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# City of Detroit

## CITY COUNCIL

LEGISLATIVE POLICY DIVISION  
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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director  
Legislative Policy Division Staff 

DATE: July 16, 2019

RE: AH Associates, LLC, 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.

### 243 W. Congress

The developer AH Associates, LLC a subsidiary of the Sterling Group, acquired the Marquette Building, located at 243 W. Congress (across from Cobo Hall), from Adient in poor condition. The building was originally proposed as the new location for Adient's world headquarters.<sup>1</sup> Demolition had begun, but the complete rehabilitation of the building remains to be completed. The prior owner (Adient) applied for and was approved for an OPRA district by Council on October 27, 2017. However, there was no OPRA certificate issued. If approved by Council, the rehabilitation will commence in Summer 2019 and finish in Summer 2020.

<sup>1</sup> "Adient had planned to spend nearly \$100 million on relocating its main office from Plymouth to the Marquette Building at 243 W. Congress St." Adient scraps \$100 million plan for downtown Detroit headquarters, Crain's Detroit Business, by Kirk Pinho, June 18, 2018

<https://www.crainsdetroit.com/article/20180618/news/663916/adient-scraps-100-million-plan-for-downtown-detroit-headquarters>

The required renovations include restoring the masonry, waterproofing, new doors, new fire alarm system, new plumbing and HVAC systems, new electrical systems, new interior finishes and an elevator. Upon completion, the building will include ground floor retail with office space above. The owner is currently working to attract several office tenants, thereby bringing new jobs to downtown Detroit. The developer is anticipating that the project will require 130 temporary construction jobs and is hoping to secure a tenant that will bring in 600-800 jobs. However, to-date, the developer has not secured a signed commitment from a tenant for the aforementioned post construction jobs. To its credit, *the DEGC has provided two analyses to evaluate the benefits associated with this project.* The first, presents a scenario with zero tenant positions and the second, with 600-800 tenant jobs.

DEGC Project Evaluation Checklist

Marquette Building

Developer: Sterling Group

Principal: Elie Torgow

Obsolete Property Rehabilitation Act, PA 146 of 2000 as amended – current taxes frozen at pre-rehab values, local taxes abated for up to 12 years	
<b>Request Type</b>	<b>OPRA Certificate</b>
<b>DEGC Recommendation</b>	<b>12 years</b>
<b>Location</b>	
Address	243 W Congress
City Council District	District 6
Neighborhood	Downtown
Located in HRD Targeted Area	Yes, Greater Downtown
<b>Building Use</b>	
Total Rentable Square Foot	164,000
Office Space	147,600
Retail Space	16,400
<b>Scenario 1: Accounting for zero (0) future tenant jobs – (Analysis on page 3)</b>	
Estimated Jobs	Developer actively seeking tenant with 600-800 jobs, 130 Construction Employees
Estimated City benefits before tax abatement	\$3,871,255
Total estimated City value of OPRA abatement	\$2,483,917
Less cost of services & utility deductions	\$329,937
Net Benefit to City (Scenario 1)	\$1,057,401
<b>Scenario 2: Accounting for (600-800) potential future tenant jobs – (Analysis on page 4)</b>	
Estimated City benefits before tax abatement	\$19,013,983
Total estimated City value of OPRA abatement	\$2,483,917
Less cost of services & utility deductions	\$6,008,962
Net Benefit to City (Scenario 2)	\$10,521,104

## Scenario 1: Accounting for zero (0) future tenant jobs

### Scenario 1: City of Detroit: Benefits, Costs, and Net Benefits over the Next 12 Years

	Amount
Real Property Taxes, before abatement	\$2,879,067
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	\$220,887
Utility Revenue	\$329,937
Utility Users' Excise Taxes	\$191,364
State Revenue Sharing - Sales Tax	\$0
Building Permits and Fees	\$250,000
Miscellaneous Taxes & User Fees	\$0
<u>Subtotal Benefits</u>	<u>\$3,871,255</u>
Cost of Providing Municipal Services	\$0
Cost of Providing Utility Services	(\$329,937)
<u>Subtotal Costs</u>	<u>(\$329,937)</u>
Net Benefits	\$3,541,318

### Scenario 1: 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	\$3,871,255	(\$329,937)	(\$2,483,917)	\$0	\$0	\$1,057,401
Wayne County	\$728,670	\$0	(\$631,929)	\$0	\$0	\$96,741
Detroit Public Schools	\$2,811,254	\$0	(\$1,022,424)	\$0	\$0	\$1,788,829
State Education	\$544,114	\$0	\$0	\$0	\$0	\$544,114
Downtown Dev. Authority	\$89,661	\$0	(\$77,759)	\$0	\$0	\$11,902
Wayne RESA	\$357,605	\$0	(\$315,904)	\$0	\$0	\$41,702
Wayne County Comm. College	\$293,894	\$0	(\$254,882)	\$0	\$0	\$39,011
Wayne County Zoo	\$9,069	\$0	(\$7,865)	\$0	\$0	\$1,204
Detroit Institute of Arts	\$18,137	\$0	(\$15,730)	\$0	\$0	\$2,408
Total	\$8,723,658	(\$329,937)	(\$4,810,410)	\$0	\$0	\$3,583,311

