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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: February 20, 2023

RE: Establishment of a **Neighborhood Enterprise Zone (PA 147 of 1992)**, as requested by **Olympia Development of Michigan (ODM)** for the proposed **2210 Park Ave 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,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

Olympia Development of Michigan (ODM)

Olympia Development of Michigan (ODM) is the project developer of the requested NEZ district, with a proposed area that consists of 1 parcel with a total of 0.088 acres of land, located at **2210 Park Ave**, which is proposed for a NEZ.⁵ The planned development is one of ten elements associated with ten (10) mixed-use development projects⁶ within Detroit’s DDA Development Area,⁷ which proposed together, encompasses Olympia Development’s Transformational Brownfield Plan⁸ proposal, commonly referred to as District Detroit, with a total estimated investment cost of \$1.532 billion.

2210 Park Ave

The Detroit Life Residential project, located at **2210 Park**, is a planned renovation of the 10-story Detroit Life Building, a vacant former office structure, converting it into 16 market rate apartments with 3,000 square feet of ground-floor retail.

It is proposed to be renovated into a mixed-use building first floor retail and nine floors of residential space above. The building is located at the northeast corner of Park Avenue and W. Columbia Street, adjacent to the Fox Building, in the Park Avenue Historic District.⁹ The rehabilitated building is projected to contain approximately 44,308 gross square feet (GSF) with 41,308 GSF for 16 apartments, as well as 3,000 (net rentable square footage) NRSF/GSF for retail. The residential space will occupy 20,992 NRSF, with the difference of 20,316 square feet comprised of what is referenced as “back of the house” uses, such as common areas, elevators, escalators, lobbies, corridors, mechanical rooms and janitor closets. The currently requested NEZ tax abatement applies to the *residential* elements of this particular development.

In addition to the NEZ request, the developer is also pursuing a Transformational Brownfield TIF reimbursement over a period of 35-years of TBP capture in the amount of \$5.8 million,¹⁰ and also a PA 210 Commercial Rehabilitation tax abatement, for the *commercial* elements of this development (a ten-year abatement).

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 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 January 5, 2023

⁶ The 10 listed sites include 4 mixed-income residential buildings, 4 commercial office buildings and 2 hotels, along with additional open public and green space. [District Detroit | City of Detroit \(detroitmi.gov\)](https://detroitmi.gov)

⁷ The “DDA Act,” Public Act 197 of 1975, enacted on August 13, 1975, authorized the use of Tax Increment Finance (TIF) to correct and prevent the deterioration of downtown areas in the State of Michigan.

⁸ A Transformational Brownfield Plan must be for mixed-use development and must meet a minimum investment threshold, which is set at \$500 million for a city, village or township with a population of at least 600,000 (i.e., Detroit).

⁹ [Park Avenue Historic District | Detroit Historical Society](https://detroitmi.gov)

¹⁰ TBP allows for the capture of five sources of new tax revenues associated with a project, in addition to incremental revenue from property taxes. The additional tax revenues available include the following State tax sources, 1.State Construction Period Income Tax; 2.State Construction Period Sales Tax Exemptions; 3.State Construction Period Use Tax Exemptions; 4.State Income Tax Capture; 5. State Withholding Tax Capture

