

David Whitaker, Esq.
Director
Irvin Corley, Jr.
Executive Policy Manager
Marcell R. Todd, Jr.
Senior City Planner
Janese Chapman
Deputy Director

John Alexander
LaKisha Barclift, Esq.
M. Rory Bolger, Ph.D., AICP
Elizabeth Cabot, Esq.
Tasha Cowen
Richard Drumb
George Etheridge
Deborah Goldstein

City of Detroit
CITY COUNCIL
LEGISLATIVE POLICY DIVISION
208 Coleman A. Young Municipal Center
Detroit, Michigan 48226
Phone: (313) 224-4946 Fax: (313) 224-4336

Christopher Gulock, AICP
Derrick Headd
Marcel Hurt, Esq.
Kimani Jeffrey
Anne Marie Langan
Jamie Murphy
Carolyn Nelson
Kim Newby
Analine Powers, Ph.D.
Jennifer Reinhardt
Sabrina Shockley
Thomas Stephens, Esq.
David Teeter
Theresa Thomas
Kathryn Lynch Underwood
Ashley A. Wilson

TO: COUNCIL MEMBERS
FROM: David Whitaker, Director
Legislative Policy Division Staff
DATE: July 16, 2019
RE: Woodward Mack 22, 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.

81 Erskine

Woodward Mack 22, LLC, is the project developer and owner of the Property. The project will include the new construction of a 6-story parking deck, to support the rehabilitation projects occurring at two of the developer's existing office buildings located nearby (115 Erskine and the nearby 100 Mack Avenue, which are not covered under this abatement request). The developer has already requested and received approval from Council of a Brownfield TIF¹ request for four tax parcels, two at 81 Erskine (the parking structure and the ground floor commercial parcel), 115 Erskine and 3500 Woodward.²

The parking deck will include four outward facing retail suites in order to add density and to aesthetically enhance the overall appearance of the facility at the ground level. The design aesthetic has been approved by the Planning Department. The parking deck is essential to service

¹ Tax Increment Financing (TIF) subsidizes an entity by refunding or diverting a portion of their taxes to help finance development in an area or on a project site.

² The total investment is estimated between \$20 and \$22 million. The developer is requested a \$10,000,000 TIF, though it is projected that only approximately \$7,175,326 will be captured under the Plan. LPD report of 5/1/19

the upcoming developments in the area, including commercial space that will house several City of Detroit departments and the West Elm Hotel. The specific skilled trades professions required in the construction of parking decks are facing labor shortages have significantly increased the cost of development, which necessitates the tax incentive.

DEGC Project Evaluation Checklist

SOMA District Parking Structure
 Developer: Woodward Mack 22, LLC
 Principal: Adam Nyman

Commercial Rehabilitation Act, PA 210 of 2005 as amended – current taxes frozen at pre-rehab values, local taxes abated for up to 10 years	
Request Type	Certificate
DEGC Recommendation	10 Years
Location	
Address	81 Erskine
City Council District	District 5
Neighborhood	Brush Park
Located in HRD Targeted Area	Yes, Greater Downtown
Building Use	
Total Rentable Square Foot	6,729
Retail Square Foot	6,729
Total Parking Spaces	580
Total Investment	\$19.9MM
Project Benefits	
Estimated Jobs	25 FTE, 100 Construction employees
Estimated City benefits before tax abatement	\$2,848,163
Total estimated City value of PA 210 abatement	\$1,095,555
Less cost of services & utility deductions	\$263,280
Net Benefit to City	\$1,489,328

City of Detroit: Benefits, Costs, and Net Benefits over the Next 10 Years

	Amount
Real Property Taxes, before abatement	\$1,916,740
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$139,694
Municipal Income Taxes - Indirect Workers	\$51,808
Municipal Income Taxes - Corporate Income	\$58,859
Municipal Income Taxes - Construction Period	\$120,237
Utility Revenue	\$82,514
Utility Users' Excise Taxes	\$21,316
State Revenue Sharing - Sales Tax	\$88,155
Building Permits and Fees	\$250,000
Miscellaneous Taxes & User Fees	\$118,839
<u>Subtotal Benefits</u>	<u>\$2,848,163</u>
Cost of Providing Municipal Services	(\$180,767)
Cost of Providing Utility Services	(\$82,514)
<u>Subtotal Costs</u>	<u>(\$263,280)</u>
Net Benefits	\$2,584,883

