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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director
Legislative Policy Division Staff

DATE: September 17, 2025

RE: Establishment of a Neighborhood Enterprise Zone (PA 147 of 1992), as requested for 663 Prentis

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:

¹ As defined in Section 2 (k) MCL 207.772

- 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

663 PRENTIS DEVELOPMENT PROJECT

Midtown Detroit Propco, LLC, the developer, is seeking a P.A. 147 Neighborhood Enterprise Zone District for property located at 663 Prentis Street in the Midtown Neighborhood. Midtown Detroit Propco is a related entity of the Sturgeon Bay Partners which has rehabilitated a number of prewar multifamily complexes in Midtown. The proposed project is the rehabilitation of 29-unit apartment building that was built in 1916. This building is a 19,920 SF building on a 0.219 acre lot.

The goal of this project is to mitigate gentrification happening in Midtown by creating an inclusive presence whereby seniors and low-income residents have been prioritized. As such, 20% of 29 units (6 units) will be affordable to households with incomes between 60%-80% Area Median Income.

- 60% AMI (3 studios)
- 80% AMI (2 studios, 1

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 Users Tax & Corporation Income Tax	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$1,249,121	(\$290,973)	(\$583,534)	\$0	\$0	\$374,614
Wayne County	\$228,588	(\$25,686)	(\$149,735)	\$0	\$0	\$53,167
Detroit Public Schools	\$1,385,077	(\$603,803)	(\$550,938)	\$0	\$0	\$230,335
State Education	\$137,492	\$0	(\$106,633)	\$0	\$0	\$30,859
Wayne RESA	\$123,953	\$0	(\$96,133)	\$0	\$0	\$27,820
Wayne County Comm. College	\$73,427	\$0	(\$56,947)	\$0	\$0	\$16,480
Wayne County Zoo	\$2,264	\$0	(\$1,756)	\$0	\$0	\$508
Detroit Institute of Arts	\$4,551	\$0	(\$3,530)	\$0	\$0	\$1,021
Total	\$3,204,473	(\$920,462)	(\$1,549,206)	\$0	\$0	\$734,805

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.

663 Prentis - PA 147 NEZ

	Existing Taxes	New Taxes <i>With</i> Incentive	New Taxes <i>Without</i> Incentive
City of Detroit	\$8,434	\$8,463	\$44,702
Library	\$1,446	\$1,451	\$7,666
Wayne County	\$2,502	\$2,510	\$13,259
Detroit Public Schools	\$9,751	\$9,785	\$51,684
State Education	\$1,887	\$1,894	\$10,003
Wayne RESA	\$1,702	\$1,707	\$9,018
Wayne County Comm. College	\$1,008	\$1,011	\$5,342
Wayne County Zoo	\$31	\$31	\$165
Detroit Institute of Arts	\$62	\$62	\$330
Total	\$26,823	\$26,914	\$142,169

DEGC Property Tax Abatement Evaluation

Property Address: 663 Prentis
Developer: Midtown Detroit Propco, LLC

Incentive:	PA 147 NEZ
DEGC Abatement Term Recommendation	District Approval
Location	
Address	663 Prentis
City Council District	District 6
Neighborhood	Midtown
Located in HRD/SNF Targeted Area	N/A
Building Use	
Total Square Footage (SF)	19,290
Residential SF	19,290
Commercial SF	N/A
Retail SF	N/A
Industrial SF	N/A
Total Residential Units	29 Units (6 Affordable @ 60%-80% AMI)
Studios	16 Unit; 4 Affordable; 421 Avg SF; \$750 - \$1,150/Mo
1-Bed	13 Units; 2 Affordable; 552 Avg SF; \$850 - \$1,150/Mo
2-Bed	N/A
3-Bed	N/A
Project Description	
<p>663 Prentis is an existing residential building originally built in 1916 and located in the Midtown neighborhood of Detroit. The proposed rehabilitation includes necessary upgrades to the approximately 19,300 square foot, 29-unit structure. The building contains a mix of studio and 1-bedroom units. Affordability will be maintained for at least 20% of the units at 60%-80% AMI ranges.</p>	
Sources and Uses of Capital Summary	
Total Investment	\$4.1 Million
Sources	Debt: \$2.4M (58.07%); Owner Equity: \$1.7M (41.93%)
Uses	Acquisition: \$2.2M (53.23%); Hard Costs: \$1.8M (42.78%); Soft Costs: \$165K (3.99%)
Project Economic Benefits Summary	
PA 147 NEZ	
Estimated Jobs (FTE/Construction)	2 Developer FTE / 10 Construction
Estimated City benefits before tax abatement	\$1,249,121
Total estimated City value of PA 147 NEZ	\$583,534
Less cost of services & utility deductions	\$290,973
Net Benefit to City with PA 147 NEZ	\$374,614

