washington, Mayor's Office  
Malinda Jensen, DEGC  
Kenyetta Bridges, DEGC  
Jennifer Kanalos, DEGC  
Brian Vosburg, DEGC

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<sup>11</sup> This is a ballpark estimate by LPD, based on current available data.

<sup>12</sup> MCL 207.773 (2)

<sup>13</sup> 88,260 Acres = 137.90625 Square Miles

<sup>14</sup> 57% of total NEZ acreage remaining (9% of the total acreage of the entire city of Detroit)

<sup>15</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

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November 18, 2022

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

**RE: Neighborhood Enterprise Zone – North End Landing**  
**Property Address: See attached list**  
**Parcel Number: see attached list**

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the request from **Avanath North End Parcel Owner I LLC and Civic Tekton North End LLC** for the proposed **North End Landing Neighborhood Enterprise Zone**, located in the **North End** 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 project consists of the construction of eight attached for-sale townhomes. The 2022 True Cash Value of the proposed project is \$155,742, locate on 1.696 acres. The True Cash Value of this area would be expected to increase due to the rehabilitation and construction.

MCL 207.772(g) defines a "New Facility" as one 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.



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MCL 207.773(1) defines a neighborhood enterprise zone as the following:

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 plans and relevant statutes, it has been determined that the proposed area located in **North End** neighborhood 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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<b>Parcel</b>	01002145.
<b>Property Address</b>	309 E BETHUNE
<b>Owner</b>	DETROIT LAND BANK AUTHORITY
<b>Legal Description</b>	N BETHUNE 186 WM Y HAMLIN & S J BROWNS L8, P72, PLATS, W C R 1/103 30 X 115
<b>Parcel</b>	01002146.
<b>Property Address</b>	313 E BETHUNE
<b>Owner</b>	DETROIT LAND BANK AUTHORITY
<b>Legal Description</b>	N BETHUNE 187 WM Y HAMLIN & S J BROWNS L8, P72, PLATS, W C R 1/103 30 X 115
<b>Parcel</b>	01002147.
<b>Property Address</b>	319 E BETHUNE
<b>Owner</b>	DETROIT LAND BANK AUTHORITY
<b>Legal Description</b>	N BETHUNE 188 WM Y HAMLIN & S J BROWNS L8, P72, PLATS, W C R 1/103 30 X 115
<b>Parcel</b>	01002148.
<b>Property Address</b>	331 E BETHUNE
<b>Owner</b>	AVANATH NORTH END PARCEL OWN et al
<b>Legal Description</b>	N BETHUNE 188 WM Y HAMLIN & S J BROWNS L8, P72, PLATS, W C R 1/103 30 X 115
<b>Parcel</b>	01002232.
<b>Property Address</b>	7718 BRUSH
<b>Owner</b>	DETROIT LAND BANK AUTHORITY
<b>Legal Description</b>	N BETHUNE 189&190 WM Y HAMLIN & S J BROWNS L,8 P72, PLATS, W C R 1/103 60 X 115
<b>Parcel</b>	01002230.
<b>Property Address</b>	7719 BRUSH
<b>Owner</b>	DETROIT LAND BANK AUTHORITY
<b>Legal Description</b>	N SMITH N 54.44 FT OF 47 AND S 19.56 FT OF VAC CLAY AVE ADJ WM Y HAMLIN & S J BROWNS L8, P72, PLATS, W C R 1/103 30 X 115
<b>Parcel</b>	01002175.
<b>Property Address</b>	282 SMITH
<b>Owner</b>	DETROIT LAND BANK AUTHORITY
<b>Legal Description</b>	N SMITH 46 AND S 19.56 FT OF VAC CLAY AVE ADJ WM Y HAMLIN & S J BROWNS L8, P72, PLATS, W C R 1/103 30 X 139.50



