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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: July 9, 2019

RE: 600 Ventures II, LLC PA 210 Certificate Request

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.

659 Howard

This project involves two primary components the ground up new construction on a vacant site located at 659 Howard (which is covered by this PA 210 certificate request) and the rehabilitation of the building at 600 Lafayette (that is subject to an associated PA 146¹ OPRA Certificate request, of which we provided a report under a separate cover). The planned development is for the new construction of a mixed-use building, which includes ground-floor retail, office space, and the construction of a new Cambria Hotel.² There will also be a parking garage constructed. The PA 210 will be used to support the new construction on the vacant site (659 Howard) and the OPRA will be used to rehabilitate the existing building (at 600 Lafayette).

¹ The Obsolete Property Rehabilitation Act (OPRA), AN ACT to provide for the establishment of obsolete property rehabilitation districts ...; to provide for the exemption from certain taxes. MCL125.2781 - 125.2797

² A Choice Hotel (Cambria Hotel Locations)

https://www.choicehotels.com/cambria/locations?mc=smbibiusbrn&cid=Search%7CCambria%7CUS%7CCore_Brand%7CExact%7CCPC%7CDesktop%7CEN%7CC_B_E&ag=US%7CCore%20Brand%20Exact%7CCambria&pmf=BING&kw=cambria%20hotel&msclkid=f41b1e6163d21f396fab4342eec7d769&gclid=COLmoo78peMCFUY2vAodbTEHzw&gclsrc=ds

DEGC Project Evaluation Checklist

Cambria Ashton

Developer: 600 Ventures II, LLC

Principal: Means Group, Brian Holdwick

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

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

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 10 Years

	Amount
Real Property Taxes, before abatement	\$2,840,231
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$1,292,138
Municipal Income Taxes - Indirect Workers	\$327,756
Municipal Income Taxes - Corporate Income	\$560,974
Municipal Income Taxes - Construction Period	\$137,066
Utility Revenue	\$275,382
Utility Users' Excise Taxes	\$211,128
State Revenue Sharing - Sales Tax	\$809,443
Building Permits and Fees	\$103,600
Miscellaneous Taxes & User Fees	\$830,392
<u>Subtotal Benefits</u>	<u>\$7,388,110</u>
Cost of Providing Municipal Services	(\$1,408,108)
Cost of Providing Utility Services	(\$275,382)
<u>Subtotal Costs</u>	<u>(\$1,683,490)</u>
Net Benefits	\$5,704,620

City of Detroit: Incentive Summary Over the First 10 Years

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Business Personal Property Tax Abatement	Enter Incentive Description*	Net Benefits After Tax Abatements & Incentives
Year 1	\$198,590	(\$1,200)	(\$72,712)	\$0	\$0	\$124,678
Year 2	\$354,315	(\$1,224)	(\$209,494)	\$0	\$0	\$143,598
Year 3	\$619,170	(\$153,526)	(\$214,522)	\$0	\$0	\$251,122
Year 4	\$632,625	(\$156,596)	(\$219,670)	\$0	\$0	\$256,358
Year 5	\$646,384	(\$159,728)	(\$224,942)	\$0	\$0	\$261,713
Year 6	\$660,454	(\$162,923)	(\$230,341)	\$0	\$0	\$267,191
Year 7	\$674,843	(\$166,181)	(\$235,869)	\$0	\$0	\$272,793
Year 8	\$689,558	(\$169,505)	(\$241,530)	\$0	\$0	\$278,524
Year 9	\$704,607	(\$172,895)	(\$247,327)	\$0	\$0	\$284,385
Year 10	\$719,997	(\$176,353)	(\$253,262)	\$0	\$0	\$290,381
Year 11	\$735,735	(\$179,880)	\$0	\$0	\$0	\$555,855
Year 12	\$751,831	(\$183,478)	\$0	\$0	\$0	\$568,353
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	\$7,388,110	(\$1,683,490)	(\$2,149,669)	\$0	\$0	\$3,554,951

Charts courtesy of the DEGC

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	\$7,388,110	(\$1,683,490)	(\$2,149,669)	\$0	\$0	\$3,554,951
Wayne County	\$1,003,797	(\$229,886)	(\$546,893)	\$0	\$0	\$227,018
Detroit Public Schools	\$3,635,699	(\$882,788)	(\$884,842)	\$0	\$0	\$1,868,069
State Education	\$537,300	\$0	\$0	\$0	\$0	\$537,300
Downtown Dev. Authority	\$88,538	\$0	(\$67,296)	\$0	\$0	\$21,243
Wayne RESA	\$355,595	\$0	(\$281,163)	\$0	\$0	\$74,432
Wayne County Comm. College	\$290,214	\$0	(\$220,584)	\$0	\$0	\$69,630
Wayne County Zoo	\$8,955	\$0	(\$6,806)	\$0	\$0	\$2,149
Detroit Institute of Arts	\$17,910	\$0	(\$13,613)	\$0	\$0	\$4,297
Total	\$13,326,117	(\$2,796,164)	(\$4,170,866)	\$0	\$0	\$6,359,087

Chart courtesy of the DEGC

Conclusion

The estimated total capital investment from the developer is approximately \$47.1 million.³ It is estimated that 196 temporary construction jobs will be needed to complete the project. The developer has indicated that approximately 115 jobs will be created post-construction.

If approved by Council, this tax abatement will provide the developer an overall tax savings of approximately **\$4.17 million** of which, \$2.14 million is the City of Detroit’s share over the life of the abatement. Based on the investment and jobs, the project is also estimated to provide the City of Detroit a net benefit of **\$3.55 million** and all of the impacted taxing units, a net benefit of **\$6.35 million** over the ten years of the PA 210 abatement.

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

³ Overall, the investment in the two parts of the project total \$47.1 million. However, the PA 210 abatement is based on \$21.57 million in hard costs, per the abatement application.



Rendering of the new Cambria Hotel⁴

cc: Auditor General's Office
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⁴ Courtesy of the DEGC