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**City of Detroit**  
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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director   
Legislative Policy Division Staff

DATE: February 15, 2023

RE: Establishment of a **Neighborhood Enterprise Zone (PA 147 of 1992)**, as requested by **Olympia Development of Michigan (ODM)** for the proposed **2250 Woodward 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,<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>

### **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 vacant parcel currently used as a parking lot with a total of 3.212 acres of land, located at **2250 Woodward Ave**, which is proposed for a NEZ.<sup>5</sup> The planned development is one of ten elements associated with ten (10) mixed-use development projects<sup>6</sup> within Detroit’s DDA Development Area,<sup>7</sup> which proposed together, encompasses Olympia Development’s Transformational Brownfield Plan<sup>8</sup> proposal, commonly referred to as District Detroit, with a total estimated investment cost of \$1.532 billion.

### **2250 Woodward Ave**

The development at 2250 Woodward Ave involves the new construction of a 20-story multi-family housing tower, with first floor retail, facing the Fox Theatre, expected to include 287 residential units, of which 20% (58 units) would be affordable at 50% AMI or below.

Adjacent to the DCI academic building,<sup>9</sup> the newly constructed 19-story residential building is projected to contain approximately 256,050 gross square feet (GSF) with 247,300 GSF for 261 apartments, 54 of which will be affordable at 50% AMI, as well as 8,750 (net rentable square footage) NRSF/GSF for retail. The residential space will occupy 187,00 NRSF, with the difference of 60,300 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 assistance via a potential refundable loan through the Detroit Downtown Development Authority’s (DDA) newly implemented Affordable Housing Loan Program - \$10.9 million to support 58 affordable units,<sup>10</sup> to assist in providing deep levels of affordable housing.<sup>11</sup> The developer is also pursuing Transformational Brownfield TIF reimbursement over a period of 35-years of TBP capture in the amount of \$69.2 million,<sup>12</sup> and also a PA 210 Commercial Rehabilitation tax abatement, for the *commercial* elements of this development (a ten-year abatement).

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<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 January 5, 2023

<sup>6</sup> 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/district-detroit)

<sup>7</sup> 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.

<sup>8</sup> 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).

<sup>9</sup> The project referred to as “DCI,” is the University of Michigan Center for Innovation in Detroit (academic building). The DCI education center building of the DCI project is not being funded with support from this TBP; the other DCI Block buildings are.

<sup>10</sup> The developer is also pursuing Federal 4% Low Income Housing Tax Credits (“LIHTC”)

<sup>11</sup> Affordable loan can be forgiven over time, with a demonstration of 50% of Detroit residents occupying the affordable units. Under these terms, a “Detroit resident” is defined as someone that has lived in the city for a minimum of 3 years prior to occupancy.

<sup>12</sup> 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

Project	Total Investment	Square Footage	Units/Type	Affordable Units	AMI
2250 Woodward	\$216,033,756	399,281	<b>Total Units: 287</b> Studio: 79 1-Bed: 135 2-Bed: 73 3-Bed: -	<b>Total Units: 58</b> Studio: 16 1-Bed: 27 2-Bed: 15 3-Bed: -	<b>Total Units: 5 @ 40% AMI; 53 @ 50% AMI</b> Studio: 1 @ 40% AMI; 15 @ 50% AMI 1-Bed: 3 @ 40% AMI; 24 @ 50% AMI 2-Bed: 1 @ 40% AMI; 14 @ 50% AMI 3-Bed: -

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### DEGC Project Evaluation Checklist

#### District Detroit – 2250 Woodward Developer: Olympia Predevelopment LLC

Neighborhood Enterprise Zone, <b>PA 147 of 1997 as amended</b> – 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
<b>Location</b>	
Address	2250 Woodward
City Council District	District 6
Neighborhood	Downtown
<b>Building Use</b>	
Total Rentable Units	287 Units (58 Affordable)
Residential Rentable Square Footage	294,439
Retail Square Footage	26,992
Parking Spaces	206
<b>Project Description</b>	
The 2250 Woodward Residential Tower Project is a planned new construction, mixed-use development including first floor retail and 20 floors of multi-family residential space above. This building is proposed to be located at 2250 Woodward Avenue, west of Witherell Street, north of E. Columbia Street and south of E. Montcalm Street. It will share the block with the 2200 Woodward Office Building. The building is projected to contain approximately 294,439 SF of residential space comprising 287 apartments (58 of which will be affordable at 50% of AMI) and 26,992 NRSF of retail space.	
<b>Rental Breakdown</b>	
Total Units	287 Units (58 Affordable)
Studio	79 Units (16 Affordable) – 520 SF
1 Bedroom	135 Units (27 Affordable) – 722 SF
2 Bedroom	73 Units (15 Affordable) – 1151 SF
<b>Project Costs</b>	
Total Investment	\$216,034,000
Uses	\$149,950,000 Hard Construction (69%), \$66,084,000 Soft Costs (31%)
Sources	\$53.7.0M Equity (25%), \$126.7M Debt(59%), \$10.7 DDA AHLF (5%), \$10.0M DDA Infrastructure (4.6%), \$5.6 TBP Exemption (2.5%), \$4.9M AHP (2.2%), \$4.3 LIHTC Equity (1.9%)
<b>Project Benefits (15 years)</b>	
Estimated jobs	137 FTE / 2,040 Construction

