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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: October 24, 2018

RE: Commercial Rehabilitation Exemption Certificate application of Basco of Michigan Inc. Public Act 210 (44 Michigan Ave.)
PUBLIC HEARING

Commercial Rehabilitation Act, PA 210 of 2005

The Commercial Rehabilitation Act, PA 210 of 2005, is a tax incentive for the rehabilitation of commercial property for the primary purpose and use of a commercial business or a multi-family residential facility. The property must be located within an established Commercial Rehabilitation District. Exemptions are approved for a term of 1-10 years, as determined by the local unit of government. The property taxes are based upon the prior year's taxable value.

Basco of Michigan Inc.

The project developer, Basco of Michigan Inc., plans to redevelop the First Independence Bank Building, located at 44 Michigan Avenue.¹ Originally the building was the Manufacturer's Bank building at its inception. The First Independence Bank building at 44 Michigan Ave. was originally an 8-story building. In the 1970s, six levels of the building were removed due to high maintenance and tax costs.² The building has not experienced any interior improvements since the 1980s. The rehabilitation will clear out, renovate, and modernize the property while maintaining the bank aesthetic. The developer already has two LOIs³ for tenants; one for a new ground floor restaurant, and one for a financial technologies and information firm that will take the co-working space in the building. The total estimated investment for this project is \$4.6 million. The DEGC has recommended a full 10-year PA 210 abatement for the project.

¹ Also known as (AKA) 100 Michigan Avenue, per Finance Assessors August 30, 2018 letter.

² Developer explores building six floors atop two-story Downtown Detroit building By Dana Afana, M Live. Oct 12, 2016 https://www.mlive.com/news/detroit/index.ssf/2016/10/downtown_detroit_building_coul.html

³ Letter of intent (LOI) is a document outlining the general plans of an agreement between two or more parties before a legal agreement is finalized.

DEGC Project Evaluation Checklist

44 Michigan Avenue

Developer: Basco of Michigan

Principal: Roger Basmajian

Commercial Rehabilitation Act, PA 210 of 2005 as amended- Current taxes frozen at pre-rehab values / Improvements taxed at 24mills (school), local taxes abated for up to 10 years	
Location	
Address	44 Michigan Avenue
City Council District	District 6
Neighborhood	Downtown
Located in HRD Targeted Area	No
Building Use	
Total Square Foot	21,000
Commercial Square Foot	16,000
Retail Square Foot	5,000
Project Description	
<p>This project involves the rehabilitation of the former Manufacturer's Bank building. The building has not experienced any interior improvements since the 1980s. The rehabilitation will gut, renovate, and modernize the property while maintaining the bank aesthetic. The developer already has two LOIs for tenants; one for a new ground floor restaurant, and one for a financial technologies and information firm that will take the co-working space.</p>	
Use Breakdown	
First Story	Ground floor restaurant and co-working space
Second Story	Co-working space and commercial space
Underwriting	
Internal Rate of Return	14.09% with abatement (11.34% without abatement)
Debt Service Coverage Ratio	1.18 stabilized with abatement (1.08 without abatement)
Cash on Cash Return	6.43% with abatement (5.19% without abatement)
Sources and Uses	
Total Investment	\$4.6MM
Sources	\$1.7MM Permanent Debt (38%), \$1.8MM Construction Loan (39%), \$1MM Owner Equity Contribution (23%)
Uses	\$2.5MM Acquisition (54%), \$1.5MM Hard Construction (33%), Soft Costs \$570k (13%)
Project Benefits	
Estimated Jobs	116 post-construction, 25 construction
Estimated City benefits before tax abatement	\$2,498,080
Total estimated value of City PA 210 abatement	\$182,154

Less cost of services & utility deductions	\$931,939
Net Benefit to City	\$1,383,986
Estimated benefits all jurisdictions before tax abatement	\$3,448,918
Total estimated value of PA 210 abatement all jurisdictions	\$349,585
Less cost of services & utility deductions all jurisdictions	\$1,428,802
Net Benefit to All Jurisdictions	\$1,670,531

