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Senior City Planner  
Janese Chapman  
Deputy Director


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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

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Marcel Hurt, Esq.  
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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director   
Legislative Policy Division Staff

DATE: September 16, 2019

RE: Application for an **Obsolete Property by RainCheck Development, LLC  
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.

### 40 Hague

The Developer and owner of the property is RainCheck Development, LLC. This project involves the rehabilitation and adaptive reuse of the existing two-story building at 40 Hague into a residential apartment structure. The finished building will have 38 residential units and will provide on-site parking. Eight of the units will be available as affordable at 60% AMI. In addition to the current OPRA request pending City Council approval, the developer has just recently on September 10, 2019,<sup>1</sup> received Council approval of a brownfield request.<sup>2</sup> Built in 1935, the rehabilitation to 40 Hague will include new plumbing and electrical systems, new energy efficient heating, cooling and ventilation systems, new energy efficient windows and

<sup>1</sup> LPD provided council a detailed report on the 40 Hague Brownfield

<sup>2</sup> The developer received approval of a TIF reimbursement in the amount of \$731,906, based on a 26 year capture period.

doors, new kitchen, bathroom and cabinetry fixtures, improved access to stairways in addition to structural building repairs.

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### DEGC Project Evaluation Checklist

40 Hague

Developer: RainCheck Development, LLC

Principal: Neal Check

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>District</b>
<b>DEGC Recommendation</b>	<b>12 Years</b>
<b>Location</b>	
Address	40 Hague, 59 E Philadelphia, & 8524 Woodward
City Council District	District 5
Neighborhood	North End
Located in HRD Targeted Area	Yes, Greater Downtown
<b>Building Use</b>	
Total Rentable Square Foot	26,838
Residential Space	26,838
<b>Residential Breakdown</b>	
Total Units	38 units (\$1.74 rent psf)
Studio	2 units, 419sf, \$765/mo rent
1 Bedroom	32 units, 700sf, \$867-\$1,275/mo rent
2 Bedroom	4 units, 900sf, \$1,683/mo rent
<b>Project Description</b>	
<p>This development involves the rehabilitation and adaptive reuse of the existing two-story building into a residential apartment structure. The finished building will have 38 residential units and will provide on-site parking. Eight of the units will be affordable at 60% AMI. The cash flow model is conservative taking into consideration increasing interest rates illustrated for the loans. If there is a negative cash flow, the developer anticipates contribution of more equity to plug that gap. Upon stabilization of the project, the developer intends to refinance to longer-term more favorable debt. This project demonstrates strong financial need for a tax incentive to reduce expenses to allow for sufficient cash to support the debt payments.</p>	
<b>Sources and Uses</b>	
Total Investment	\$8.0M
Uses	\$1.25M Acquisition (16%), \$5.6M Hard Construction (69%), \$1.2MM Soft Costs (15%)

<b>Project Benefits</b>	
Estimated Jobs	1 FTE, 18 Construction Employees
Estimated City benefits before tax abatement	<b>\$1,575,811</b>
Total estimated City value of OPRA abatement	<b>\$726,159</b>
Less cost of services & utility deductions	<b>\$206,830</b>
<b>Net Benefit to City</b>	<b>\$642,823</b>

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

	Amount
Real Property Taxes, before abatement	\$934,567
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$8,474
Municipal Income Taxes - Indirect Workers	\$3,143
Municipal Income Taxes - Corporate Income	\$3,193
Municipal Income Taxes - Construction Period	\$35,125
Municipal Income Taxes - New Res. Inhabitants	\$333,415
Utility Revenue	\$198,483
Utility Users' Excise Taxes	\$1,279
State Revenue Sharing - Sales Tax	\$4,921
Building Permits and Fees	\$46,300
Miscellaneous Taxes & User Fees	\$6,911
<b>Subtotal Benefits</b>	<b>\$1,575,811</b>
Cost of Providing Municipal Services	(\$8,346)
Cost of Providing Utility Services	(\$198,483)
<b>Subtotal Costs</b>	<b>(\$206,830)</b>
<b>Net Benefits</b>	<b>\$1,368,982</b>