663 Prentis - 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	\$91,122	(\$16,826)	(\$41,621)	\$0	\$0	\$32,675	\$32,675
2	\$72,492	(\$17,162)	(\$42,454)	\$0	\$0	\$12,877	\$12,263
3	\$73,942	(\$17,505)	(\$43,303)	\$0	\$0	\$13,134	\$11,913
4	\$75,421	(\$17,855)	(\$44,169)	\$0	\$0	\$13,397	\$11,573
5	\$76,929	(\$18,213)	(\$45,052)	\$0	\$0	\$13,665	\$11,242
6	\$78,468	(\$18,577)	(\$45,953)	\$0	\$0	\$13,938	\$10,921
7	\$80,037	(\$18,948)	(\$46,872)	\$0	\$0	\$14,217	\$10,609
8	\$81,638	(\$19,327)	(\$47,810)	\$0	\$0	\$14,501	\$10,306
9	\$83,271	(\$19,714)	(\$48,766)	\$0	\$0	\$14,791	\$10,011
10	\$84,936	(\$20,108)	(\$49,741)	\$0	\$0	\$15,087	\$9,725
11	\$86,635	(\$20,510)	(\$50,736)	\$0	\$0	\$15,389	\$9,447
12	\$88,370	(\$20,921)	(\$51,751)	\$0	\$0	\$15,699	\$9,179
13	\$90,138	(\$21,339)	(\$12,486)	\$0	\$0	\$56,313	\$31,357
14	\$91,941	(\$21,766)	(\$8,490)	\$0	\$0	\$61,685	\$32,713
15	\$93,779	(\$22,201)	(\$4,330)	\$0	\$0	\$67,248	\$33,965
	\$1,249,121	(\$290,973)	(\$583,534)	\$0	\$0	\$374,614	\$247,898

Total Incentive	\$583,534
Rate of Return	10.9%
Payback period (years)	9.5

Project Summary		
Total Capital Investment		\$1,767,832
<u>Job Creation</u>	Direct	2.0
	Indirect& Induced	0.5
	Total Jobs	2.5
<u>Average Salaries</u>	Direct	\$35,000
	Indirect& Induced	\$50,806
	Total Salaries	\$38,161

Source of Additional Benefits Before Tax Abatements Over the Next 15 Years

Real Property Taxes, before abatement	\$719,774	57.6%
Personal Property Taxes, before abatement	\$0	0.0%
New Residential Property Taxes	\$0	0.0%
Municipal Income Taxes - Direct Workers	\$16,996	1.4%
Municipal Income Taxes - Indirect Workers	\$5,219	0.4%
Municipal Income Taxes - Corporate Income	\$5,188	0.4%
Municipal Income Taxes - Construction Period	\$10,051	0.8%
Municipal Income Taxes - New Res. Inhabitants	\$136,039	10.9%
Utility Revenue	\$144,143	11.5%
Utility Users' Excise Taxes	\$32,344	2.6%
State Revenue Sharing - Sales Tax	\$974	0.1%
Building Permits and Fees	\$10,000	0.8%
Miscellaneous Taxes & User Fees	\$168,393	13.5%
Subtotal Benefits	\$1,249,121	100.0%

Source of Additional Costs Over the Next 15 Years

Cost of Providing Municipal Services	(\$146,830)	50.5%
Cost of Providing Utility Services	(\$144,143)	49.5%
Subtotal Costs	(\$290,973)	100.0%

Source of Net Benefits after Tax Abatements and Incentives Over the Next 15 Years

Real Property Taxes	\$136,240
Personal Property Taxes	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes	\$173,493
Net Utility Revenue	\$0
Utility Users' Excise Taxes	\$32,344
State Revenue Sharing - Sales Tax	\$974
Building Permits and Fees	\$10,000
Miscellaneous Taxes & User Fees	\$168,393
Cost of Providing Municipal Services	(\$146,830)
Total Net Benefits	\$374,614

Conclusion

The investment in this project is estimated at **\$4.1 million**. The abatement is projected to be worth a tax savings of **\$1,549,206** for the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit of **\$374,614** and **\$734,805** to all the impacted taxing units, in addition 10 temporary construction jobs, 2 developer jobs and 29 rehabilitated residential 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:⁵

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.”*⁶

Total acreage available (15% of Detroit acreage):	13,239.00
663 Prentis :	0.219 acres
<u>Total Acreage for the Entire city of Detroit:</u>	<u>88,260</u> ⁷
Total Acreage Remaining	7,541.79 ⁸
Total Acreage Designated	5,697.21 ⁹

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

Attachment: July 1, 2025 - *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
Raymond Solomon III, 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

⁵ This is a ballpark estimate by LPD, based on current available data.

⁶ MCL 207.773 (2)

⁷ 88,260 Acres = 137.90625 Square Miles

⁸ 57% of total NEZ acreage remaining (9% of the total acreage of the entire city of Detroit)

⁹ 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

August 22, 2025

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

RE: **Neighborhood Enterprise Zone – Midtown Detroit Propco, LLC**

Property Address: 663 Prentis
Parcel Number: 04000943.

Dear Ms. Bush:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed **Neighborhood Enterprise Zone**, located at 663 Prentis, submitted by **Midtown Detroit Propco, LLC** for the neighborhood located in the **Midtown** 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 Midtown Detroit Propco, LLC consists of a three-story apartment building built in 1916 with approximately 19,290 square feet on 0.219 acres of land. The owner proposes renovating the 29 existing units along with making improvements to hallways and other common areas and utilities. This will include electrical upgrades and metering, plumbing upgrades, roof work, front entrance masonry, and common area and unit upgrades. Based on the age of the building, these renovations are necessary to preserve and maintain the existing residential units. Each unit is approximately 500 square feet. The layout features a combination of studio apartments and one-bedroom units.

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.



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER
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Neighborhood Enterprise Zone
Midtown Detroit Propco, LLC
Page 2

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. 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 **663 Prentis**, 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
Midtown Detroit Propco, LLC
Page 3

Address: 663 Prentis

Parcel: 04000943.

Owner: Midtown Detroit Propco LLC

Legal Description: S PRENTIS 16 CASS FARM SUB L1 P300 PLATS, W C R 4/43 50 X 190

