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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director
Legislative Policy Division Staff 

DATE: September 3, 2019

RE: Metropolitan Development Partners, 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.

33 John R

The developer, Metropolitan Development Partners, LLC a subsidiary of the Roxbury Group, acquired the formerly the Metropolitan Building, located at 33 John R, which was formerly an office building located near Grand Circus Park. Constructed in 1924, the building is 15 stories in tall, and it was once housed several retail shops, offices, and jewelry manufacturers and wholesalers, leading it to be also known as the "Jeweler's Building." The building closed in 1977 and in recent years parts of the building's facade have fallen to the ground, causing the DDA¹ to install safety scaffolding, and netting around the building. The past practice of manufacturing of luminous watch dials in the building, resulted in the remains of several toxic substances that have impeded recent redevelopment plans by Rock Ventures and others. The Roxbury Group acquired the building in May 2016 for \$250k, and announced that the building would be converted to a

¹ Detroit Downtown Development Authority

hotel. After the OPRA district was established, which facilitated the commencement of construction, the project was completed in December 2018, as a 110-room extended-stay hotel, with 7,000 square feet of ground floor retail, a 2,000 square feet of meeting space on the second-floor, and a roof patio on the 11th floor. The project has created 30 jobs.

The Metropolitan (Element Hotel)

Developer: The Roxbury Group

Principal: Stacy Fox, David Di Rita

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	
DEGC Recommendation	10 Years (2 years less than maximum)
Location	
Address	33 John R
City Council District	District 6
Neighborhood	Downtown
Located in HRD Targeted Area	No
Building Use	
Total Useable Square Foot	75,400
Retail Square Foot	10,170
Hotel Square Foot	65,230
Hotel Breakdown	
Total Units	110 rooms
ADR	\$191/night
Sources and Uses	
Total Investment	\$36.6MM
Uses	\$250k Acquisition (1%), \$23.5MM Hard Construction (64%), \$12.7MM Soft Costs (35%)
Project Benefits	
Estimated Jobs	30 FTE
Estimated City benefits before tax abatement	\$4,091,004
Total estimated City value of OPRA abatement	\$2,154,225
Less cost of services & utility deductions	\$316,736
Net Benefit to City	\$1,620,043

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

	Amount
Real Property Taxes, before abatement	\$2,727,703
Personal Property Taxes, before abatement	\$284,244
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$150,395
Municipal Income Taxes - Indirect Workers	\$47,690
Municipal Income Taxes - Corporate Income	\$85,570
Municipal Income Taxes - Construction Period	\$58,367
Utility Revenue	\$57,251
Utility Users' Excise Taxes	\$32,650
State Revenue Sharing - Sales Tax	\$126,543
Building Permits and Fees	\$350,000
Miscellaneous Taxes & User Fees	\$170,590
<u>Subtotal Benefits</u>	<u>\$4,091,004</u>
Cost of Providing Municipal Services	(\$259,485)
Cost of Providing Utility Services	(\$57,251)
<u>Subtotal Costs</u>	<u>(\$316,736)</u>
Net Benefits	\$3,774,268

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	\$4,091,004	(\$316,736)	(\$2,154,225)	\$0	\$0	\$1,620,043
Wayne County	\$800,375	(\$41,069)	(\$548,169)	\$0	\$0	\$211,137
Detroit Public Schools	\$2,981,165	(\$147,406)	(\$886,717)	\$0	\$0	\$1,947,042
State Education	\$571,642	\$0	\$0	\$0	\$0	\$571,642
Downtown Dev. Authority	\$94,197	\$0	(\$67,438)	\$0	\$0	\$26,759
Wayne RESA	\$421,498	\$0	(\$314,239)	\$0	\$0	\$107,260
Wayne County Comm. College	\$308,763	\$0	(\$221,052)	\$0	\$0	\$87,711
Wayne County Zoo	\$9,527	\$0	(\$6,821)	\$0	\$0	\$2,706
Detroit Institute of Arts	\$19,055	\$0	(\$13,642)	\$0	\$0	\$5,413
Total	\$9,297,226	(\$505,212)	(\$4,212,302)	\$0	\$0	\$4,579,713

Charts courtesy of the DEGC

Conclusion

If approved by Council, this project, which has created 30 jobs in the city, based on the \$36.66 million investment. Above the tax abatement to the developer, valued at an estimated **\$4.2 million**, it will produce a net benefit to the City of Detroit of **\$1.6 million**, and a **\$4.57 million** net benefit to all of the impacted taxing units.

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.²

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



Metropolitan Building -33 John R (Street View Pre-Construction)³

² MCL 125.2792

³ Courtesy of the DEGC



Metropolitan Building -33 John R (Completed Project Rendering)⁴

⁴ Courtesy of the DEGC

Assessor's letter stating the eligibility of the OPRA certificate:



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

COLEMAN A. YOUNG MUNICIPAL CENTER
2 WOODWARD AVENUE, SUITE 824
DETROIT, MICHIGAN 48226
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October 17, 2018

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

RE: **Obsolete Property Rehabilitation Certificate – Metropolitan Hotel Partners LLC**
Property Address: 33 John R Street
Parcel Number: 01004065-7.

Dear Mr. Cox:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed Obsolete Property Rehabilitation certificate application for the property located at 33 John R Street in the Downtown area in the City of Detroit.

The rationale for granting Obsolete Property Rehabilitation certificates under PA 146 of 2000, 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.

Metropolitan Hotel Partners LLC plans to rehabilitate the vacant 14 story office building that is in a state of disrepair built in 1925 on .170 acres of land. The rehabilitated building will transformed into a mixed-use project including first floor retail and approximately 110 hotel rooms, 2,000 square foot meeting room space, food and beverage, gourmet pantry and a roof-top outdoor patio.

The 2018 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
01004065-7	33 JOHN R	\$ 38,900	\$ 34,235	\$185,700	\$163,430

This property meets the criteria set forth under PA 146 of 2000, as amended. It applies to blighted, functionally obsolete and contaminated properties. "Rehabilitation," meaning that changes to qualified facilities that are required to restore or modify the property, together with all appurtenances, to an economically efficient condition.

The proposed rehabilitation plan includes complete replacement of all exterior glass, refurbishment of exterior elements, demolition of existing interior partitions, build-out of hotel rooms and revamping of the surrounding property with new landscaping and hardscaping. The finished project will save a historic property, create jobs in the Downtown area and support increasing number of entertainment and conference activities that will be coming to the city.

A field investigation indicated that the property located at 33 John R Street is eligible as it pertains to the Obsolete Property Rehabilitation Act under P.A. 146 of 2000, 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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**Obsolete Property Rehabilitation Certificate
Metropolitan Hotel Partners LLC
Page 2**

Property Address: 33 JOHN R
Parcel Number: 01004065-7
Property Owner: METROPOLITAN HOTEL PARTNERS LLC
Legal Description: W JOHN R 67 & VAC JOHN R ST ADJ PLAT OF SEC 7 GOVERNOR & JUDGES PLAN L34 P544 DEEDS, W C R 1/9
94 28 IRREG

The legal description on the petition matches the assessment roll.