Charts courtesy of the DEGC

## Scenario 2: Accounting for (600-800) potential future tenant jobs

### Scenario 2: City of Detroit: Benefits, Costs, and Net Benefits over the Next 12 Years

	Amount
Real Property Taxes, before abatement	\$2,888,551
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$5,013,160
Municipal Income Taxes - Indirect Workers	\$1,859,227
Municipal Income Taxes - Corporate Income	\$1,711,399
Municipal Income Taxes - Construction Period	\$220,887
Utility Revenue	\$798,189
Utility Users' Excise Taxes	\$305,759
State Revenue Sharing - Sales Tax	\$2,541,144
Building Permits and Fees	\$250,000
Miscellaneous Taxes & User Fees	\$3,425,667
<u>Subtotal Benefits</u>	<u>\$19,013,983</u>
Cost of Providing Municipal Services	(\$5,210,773)
Cost of Providing Utility Services	(\$798,189)
<u>Subtotal Costs</u>	<u>(\$6,008,962)</u>
Net Benefits	\$13,005,020

### Scenario 2: 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	\$19,013,983	(\$6,008,962)	(\$2,483,917)	\$0	\$0	\$10,521,104
Wayne County	\$1,436,027	(\$834,477)	(\$631,929)	\$0	\$0	(\$30,379)
Detroit Public Schools	\$5,646,956	(\$3,070,964)	(\$1,022,424)	\$0	\$0	\$1,553,567
State Education	\$545,847	\$0	\$0	\$0	\$0	\$545,847
Downtown Dev. Authority	\$89,946	\$0	(\$77,759)	\$0	\$0	\$12,187
Wayne RESA	\$358,606	\$0	(\$315,904)	\$0	\$0	\$42,703
Wayne County Comm. College	\$294,830	\$0	(\$254,882)	\$0	\$0	\$39,948
Wayne County Zoo	\$9,097	\$0	(\$7,865)	\$0	\$0	\$1,233
Detroit Institute of Arts	\$18,195	\$0	(\$15,730)	\$0	\$0	\$2,465
Total	\$27,413,487	(\$9,914,403)	(\$4,810,410)	\$0	\$0	\$12,688,674

Charts courtesy of the DEGC

## Conclusion

Included in its effort to attract a tenant to the Marquette Building, the Sterling Group, via its entity 450 W. Congress, LLC, with the approval of Council, purchased the City owned Millennium Garage, for the sum of \$18,650,000 (the request letter is below).\*



CITY OF DETROIT  
PLANNING AND DEVELOPMENT DEPARTMENT

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DETROIT, MICHIGAN 48226  
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April 26, 2019

Detroit City Council  
1340 Coleman A. Young Municipal Center  
Detroit, MI 48226

**RE: Property Sale of 450 W. Congress, Detroit, MI  
Request for Authorization to Amend 2019-20 Budget**

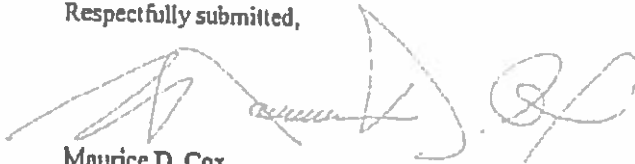
Honorable City Council:

The City of Detroit, Planning and Development Department ("P&DD") has received an offer from 450 Associates LLC ("Purchaser"), a Michigan limited liability company, to purchase certain City-owned real property at 450 W. Congress (the "Property"), formerly known as the Millennium Garage, for the purchase price of Eighteen Million Six Hundred Fifty Thousand and 00/100 Dollars (\$18,650,000.00).

The Purchaser proposes to utilize the Property for operation of a parking garage. Currently, the Property is within the PCA zoning district (Public Center Adjacent District). The Purchaser's proposed use of the Property is consistent with the allowable uses for which the Property is zoned.

We request that your Honorable Body adopt the attached resolution to authorize the Director of P&DD to execute a quit claim deed and such other documents as may be necessary or convenient to effect a transfer of the Property by the City to Purchaser.

Respectfully submitted,



Maurice D. Cox  
Director

cc: Stephanie Washington (Mayor's Office)

*\*The purchase of the Millennium Garage is not included in this certificate request.*

The estimated total capital investment from the developer is approximately \$58.3 million for this project. The total value of the 12 year OPRA abatement is estimated at \$4.8 million savings for the developer.

Based on the \$58.3 million investment and accounting for the two respective scenarios depicted below, the net benefits are estimated as the following:

**Scenario 1: Accounting for zero (0) future tenant jobs**

<u>Taxing Unit</u>	<u>Net Benefit</u>
City of Detroit	\$1,057,401
All Taxing Units	\$3,583,311

**Scenario 2: Accounting for (600-800) potential future tenant jobs**

<u>Taxing Unit</u>	<u>Net Benefit</u>
City of Detroit	\$10,521,104
All Taxing Units	\$12,688,674

Finally, the Obsolete Property Rehabilitation Act (OPRA), Public Act 146 of 2000 gives the legislative body that authorized the exemption the power to revoke the certificate, if the business has not completed the project within the time frame authorized in the exemption certificate, or has failed to proceed in “good faith” in the operation of the rehabilitated building.<sup>2</sup>

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

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

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<sup>2</sup> MCL 125.2792



**Marquette Building - 243 W Congress<sup>3</sup>**

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<sup>3</sup> Kirk Pinho/Crain's Detroit Business