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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director
Legislative Policy Division Staff 

DATE: July 10, 2019

RE: 600 Ventures II, Application for an **Obsolete Property
Rehabilitation Certificate** Public Act 146 of 2000 Abatement Request
PUBLIC HEARING

Obsolete Property Rehabilitation Act Public Act 146 of 2000

The Obsolete Property Rehabilitation Act (OPRA), Public Act 146 of 2000, provides for a tax incentive to encourage the redevelopment of obsolete buildings. This tax incentive is designed to assist in the redevelopment of older buildings, which are contaminated, blighted or functionally obsolete. The primary purpose of this incentive is to rehabilitate and convert vacant, functionally obsolete older buildings into vibrant commercial uses and commercial housing projects and to return them to the tax rolls.

600 Lafayette

This project involves two primary components, the rehabilitation of the building at 600 Lafayette (that is subject to this PA 146 OPRA Certificate request) and the ground up new construction on a vacant site located at 659 Howard (which is covered by a separate PA 210 certificate¹ request, of which we provided a report under a separate cover). The planned development involves the comprehensive rehabilitation of the existing building located at 600 Lafayette. The OPRA will be used to add floor space above the existing studios, renovate the existing office space into modern offices (32,017 sq. ft.), hotel amenities, affordable garden level co-office

¹ The Commercial Rehabilitation Act, PA 210 of 2005, as amended, affords a tax incentive for the rehabilitation of commercial property for the primary purpose and use of a commercial business or multi-family residential facility. Exemptions are approved for a term of 1-10 years.

space, restaurant space and ground floor retail space all in the existing building (at 600 Lafayette). and the PA 210 will be used to support the new construction on the vacant site (659 Howard).

DEGC Project Evaluation Checklist

Cambria Ashton

Developer: 600 Ventures II, LLC

Principal: Means Group, Brian Holdwick

<p>Obsolete Property Rehabilitation Act, PA 146 of 2000 as amended – Current taxes frozen at pre-rehab values / Improvements taxed at 24mills (school), local taxes abated for up to 12 years</p> <p>Commercial Rehabilitation Act, PA 210 of 2005 as amended – Current taxes frozen at pre-rehab values / Improvements taxed at 24 mills (school), local taxes abated for up to 10 years</p>	
DEGC Length Recommendation	12 Years OPRA & 10 Years PA 210
Location	
Address	600 W. Lafayette
City Council District	District 6
Neighborhood	Downtown
Located in HRD Targeted Area	Yes, Greater Downtown
Building Use	
Total Square Footage	151,749
Office Square Footage	59,638 (\$16 PSF)
Retail Square Footage	2,111 (\$24 PSF)
Hotel Square Footage	90,000 (\$176/night)
Hotel Rooms	156
Parking Spaces	151
Total Investment	\$47.1MM
Project Benefits	
Estimated Jobs	245 FTE operator, 190 construction (estimated)
Estimated benefits before tax abatement	\$10,520,851
Total estimated value of OPRA abatement	\$961,157
Total estimated value of PA 210 abatement	\$2,149,669
Less cost of services & utility deductions	\$2,315,623
Net Benefit to City	\$5,094,402

City of Detroit: Benefits, Costs, and Net Benefits Over the Next 12 Years

	Amount
Real Property Taxes, before abatement	\$1,581,734
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$412,048
Municipal Income Taxes - Indirect Workers	\$98,733
Municipal Income Taxes - Corporate Income	\$178,092
Municipal Income Taxes - Construction Period	\$49,065
Utility Revenue	\$97,033
Utility Users' Excise Taxes	\$66,900
State Revenue Sharing - Sales Tax	\$260,952
Building Permits and Fees	\$36,400
Miscellaneous Taxes & User Fees	\$351,785
<u>Subtotal Benefits</u>	<u>\$3,132,741</u>
Cost of Providing Municipal Services	(\$535,100)
Cost of Providing Utility Services	(\$97,033)
<u>Subtotal Costs</u>	<u>(\$632,133)</u>
Net Benefits	\$2,500,609

City of Detroit: Incentive Summary Over the First 12 Years

	Additional Benefits		Real Property Tax Abatement	Business Personal Property Tax		Net Benefits After Tax Abatements & Incentives
	Before Tax Abatements	Additional Costs		Enter Incentive Description*	Abatement	
Year 1	\$123,013	(\$1,200)	(\$28,919)	\$0	\$0	\$92,894
Year 2	\$290,667	(\$51,849)	(\$75,061)	\$0	\$0	\$163,758
Year 3	\$250,715	(\$52,886)	(\$76,862)	\$0	\$0	\$120,967
Year 4	\$255,145	(\$53,943)	(\$78,707)	\$0	\$0	\$122,495
Year 5	\$259,676	(\$55,022)	(\$80,596)	\$0	\$0	\$124,058
Year 6	\$264,310	(\$56,123)	(\$82,530)	\$0	\$0	\$125,657
Year 7	\$269,048	(\$57,245)	(\$84,511)	\$0	\$0	\$127,292
Year 8	\$273,894	(\$58,390)	(\$86,539)	\$0	\$0	\$128,965
Year 9	\$278,850	(\$59,558)	(\$88,616)	\$0	\$0	\$130,676
Year 10	\$283,918	(\$60,749)	(\$90,743)	\$0	\$0	\$132,426
Year 11	\$289,101	(\$61,964)	(\$92,921)	\$0	\$0	\$134,217
Year 12	\$294,402	(\$63,203)	(\$95,151)	\$0	\$0	\$136,048
Year 13	\$0	\$0	\$0	\$0	\$0	\$0
Year 14	\$0	\$0	\$0	\$0	\$0	\$0
Year 15	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$3,132,741	(\$632,133)	(\$961,157)	\$0	\$0	\$1,539,452

Charts courtesy of the DEGC

Impacted Taxing Units: Incentive Summary over the First 12 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	\$3,132,741	(\$632,133)	(\$961,157)	\$0	\$0	\$1,539,452
Wayne County	\$466,318	(\$82,683)	(\$244,526)	\$0	\$0	\$139,109
Detroit Public Schools	\$1,788,886	(\$281,825)	(\$395,629)	\$0	\$0	\$1,111,432
State Education	\$296,027	\$0	\$0	\$0	\$0	\$296,027
Downtown Dev. Authority	\$48,780	\$0	(\$30,089)	\$0	\$0	\$18,691
Wayne RESA	\$187,357	\$0	(\$121,865)	\$0	\$0	\$65,492
Wayne County Comm. College	\$159,894	\$0	(\$98,627)	\$0	\$0	\$61,267
Wayne County Zoo	\$4,934	\$0	(\$3,043)	\$0	\$0	\$1,890
Detroit Institute of Arts	\$9,868	\$0	(\$6,087)	\$0	\$0	\$3,781
Total	\$6,094,805	(\$996,640)	(\$1,861,023)	\$0	\$0	\$3,237,142

Charst courtesy of the DEGC

Conclusion

The estimated total capital investment from the developer is approximately \$47.1 million² for the two components of this project. Overall, is estimated that 245 FTE operator, 190 construction jobs will be created. The total value of the 12 year OPRA abatement is estimated at \$1.86 million.

Based on the investment and jobs, this project is estimated to provide the City of Detroit a net benefit of **\$1.5 million** and all of the impacted taxing units, a net benefit of **\$3.2 million** over the 12years of the OPRA abatement.

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

cc: Auditor General's Office
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² The estimated abatement is based on \$7.75 million in hard costs for this phase of the project.

