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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: April 18, 2023

RE: Establishment of a **Neighborhood Enterprise Zone (PA 147 of 1992)**, as requested  
by **2150 Bagley, LLC** for the proposed **Second Amended West Corktown 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>

### 2150 Bagley, LLC

2150 Bagley, LLC is the project developer of the requested NEZ district, with a proposed area that consists of 1 parcel with a total of 0.345 acres of land, located at **2150 Bagley**, which is proposed for a NEZ.<sup>5</sup> The planned development is expected to include 14 residential units, of which approximately 20% (3 units) would be affordable at rents at a level of 80% AMI or below.

It is proposed to be renovated into a mixed-use building with retail and one loft-style unit on the first floor and the remaining 13 loft-style units on the second floor. The building is located adjacent to the existing North Corktown NEZ. The currently requested NEZ tax abatement applies only to the *residential* elements of this particular development.

In addition to the NEZ request, the developer is also pursuing assistance via a PA 255 Commercial Redevelopment Act<sup>6</sup> tax abatement, for the *commercial* elements of this development.

### DEGC Property Tax Abatement Evaluation

**Property Address:** 2150 Bagley

**Developer:** Piquette Partners, 2150 Bagley LLC

**Development Team Principal(s):** Don Tappan, Tanner Waterstreet, Tarun Kajeepeta

**Prepared By:** Catherine Frazier

Incentive:	PA 255 CFE	PA 147 NEZ
<b>DEGC Abatement Term Recommendation</b>	<b>12 years</b>	<b>15 years</b>
<b>Location</b>		
Address	2150 Bagley	
City Council District	6	
Neighborhood	Corktown	
Located in HRD/SNF Targeted Area	NA	
<b>Building Use</b>		
Total Residential Square Footage	14,010	
Total Retail Square Footage	9,990	
Number of Residential Units	14	
Number of Affordable Residential Units	3	
<b>Unit Breakdown</b>		
Studios	5 units, Avg SF: 574, \$963-\$1,250/mo.	
1 Bedrooms	6 units, Avg SF: 812, \$1,039-\$2,250/mo.	
2 Bedrooms	3 units, Avg SF: 1,148, \$2,400-\$2,600/mo.	

<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 17, 2023 (See attached).

<sup>6</sup> COMMERCIAL REDEVELOPMENT ACT (MCL 207.651 - 207.668) [Michigan Legislature - MCL Index](#)

**Project Description**

2150 Bagley is a \$6.8M investment in the redevelopment of a 24,000 sq. ft. historic warehouse property in Corktown adjacent to Michigan Central Station and the Book Depository building. The local developers, who live in Detroit and have grown up in the metro-Detroit area, are incredibly passionate about contributing positively to the continued revitalization of the city and specifically, the rehabilitation of blighted structures. The development team also are small business operators of Coffee Down Under and Shelby in downtown Detroit.

2150 Bagley will be redeveloped into loft-style housing to the Corktown neighborhood, as well as serve the needs of local residents by bringing locally-oriented food and beverage concepts to the area. The improvements will include new HVAC, electrical and plumbing systems; updated apartments with new kitchen and bathroom; new windows and new commons areas. The end product will bring on 10,000 square feet of retail and 14 residential units, 3 units of which will be affordable at 60%-80% AMI.

**Sources and Uses of Capital Summary**

Total Investment	\$6.8M		
Sources	\$5.11M Debt, \$867K Grant, \$816K Equity		
Uses	Hard Costs: \$4.2M, Soft Costs: \$1.6M, Building: \$1M		
<b>Project Economic Benefits Summary</b>	<b>PA 255 - CFE</b>	<b>PA 147 - NEZ</b>	<b>Total</b>
Estimated Jobs (FTE/Construction)	0 FTE / 40 Construction		
Estimated City benefits before tax abatement	\$292,283	\$629,993	\$922,276
Total estimated City value of PA 255 + NEZ	<b>\$117,430</b>	<b>\$171,716</b>	<b>\$289,146</b>
Less cost of services & utility deductions	<b>\$140,686</b>	<b>\$254,395</b>	<b>\$395,081</b>
Net Benefit to City with PA 255 + NEZ	<b>\$34,167</b>	<b>\$203,882</b>	<b>\$238,049</b>

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

	Amount
Real Property Taxes, before abatement	\$212,342
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	\$27,181
Municipal Income Taxes - New Res. Inhabitants	\$116,096
Utility Revenue	\$254,395
Utility Users' Excise Taxes	\$1,010
State Revenue Sharing - Sales Tax	\$0
Building Permits and Fees	\$18,970
Miscellaneous Taxes & User Fees	\$0
<b>Subtotal Benefits</b>	<b>\$629,993</b>
Cost of Providing Municipal Services	\$0
Cost of Providing Utility Services	(\$254,395)
<b>Subtotal Costs</b>	<b>(\$254,395)</b>
Net Benefits	\$375,598