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	\$2,848,163	(\$263,280)	(\$1,095,555)	\$0	\$0	\$1,489,328
Wayne County	\$504,290	(\$29,031)	(\$278,718)	\$0	\$0	\$196,540
Detroit Public Schools	\$1,945,361	(\$102,689)	(\$450,950)	\$0	\$0	\$1,391,722
State Education	\$358,227	\$0	\$0	\$0	\$0	\$358,227
Wayne RESA	\$231,307	\$0	(\$144,644)	\$0	\$0	\$86,663
Wayne County Comm. College	\$193,490	\$0	(\$112,418)	\$0	\$0	\$81,072
Wayne County Zoo	\$5,970	\$0	(\$3,469)	\$0	\$0	\$2,502
Detroit Institute of Arts	\$11,941	\$0	(\$6,938)	\$0	\$0	\$5,003
Total	\$6,098,749	(\$395,000)	(\$2,092,693)	\$0	\$0	\$3,611,056

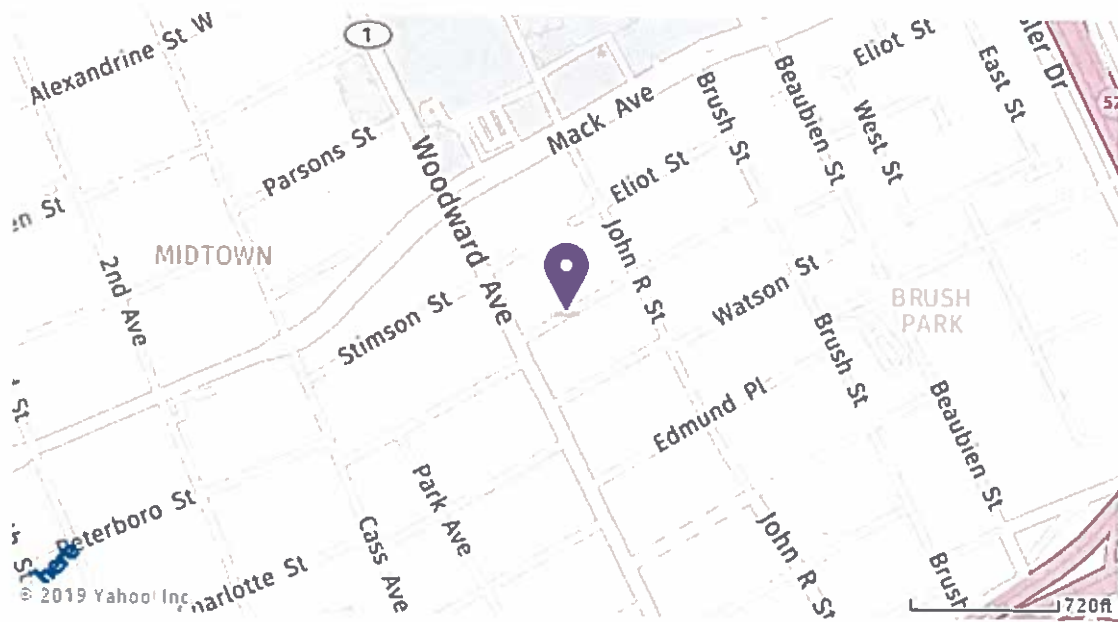
Charts courtesy of the DEGC

Conclusion

The estimated total capital investment from the developer is approximately \$20 million. It is estimated that 25 FTE and 100 construction temporary construction jobs will be created as a result of the project. The total value of the ten-year PA 210 abatement to the developer is estimated at \$2 million.

Based on the investment and jobs, the project is estimated to provide the City of Detroit a net benefit of **\$1.48 million** and all of the impacted taxing units, a net benefit of **\$3.61 million** over the ten years of the PA 210 abatement.

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



Map of 81 Erskine

- 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