Fiscal Impact

Impacted Taxing Units: Incentive Summary over the First 10 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	\$2,907,015	(\$1,106,106)	(\$182,154)	\$0	\$0	\$1,618,756
Wayne County	\$193,153	(\$139,654)	(\$44,595)	\$0	\$0	\$8,904
Detroit Public Schools	\$716,756	(\$463,741)	(\$72,137)	\$0	\$0	\$180,878
State Education	\$56,109	\$0	\$0	\$0	\$0	\$56,109
Downtown Dev. Authority	\$9,246	\$0	(\$5,486)	\$0	\$0	\$3,759
Wayne RESA	\$38,737	\$0	(\$25,564)	\$0	\$0	\$13,173
Wayne County Comm. College	\$30,306	\$0	(\$17,983)	\$0	\$0	\$12,323
Wayne County Zoo	\$935	\$0	(\$555)	\$0	\$0	\$380
Detroit Institute of Arts	\$1,870	\$0	(\$1,110)	\$0	\$0	\$760
Total	\$3,954,127	(\$1,709,501)	(\$349,585)	\$0	\$0	\$1,895,042

Chart courtesy of the DEGC

LPD Summary of Fiscal Data

PROJECT	PROJECT INVESTMENT	TAXING UNIT	GROSS BENEFIT	COST OF SERVICES	PA 210 VALUE	NET BENEFIT
44 Michigan Ave	\$4.6 Million	Detroit	\$2,907,015	(\$1,106,106)	(\$182,154)	\$1,618,755
		All Taxing Units*	\$3,954,127	(\$1,709,501)	(\$349,585)	\$1,895,041

*Including Detroit

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This project is estimated to create 116 post-construction and 25 construction jobs at the site, as a direct result of the developer's \$4.6 million investment and its projected positive cost benefit to the City of Detroit of \$1.6 million and over \$1.8 million to the impacted taxing units.

Attachment: August 30, 2018 Letter from Finance Assessors Re: Basco of Michigan Inc. PA 210

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

⁴ Figures are subject to rounding.



44 Michigan Ave. (AKA 100 Michigan Ave.)

cc: Auditor General's Office
Arthur Jemison, Chief of Services and Infrastructure
Maurice Cox, Planning and Development Department
Donald Rencher, HRD
Veronica M. Farley, HRD
Stephanie Grimes Washington, Mayor's Office
Malinda Jensen, DEGC
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC



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

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August 30, 2018

Maurice Cox, Director
City of Detroit -Planning & Development
2 Woodward Ave, Suite 808
Detroit, MI 48226

RE: Commercial Rehabilitation Certificate
Basco of Michigan Inc. – 100 Michigan Avenue (aka 44 Michigan Avenue)
Parcel Number: 02000264-6

Dear Mr. Cox:

The Office of the Chief Financial Officer, Assessors Office, has reviewed the Commercial Rehabilitation District certificate application for the property located at 100 Michigan Avenue (aka 44 Michigan Avenue).

The rationale for issuing Commercial Rehabilitation certificates under PA 210 of 2005, as amended, is based on the anticipation of increased market value upon completion of new construction and /or significant rehabilitation of existing commercial property and commercial housing property. Normal repair and maintenance are not assessed and do not necessarily generate additional market value.

The proposed project by Basco of Michigan Inc. consists of a full rehabilitation the former bank with 12,725 square feet of above ground floor area along with 7,965 square feet of office space in the basement built in 1938 located Downtown on .15 acres of land. The proposed project consists of interior demolition and build-outs; new mechanical, electrical, plumbing, fire protection and HVAC; masonry restoration; elevator repair, and installation of a green roof with thermal and moisture protection. The bank aesthetic will be maintained and building reconfigured into a mixed retail and office with a potential restaurant space on the ground floor.

The 2018 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
02000264-6	100 Michigan Avenue	\$ 112,100	\$ 55,876	\$ 322,400	\$ 324,565

This property meets the criteria set forth under PA 210 of 2005, as amended. It applies to a building or a group of contiguous buildings, a portion of a building or group of contiguous buildings previously used for commercial or industrial purposes, obsolete industrial property, and vacant property which, within the immediately preceding 15 years, was operating as a commercial business enterprise.

A review of the general plans, along with the criteria set forth under the Commercial Rehabilitation Act, indicated that the proposed project located at 100 Michigan Avenue (aka 44 Michigan Avenue) is eligible as it pertains to the Commercial Rehabilitation certificate criteria under P.A. 210 of 2005, as amended.

Sincerely,

Charles Ericson, MMAO
Assessor, Board of Assessors

mmp



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

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Commercial Rehabilitation Exemption Certificate
Basco of Michigan Inc.
Page 2

Property Address: 100 Michigan Avenue (aka 44 Michigan Avenue)

Parcel Number: 02000264-6

**Legal Description: N MICHIGAN REAR 48 47 FRTS ON GRISWOLD ST PLAT OF SEC 8 GOVERNOR & JUDGES PLAN L34 P543 DEEDS, W
C R 2/1 45.56 IRREG**