### 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	\$1,575,811	(\$206,830)	(\$726,159)	\$0	\$0	\$642,823
Wayne County	\$239,288	(\$1,604)	(\$184,741)	\$0	\$0	\$52,943
Detroit Public Schools	\$929,690	(\$11,693)	(\$298,900)	\$0	\$0	\$619,097
State Education	\$177,547	\$0	\$0	\$0	\$0	\$177,547
Wayne RESA	\$116,412	\$0	(\$93,551)	\$0	\$0	\$22,860
Wayne County Comm. College	\$95,899	\$0	(\$74,513)	\$0	\$0	\$21,385
Wayne County Zoo	\$2,959	\$0	(\$2,299)	\$0	\$0	\$660
Detroit Institute of Arts	\$5,918	\$0	(\$4,598)	\$0	\$0	\$1,320
<b>Total</b>	<b>\$3,143,524</b>	<b>(\$220,127)</b>	<b>(\$1,384,763)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,538,635</b>

Charts courtesy of the DEGC

## Conclusion

The estimated total capital investment from the developer for this project is approximately \$8.05 million. It is also estimated that 18 temporary construction jobs will be needed to complete the project. Post-construction operations will create 2 part-time property management jobs, which is equivalent to 1 permanent professional FTE job. The total value of the 12 year OPRA tax abatement is estimated at \$1.384 million.

Based on the investment and jobs, this project is estimated to provide the City of Detroit a net benefit of **\$642,823** and all of the impacted taxing units, a net benefit of **\$1.538 million** over the 12 years of the OPRA abatement.

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



Current Building



**Planned Redevelopment**

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  
(313) 224-3011 - TTY: 711  
(313) 224-9400  
WWW.DETROITMI.GOV

September 6, 2019

Katy Trudeau, Deputy Director  
Planning & Development Department  
Coleman A. Young Municipal Center  
2 Woodward Ave, Suite 808  
Detroit, MI 48226

RE: Obsolete Property Rehabilitation Certificate – *RainCheck Development LLC*  
Property Address: 40 Hague  
Parcel Number: 01002660-0

Dear Ms. Trudeau:

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 40 Hague at the North End area of 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.

RainCheck Development LLC intends to rehabilitate the building into 38 loft style residential units consisting of two studios, 32 one-bedroom units, and 4 two-bedroom units with modern appliances of which twenty percent of the unit being reserved as affordable units. The two-story building at 40 Hague is currently vacant and consist of 36,944 square feet of office building area, built in 1935 and situated on .658 acres of land. Rehabilitation will include new utility distribution, including electrical and plumbing, new energy efficient heating, cooling and ventilation systems, new energy efficient windows and doors, kitchen and bathroom cabinetry, fixtures and an improved access to the stairwell with repairs to the building structure as needed.

The 2019 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
01002660-0	40 Hague	\$ 529,100	\$ 529,100	\$ 20,800	\$ 20,800

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 property is located near the North End area and is expected to increase commercial activity, create employment, retain employment, increase the number of residents in the community and revitalize an urban area.

A field investigation indicated that the property located at 40 Hague is eligible as it pertains to the Obsolete Property Rehabilitation Act under P.A. 146 of 2000, as amended.

Sincerely,

Assessor, Board of Assessors

mmp



Obsolete Property Rehabilitation Certificate  
RainCheck Development LLC  
Page 2

Property Address: 40 HAGUE  
Parcel Number: U1002660-0  
Property Owner: RAINCHECK DEVELOPMENT LLC  
Legal Description: S HAGUE 20 E 150 FT 21 EXC W 50 FT OF S 16 FT HAIGHS L13 P29 PLATS, W C R 1/112  
SPLIT/COMBINED ON 03/23/2017 FROM 01002660 , 01004332 (8524 Woodward);

The legal description on the petition for the PA 146 application matches the assessment rol .