<sup>13</sup> Source: District Detroit Transformational Brownfield Plan

Estimated city benefits before tax abatement	<b>\$23,110,539</b>
Less cost of services & utility deductions	<b>\$3,456,135</b>
Net benefit to city	<b>\$19,654,404</b>

**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	\$3,042,324
Municipal Income Taxes - Indirect Workers	\$1,005,175
Municipal Income Taxes - Corporate Income	\$1,178,978
Municipal Income Taxes - Construction Period	\$1,894,783
Municipal Income Taxes - New Residents	\$11,050,807
Utility Revenue	\$800,338
Utility Users' Excise Taxes	\$753,936
State Revenue Sharing - Sales Tax	\$17,939
Building Permits and Fees	\$0
Miscellaneous Taxes & User Fees	\$3,366,260
<u>Subtotal Benefits</u>	<u>\$23,110,540</u>
Cost of Providing Municipal Services	(\$2,655,796)
Cost of Providing Utility Services	(\$800,338)
<u>Subtotal Costs</u>	<u>(\$3,456,135)</u>
Net Benefits	\$19,654,405

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**Conclusion**

The investment in this project is estimated at **\$216 million**. The proposed tax abatement is projected to be worth a tax savings of **\$13,830,216** to the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit of **\$19,654,404** and over **\$56,220,692<sup>15</sup>** to all the impacted taxing units, in addition to 137 FTEs, 2,040 temporary construction jobs and 287 new housing units.

**NEZ Acreage Status:**<sup>16</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>17</sup>

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

**2250 Woodward Ave NEZ: 3.21 acres**  
**Total Acreage for the Entire city of Detroit: 88,260**<sup>18</sup>

<sup>14</sup> Charts courtesy of DEGC

<sup>15</sup> 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.

<sup>16</sup> This is a ballpark estimate by LPD, based on current available data.

<sup>17</sup> MCL 207.773 (2)

<sup>18</sup> 88,260 Acres = 137.90625 Square Miles

**Total Acreage Remaining**      7,572.29<sup>19</sup>  
**Total Acreage Designated**    5,666.71<sup>20</sup>

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

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<sup>19</sup> 57% of total NEZ acreage remaining (9% of the total acreage of the entire city of Detroit)

<sup>20</sup> 43% of total NEZ acreage designated (6% of the total acreage of the entire city of Detroit)

<sup>21</sup> Source: [More details emerge for \\$1.5B District Detroit buildout and incentives \(freep.com\)](#)

**NEW CONSTRUCTION MIXED-USE,  
MIXED-INCOME IN THE HEART OF DOWNTOWN**  
2250 WOODWARD

**BY THE  
NUMBERS**

- 2K** CONSTRUCTION JOBS
- 240** PERMANENT JOBS
- 287** RESIDENTIAL UNITS
- 58** DEEPLY AFFORDABLE UNITS RANGING FROM 40-50% OF AREA MEDIAN INCOME
- 27K SF** SHOPS AND DINING



BEFORE



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<sup>22</sup> Source: [More details emerge for \\$1.5B District Detroit buildout and incentives \(freep.com\)](https://freep.com)



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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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 – 2250 Woodward Ave**  
**Property Address: 2200 Woodward**  
**Parcel ID: 01004142-54**  
**Olympia Development of Michigan**

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed **2250 Woodward 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 vacant parcel currently used as a parking lot with a total of 3.212 acres of land. The developer intends to construct a 21-floor, 399,281 sq.ft. apartment building with first floor retail, 287 apartments, 58 of which will be affordable housing, and two levels of underground parking with 206 parking spaces. The current True Cash Value of the proposed area is \$10,821,266. The True Cash Value of this area would be expected to increase due to the new construction of this project.

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.



CITY OF DETROIT  
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Neighborhood Enterprise Zone  
2250 Woodward Ave  
Page 2

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 in the **Central Business District area** 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  
2250 Woodward Ave  
Page 3

Parcel: 01004142-54

Owner: DETROIT/WAYNE STADIUM AUTHORITY

Property Address: 2200 WOODWARD

Legal Description: E WOODWARD 72 THRU 97 141 THRU 166 ALSO VAC COLUMBIA ST 50 FT WD AND VAC ALLEYS  
ADJ SD LOTS EXC WOODWARD AVE AS WD PLAT OF WILLIAMS PARK LOTS 1,2,3 &4 L1 P39 PLATS W C R DESC AS  
BEG AT NE COR WOODWARD AVE 120 FT WD & ELIZABETH ST 60 FT WD TH N 26D 48M 10S W 460.23FT ALG SD E  
LINE TO S LINE MONTCALM ST 50 FT WD TH N 59D 46M54S E 289.83 FT ALG SD S LINE TO W LINE WITHERELL ST 60  
FT WD TH S30D 26M 08S E 459.92 FT ALG SD W LINE TO N LINE ELIZABETH ST 60 FTWD TH S 59D 52M 23S W  
318.99 FT ALG SD N LINE TO P O B 1/26 139,929 SQ FT