DEGC Project Evaluation Checklist

District Detroit – 2210 Park
Developer: Olympia Predevelopment LLC

Neighborhood Enterprise Zone, PA 147 of 1997 as amended – Current taxes frozen at pre-construction values, local taxes abated for up to 15 years, years 13-15 have a phase out		
DEGC Recommendation	Approval of the NEZ District	
Request Type	NEZ District	
Location		
Address	2210 Park	
City Council District	District 6	
Neighborhood	Downtown	
Building Use		
Total Rentable Units	16 Units	
Residential Square Footage	41,308 SF(Gross), 20,992 SF (Rentable)	
Retail Square Footage	3,000 SF	
Parking Spaces	-	
Project Description		
<p>The 2210 Park Avenue/Detroit Life Building Project is a planned reuse and conversion of the Detroit Life Building, located in the local Park Avenue Historic District. It is proposed to be renovated into a mixed-use facility with first floor retail and residential space above. The building is located at the northeast corner of Park Avenue and W. Columbia Street, adjacent to the Fox Building. The rehabilitated building is projected to contain approximately 44,308 GSF, with 3,000 NRSF of retail space and with 16 market rate residential units spread over 20,992 NRSF of residential.</p>		
Rental Breakdown		
Total Units	16 Units	
2 Bedroom	14 Units – 1,118 SF	
3 Bedroom	2 Units – 2,670 SF	
Project Costs		
Total Investment	\$23,616,000	
Uses	\$16,982,000 Hard Construction (72%) \$6,634,000 Soft Costs (28%)	
Sources	\$9.9M Equity (41.9%), \$9.9M Debt (41.9%), \$663K TBP Exemption (2.8%), 3.1M FHTC Equity (13.1%)	
Project Benefits (15 years)		
	NEZ – PA 147	CRA – PA 210
Estimated jobs (FTE/Construction)	0 FTE/193 Construction	15 FTE/27 Construction
Estimated city benefits before tax abatement	\$1,841,568	\$669,673
Less cost of services & utility deductions	\$331,108	\$47,301
Net benefit to city	\$1,510,460	\$622,372

City of Detroit Gross Benefits Summary over the First 35 Years (Prior to Abatement)

	Amount
Real Property Taxes, before abatement	\$0
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	\$178,797
Municipal Income Taxes - New Residents	\$1,189,649
Utility Revenue	\$76,675
Utility Users' Excise Taxes	\$72,231
State Revenue Sharing - Sales Tax	\$1,719
Building Permits and Fees	\$0
Miscellaneous Taxes & User Fees	\$322,498
Subtotal Benefits	\$1,841,568
Cost of Providing Municipal Services	(\$254,433)
Cost of Providing Utility Services	(\$76,675)
Subtotal Costs	(\$331,108)
Net Benefits	\$1,510,460

Charts courtesy of DEGC

Conclusion

The investment in this project is estimated at **\$23,616,000**. The proposed tax abatement is projected to be worth a tax savings of **\$3,175,624** to the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit of **\$1,510,460** and over **\$7,547,677¹¹** to all the impacted taxing units, in addition to 0 FTEs,¹² 193 temporary construction jobs and 16 new housing units.

NEZ Acreage Status:¹³

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.”*¹⁴

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

2210 Park Ave NEZ:	0.09 acres
<u>Total Acreage for the Entire city of Detroit:</u>	<u>88,260¹⁵</u>

Total Acreage Remaining	7,571.86¹⁶
Total Acreage Designated	5,667.14¹⁷

¹¹ The second spreadsheet with all taxing jurisdictions that we usually provide was not included, due to the fact that all or partial millages are subject to DDA capture.

¹² However, there are 15 FTE’s associated with the commercial elements of this project.

¹³ This is a ballpark estimate by LPD, based on current available data.

¹⁴ MCL 207.773 (2)