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<b>Parcel</b>	01002174.
<b>Property Address</b>	290 SMITH
<b>Owner</b>	FIELDS, RUBY A
<b>Legal Description</b>	S SMITH 131 WM Y HAMLIN & S J BROWNS L8, P72, PLATS, W C R 1/103 30 X 115
<b>Parcel</b>	01002173.
<b>Property Address</b>	296 SMITH
<b>Owner</b>	ANE SPE LLC
<b>Legal Description</b>	S SMITH 129 WM Y HAMLIN & S J BROWNS L8, P72, PLATS, W C R 1/103 30 X 115
<b>Parcel</b>	01002225.001
<b>Property Address</b>	299 SMITH
<b>Owner</b>	DETROIT LAND BANK AUTHORITY
<b>Legal Description</b>	N SMITH E 15 FT OF 40 W 6.65 FT OF 41 & S 19.50 FT OF VAC CLAY AVE ADJ W Y HAMLIN & S J BROWNS L8, P72, PLATS, W C R
<b>Parcel</b>	01002172.
<b>Property Address</b>	302 SMITH
<b>Owner</b>	ANE SPE LLC
<b>Legal Description</b>	S SMITH 128 WM Y HAMLIN & S J BROWNS L8, P72, PLATS, W C R 1/103 30 X 115
<b>Parcel</b>	01002225.002L
<b>Property Address</b>	303 SMITH
<b>Owner</b>	DETROIT LAND BANK AUTHORITY
<b>Legal Description</b>	N SMITH E 23.35 FT OF 41 AND S 19.50 FT OF VAC CLAY AVE ADJ WM Y HAMLIN & S J BROWNS L8, P72, PLATS, W C R 1/103 23
<b>Parcel</b>	01002171.
<b>Property Address</b>	306 SMITH
<b>Owner</b>	DETROIT LAND BANK AUTHORITY
<b>Legal Description</b>	S SMITH 127 WM Y HAMLIN & S J BROWNS L8, P72, PLATS, W C R 1/103 30 X 115
<b>Parcel</b>	01002226.
<b>Property Address</b>	307 SMITH
<b>Owner</b>	DETROIT LAND BANK AUTHORITY
<b>Legal Description</b>	N SMITH 42 AND S 19.50 FT OF VAC CLAY AVE ADJ WM Y HAMLIN & S J BROWN L8, P72, PLATS, W C R 1/103 30 X 138.90



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<b>Parcel</b>	01002170.
<b>Property Address</b>	312 SMITH
<b>Owner</b>	DETROIT LAND BANK AUTHORITY
<b>Legal Description</b>	S SMITH 126 WM Y HAMLIN & S J BROWNS L8, P72, PLATS, W C R 1/103 30 X 115
<b>Parcel</b>	01002227.
<b>Property Address</b>	313 SMITH
<b>Owner</b>	MAISON DETROIT LLC
<b>Legal Description</b>	N SMITH 43 AND S 19.50 FT OF VAC CLAY AVE ADJ WM Y HAMLIN & S J BROWNS L8, P72, PLATS, W C R 1/103 30 X 138.90
<b>Parcel</b>	01002228.
<b>Property Address</b>	319 SMITH
<b>Owner</b>	DETROIT LAND BANK AUTHORITY
<b>Legal Description</b>	N SMITH 44 AND S 19.50 FT OF VAC CLAY AVE ADJ WM Y HAMLIN & S J BROWNS L8, P72, PLATS, W C R 1/103 30 X 138.90
<b>Parcel</b>	01002229.
<b>Property Address</b>	325 SMITH
<b>Owner</b>	DETROIT LAND BANK AUTHORITY
<b>Legal Description</b>	N SMITH 45 AND S 19.50 FT OF VAC CLAY AVE ADJ WM Y HAMLIN & S J BROWNS L8, P72, PLATS, W C R 1/103 30 X 138.90
<b>Parcel</b>	01002231.
<b>Property Address</b>	405 SMITH
<b>Owner</b>	DETROIT LAND BANK AUTHORITY
<b>Legal Description</b>	N SMITH S 65.50 FT OF 47 WM Y HAMLIN & S J BROWNS L8 P72 PLATS, W C R 1/103 33.33 X 65.50
<b>Parcel</b>	01002233.
<b>Property Address</b>	409 SMITH
<b>Owner</b>	DETROIT LAND BANK AUTHORITY
<b>Legal Description</b>	N SMITH 48 AND S 19.56 FT OF VAC CLAY AVE ADJ WM Y HAMLIN & S J BROWNS L8, P72, PLATS, W C R 1/103 30 X 139.70



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