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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: May 14, 2024

RE: Establishment of a **Neighborhood Enterprise Zone (PA 147 of 1992)**, as requested
by **Left Field 2022 II, 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.

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

¹ As defined in Section 2 (k) MCL 207.772

² 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).³
- An area of the local unit zoned and primarily used for business, as determined by the local governmental unit.⁴

Left Field 2022 II, LLC NEZ

Left Field 2022 II, LLC,⁵ a subsidiary of American Community Developers, Inc.(ACD) is the project developer and the owner of the property located at **2300 Cochrane**, is working to develop the property with its wholly-owned general contractor, St. Clair Construction Company. The developer purchased the property in June 2022 as part of a larger development plan called *Left Field*.⁶ The current project, subject to Council review, is a four-story building known as **Left Field B** and includes 53 units and first floor retail.

Building Use

Total Square Footage (SF)

Residential SF	38,000
Commercial SF	1,000
Retail SF	N/A
Industrial SF	N/A

Total Residential Units 53⁷

Studios	18 units (5 affordable); 391 avg. SF; \$1,400 market rent
1-Bed	30 units (8 affordable); 721 avg. SF; \$1,800 market rent
2-Bed	5 units (1 affordable); 1,049 avg. SF; \$2,418 market rent
3-Bed	N/A

DEGC Property Tax Abatement Evaluation

Left Field II

Developer: American Community Developers

Description of Incentive: Neighborhood Enterprise Zone, PA 147 of 1997 as amended – 50% abatement of State average millage rate on new residential improvements. Local taxes abated for up to 15 years, with a phase out period in years 13-15.	
Request Type	PA 147 NEZ-N District
DEGC Recommendation	Approval of NEZ-N District
Location	
Address	2300 Cochrane
City Council District	District 6
Neighborhood	Corktown
Located in HRD/SNF Targeted Area	Corktown
Building Use	
Total Square Footage (SF)	
Residential SF	38,000
Commercial SF	1,000
Retail SF	N/A

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 principals are Andrew Casazza and John Walton, who are working on the Belcrest Apartments project at 5440 Cass.

⁶ The entire Left Field project will contain 113 apartment units, including six (6) townhome units that are designed for families with children (three-bedroom units with private entrances). The remaining units are a mix of studio, one-bedroom, and two-bedroom units. Affordability restrictions include 48 units set aside as ranging from 30% to 80% AMI averaging 60% AMI across the affordable units, and another 14 units set aside at 120% AMI. The remaining units are market rate.

⁷ According to the DEGC, 14 units will be at or below 120% AMI and 39 market rate units.

Industrial SF	N/A
Total Residential Units	
Studios	18 units (5 affordable); 391 avg. SF; \$1,400 market rent
1-Bed	30 units (8 affordable); 721 avg. SF; \$1,800 market rent
2-Bed	5 units (1 affordable); 1,049 avg. SF; \$2,418 market rent
3-Bed	N/A
Project Description	
<p>The Left Field development is American Community Developers first project within the City of Detroit's Choice Neighborhood Development initiative. The city was awarded a Neighborhood Implementation Grant of \$30M in May of 2021 by the US Department of Housing and HUD. The program supports cities to implement neighborhood Transformation Plans that address 3 key areas: housing, neighborhood and people.</p> <p>Left Field II is part of a two-building development designed to include affordable, workforce, and market rate housing. The first building (<i>not part of this application</i>) includes 48 affordable units between 30% to 80% AMI; including 6 three-bedroom townhome units for families. The second building (<i>this application</i>) includes 14 units at or below 120% AMI and 39 market rate units. The first building will be completed July 2024, the second building (<i>this application</i>) is anticipated to begin construction this summer with a 16-month construction timeline.</p> <p>The project has received additional grant funding from the Michigan State Housing Authority's Missing Middle program, to help bring it to fruition.</p>	
Sources and Uses of Capital Summary	
Total Investment	\$16.35M
Sources	Senior Lender: \$8.2M (50.1%); MSF/CRP Loan: \$2.7M (16.62%); Missing Middle Grant: \$980K (6%); \$4.5M Owner Equity (27.31%)
Uses	Acquisition: \$172K (1.05%); Hard Costs: \$13.04M (79.71%); Soft Costs: \$3.15M (19.24%)
Project Economic Benefits Summary	
Estimated Jobs (FTE/Construction)	2 FTE 30 Construction
Estimated City benefits before tax abatement	\$3,122,918
Total estimated City value of abatement	\$748,900
Less cost of services & utility deductions	\$825,197
Net Benefit to City with abatement	\$1,548,822

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

	Amount
Real Property Taxes, before abatement	\$1,320,065
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$25,214
Municipal Income Taxes - Indirect Workers	\$6,721
Municipal Income Taxes - Corporate Income	\$27,898
Municipal Income Taxes - Construction Period	\$62,983
Municipal Income Taxes - New Res. Inhabitants	\$361,402
Utility Revenue	\$580,194
Utility Users' Excise Taxes	\$75,245
State Revenue Sharing - Sales Tax	\$126,878
Building Permits and Fees	\$331,307
Miscellaneous Taxes & User Fees	\$205,010
Subtotal Benefits	\$3,122,918
Cost of Providing Municipal Services	(\$245,003)
Cost of Providing Utility Services	(\$580,194)
Subtotal Costs	(\$825,197)
Net Benefits	\$2,297,721 8