Chart courtesy of DEGC

**Impacted Taxing Units: 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	\$629,993	(\$254,395)	(\$171,716)	\$0	\$0	\$203,882
Wayne County	\$50,456	\$0	(\$41,455)	\$0	\$0	\$9,001
Detroit Public Schools	\$189,961	\$0	(\$147,326)	\$0	\$0	\$42,635
State Education	\$37,938	\$0	(\$29,423)	\$0	\$0	\$8,515
Wayne RESA	\$34,318	\$0	(\$26,616)	\$0	\$0	\$7,702
Wayne County Comm. College	\$20,361	\$0	(\$15,791)	\$0	\$0	\$4,570
Wayne County Zoo	\$627	\$0	(\$486)	\$0	\$0	\$141
Detroit Institute of Arts	\$1,256	\$0	(\$974)	\$0	\$0	\$282
<b>Total</b>	<b>\$964,910</b>	<b>(\$254,395)</b>	<b>(\$433,788)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$276,727</b>

**DEGC Chart of Taxes Before, During & After the Incentive**<sup>7</sup>

	Existing Taxes	New Taxes With Incentive(s)	New Taxes Without Incentive
City of Detroit	\$985	\$995	\$11,792
Library	\$158	\$159	\$1,886
Wayne County	\$271	\$274	\$3,250
Detroit Public Schools	\$1,022	\$1,032	\$12,237
State Education	\$204	\$206	\$2,444
Wayne RESA	\$185	\$187	\$2,211
Wayne County Comm. College	\$110	\$111	\$1,312
Wayne County Zoo	\$3	\$3	\$40
Detroit Institute of Arts	\$7	\$7	\$81
<b>Total</b>	<b>\$2,944</b>	<b>\$2,974</b>	<b>\$35,253</b>

Charts courtesy of DEGC

**Conclusion**

The investment in this project is estimated at **\$6.8 million**. The proposed tax abatement is projected to be worth a tax savings of **\$433,788** to the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit of **\$203,882** and over **\$276,727** to all the impacted taxing units, in addition to 0 FTEs, 40 temporary construction jobs and 14 new housing units.

**NEZ Acreage Status:**<sup>8</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>9</sup>

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

**Second Amended West Corktown NEZ: 0.35 acres**  
**Total Acreage for the Entire city of Detroit: 88,260**<sup>10</sup>

<sup>7</sup> Existing Annual Taxes: \$2,944 - New Annual Taxes DURING the Incentive: \$2,974 & Taxes after the Incentive EXPIRES: \$35,253

<sup>8</sup> This is a ballpark estimate by LPD, based on current available data.

<sup>9</sup> MCL 207.773 (2)

<sup>10</sup> 88,260 Acres = 137.90625 Square Miles

**Total Acreage Remaining**      7,571.52 <sup>11</sup>  
**Total Acreage Designated**    5,667.48 <sup>12</sup>

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

**Attachment:** January 17, 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  
                Kenyetta Bridges, DEGC  
                Jennifer Kanalos, DEGC  
                Brian Vosburg, DEGC



**Current view of 2150 Bagley<sup>13</sup>**



**Rendering<sup>14</sup>**

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<sup>11</sup> 57% of total NEZ acreage remaining (9% of the total acreage of the entire city of Detroit)

<sup>12</sup> 43% of total NEZ acreage designated (6% of the total acreage of the entire city of Detroit)

<sup>13</sup> Source: [2150 Bagley St, Detroit, MI 48216 | LoopNet](https://www.loopnet.com/property/2150-Bagley-St-Detroit-MI-48216/)

<sup>14</sup> Source: 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

January 17, 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 – Second Amended West Corktown**  
**Property Address: 2150 Bagley**  
**Parcel ID: 10004862**  
**2150 Bagley LLC**

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed **Second Amended West Corktown Neighborhood Enterprise Zone** submitted by **2150 Bagley LLC** for the neighborhood located in the **Corktown** 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 0.345 acres of land. The developer intends to rehabilitate a mixed use two story commercial property, built in 1921 with approximately 24,590 sq.ft. The developer intends to rehabilitate the property into 10,000 sq.ft. of commercial space and 14 residential apartment units. The current True Cash Value of the proposed area is \$672,270. 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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Neighborhood Enterprise Zone  
2150 Bagley  
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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 **2150 Bagley** 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  
2150 Bagley  
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Parcel: 10004862.  
Owner: 2150 BAGLEY LLC  
Property Address: 2150 BAGLEY  
Legal Description: E FOURTEENTH 97 & 100 SUB OF GODFROY FARM L1 P132 PLATS, W C R 10/24 15,010 SQ FT