¹⁵ 88,260 Acres = 137.90625 Square Miles

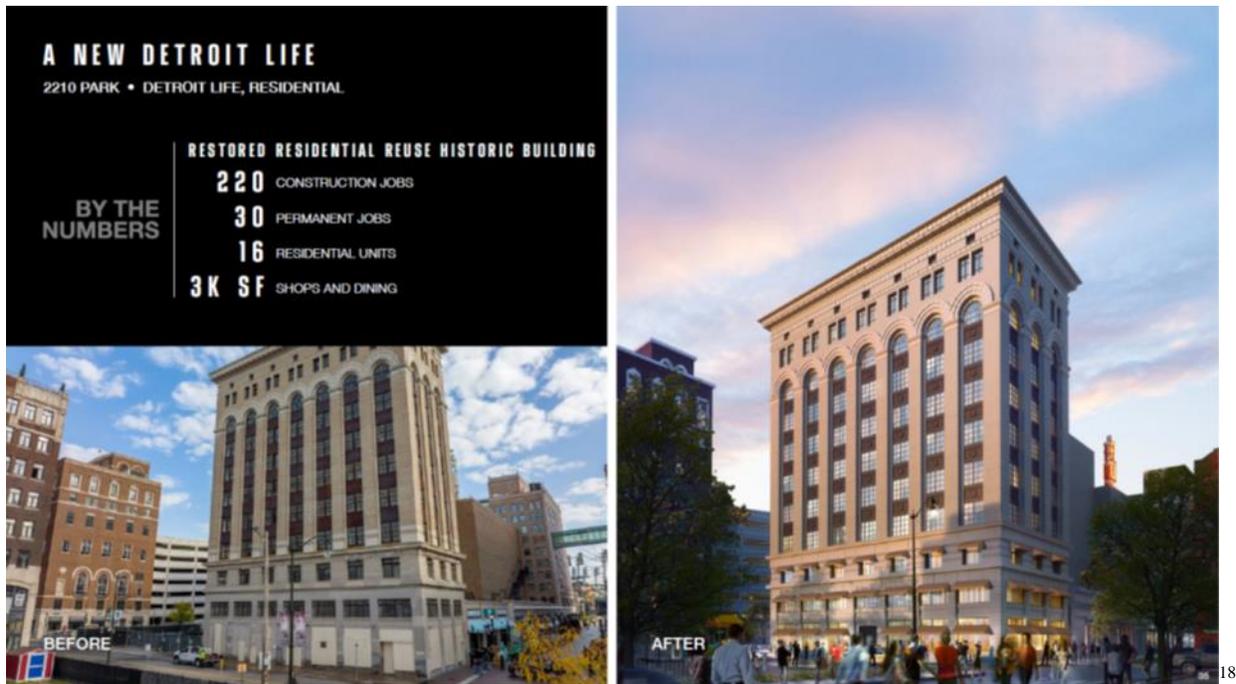
¹⁶ 57% of total NEZ acreage remaining (9% of the total acreage of the entire city of Detroit)

¹⁷ 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: January 5, 2023 - 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



¹⁸ Source: [More details emerge for \\$1.5B District Detroit buildout and incentives \(freep.com\)](https://www.freep.com)



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

COLEMAN A. YOUNG MUNICIPAL CENTER
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PHONE: 313•224•3011
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January 5, 2023

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

RE: **Neighborhood Enterprise Zone – 2210 Park Ave**
Property Address: 2210 Park
Parcel ID: 02000447.
Olympia Development of Michigan

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed 2210 Park Ave **Neighborhood Enterprise Zone** submitted by **Olympia Development of Michigan (ODM)** for the neighborhood located in the **Central Business District** area 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 area consists of 1 parcel with a total of 0.088 acres of land. The developer intends to rehabilitate the Detroit Life Building, a vacant former office structure, into retail space and 16 market rate apartments. The current True Cash Value of the proposed area is \$2,576,917. The True Cash Value of this area would be expected to increase due to the rehabilitation of this project.

Per MCL 207.772 Sec 2 (m) "Rehabilitated Facility" means the following:

"Rehabilitated facility" means, except as otherwise provided in section 2a, an existing structure or a portion of an existing structure with a current true cash value of \$120,000.00 or less per unit that has or will have as its primary purpose residential housing, consisting of 1 to 8 units, the owner of which proposes improvements that if done by a licensed contractor would cost in excess of \$10,000.00 per owner-occupied unit or 50% of the true cash value, whichever is less, or \$15,000.00 per nonowner-occupied unit or 50% of the true cash value, whichever is less, or the owner proposes improvements that would be done by the owner and not a licensed contractor and the cost of the materials would be in excess of \$3,000.00 per owner-occupied unit or \$4,500.00 per nonowner-occupied unit and will bring the structure into conformance with minimum local building code standards for occupancy or improve the livability of the units while meeting minimum local building code standards. Rehabilitated facility also includes an individual condominium unit, in a structure with 1 or more condominium units that has as its primary purpose residential housing, the owner of which proposes the above described improvements. Rehabilitated facility also includes existing or proposed condominium units in a qualified historic building with 1 or more existing or proposed condominium units. Rehabilitated facility does not include a facility rehabilitated with the proceeds of an insurance policy for property or casualty loss. A qualified historic building may contain multiple rehabilitated facilities.



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2210 Park Ave
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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.

Upon review, it has been determined that this proposed district located at **2210 Park** 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
2210 Park Ave
Page 2

Parcel: 02000447.
Owner: OLYMPIA ENTERTAINMENT INC
Property Address: 2210 PARK
Legal Description: N COLUMBIA 50 PLAT PT PARK LOTS L7 P27 CITY RECORDS, W C R 2/71 40 X 95.42