⁸ Chart courtesy of the DEGC

Impacted Taxing Units: Incentive Summary over the First 15 Years

	Additional Benefits	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	\$3,122,918	(\$825,197)	(\$748,900)	\$0	\$0	\$1,548,822
Wayne County	\$348,481	(\$28,992)	(\$181,805)	\$0	\$0	\$137,683
Detroit Public Schools	\$2,316,067	(\$1,085,539)	(\$632,638)	\$0	\$0	\$597,890
State Education	\$235,847	\$0	(\$125,997)	\$0	\$0	\$109,850
Wayne RESA	\$213,344	\$0	(\$113,940)	\$0	\$0	\$99,404
Wayne County Comm. College	\$126,579	\$0	(\$67,654)	\$0	\$0	\$58,926
Wayne County Zoo	\$3,899	\$0	(\$2,079)	\$0	\$0	\$1,820
Detroit Institute of Arts	\$7,807	\$0	(\$4,164)	\$0	\$0	\$3,642
Total	\$6,374,943	(\$1,939,728)	(\$1,877,178)	\$0	\$0	\$2,558,037

DEGC Chart of Taxes Before, During & After the Incentive⁹

	Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive
City of Detroit	\$9,065	\$32,439	\$78,674
Library	\$1,450	\$5,188	\$12,583
Wayne County	\$2,498	\$8,808	\$21,684
Detroit Public Schools	\$9,406	\$33,526	\$81,638
State Education	\$1,879	\$6,722	\$16,304
Wayne RESA	\$1,699	\$6,083	\$14,749
Wayne County Comm. College	\$1,008	\$3,605	\$8,751
Wayne County Zoo	\$31	\$111	\$270
Detroit Institute of Arts	\$62	\$223	\$540
Total	\$27,099	\$96,706	\$235,192

10

Conclusion

The investment in this project is estimated at **\$16.35 million**. The abatement is projected to be worth a tax savings of **\$1,877,178** for the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit of **\$1,548,822** and **\$2,558,037** to all the impacted taxing units, in addition to 2 FTE's and 30 temporary construction jobs and 53 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:¹¹

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."*¹²

Total acreage available (15% of Detroit acreage):	13,239.00
Left Field 2022 II, LLC NEZ:	0.47 acres
Total Acreage for the Entire city of Detroit:	<u>88,260</u> ¹³

Total Acreage Remaining	7,547.60 ¹⁴
Total Acreage Designated	5,691.40 ¹⁵

⁹ EXISTING Annual Taxes: \$27,099 - Annual Taxes DURING the Incentive: \$96,706 & Taxes after the Incentive EXPIRES: \$235,192

¹⁰ Charts courtesy of the DEGC

¹¹ This is a ballpark estimate by LPD, based on current available data.

¹² MCL 207.773 (2)

¹³ 88,260 Acres = 137.90625 Square Miles

¹⁴ 57% of total NEZ acreage remaining (9% of the total acreage of the entire city of Detroit)

¹⁵ 43% of total NEZ acreage designated (6% of the total acreage of the entire city of Detroit)

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

Attachment: February 9, 2024 - *Letter from Finance Assessors¹⁶

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



Project Rendering¹⁷

¹⁶ *The development entity and owner of the property is Left Field **2022 II**, LLC, and is incorrectly listed as *Left Field 2002 II, LLC*, in the Assessor's letter and tax roll and should be corrected.

¹⁷ Project Rendering courtesy of DEGC



Current view of 2300 Cochrane



Map of Area¹⁸

¹⁸ Current view of 6465 Sterling and Map of Area courtesy of the DEGC



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

February 9, 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 – Left Field II 2002 LLC**
Property Addresses: 2300 Cochrane
Parcel Numbers: 08000582-3

Dear Mr. Antoine Bryant:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed Neighborhood Enterprise Zone for the property located at 2300 Cochrane in the **Corktown** 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 developer proposes (Left Field B) to be constructed as a four-story apartment building that contains 53 units with first floor retail (approximately 1,000 square feet). The intent of the first-floor retail is to market and lease to small businesses for retail and commercial use. The units are going to consist of studio living and one-and two-bedroom units. The current True Cash Value of the proposed area is \$673,089 and contains approximately 0.473 acres of vacant land. True Cash Value of this area would be expected to increase due to the new construction of this project.

This NEZ request is solely for the residential portion of the properties.

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 facilities include a model home or a model condominium unit. New facilities 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 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
2300 Cochrane
Page 2

Upon review, it has been determined that this proposed district located at **2300 Cochrane** is eligible for designation as a Neighborhood Enterprise Zone per PA 147 of 1992, as amended.

Sincerely,

Charles Ericson, MMAO
Assessor, Board of Assessors



Neighborhood Enterprise Zone
2300 Cochrane
Page 3

Parcel: 08000582-3

Owner: Left Field II 2002 LLC

Property Address: 2300 Cochrane

Legal Description: E COCHRANE PT OF 109-111 PLAT P.C.27 L2 P5; PT OF 63 THRU 69 JULIANA T ABBOTTS SUB L5 P36 INCL VAC CHERRY ST AND VAC ALLEY ADJ; ALL DESC AS COMM AT N LINE MICHIGAN AVE (120 FT) AND E LINE LINE OF COCHRANE AVE (65 FT WD) TH N 23D 42M 59S W 458.48 FT TH N 66D 27M 12S E 73.98 FT TO POB TH N 23D 13M 38S W 89.89 FT TH N 66D 46M 55S E 230.62 FT TH S 23D 38M 17S E 88.57 FT TH S 66D 27M 12S W 231.26 FT TO POB 89.89 FT IRREG 0.47 AC

