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City of Detroit

CITY COUNCIL

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TO: COUNCIL MEMBERS
FROM: David Whitaker, Director ^{DW}
Legislative Policy Division Staff
DATE: October 29, 2019
RE: Broadway Detroit Development, 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.

Broadway Detroit Development, LLC, is the project developer and owner of the property located at 1308 Broadway. The project consists of one (1) parcel located at 1308 Broadway Street, Detroit (also known as 1300 Broadway Street).

The parcel is located on the east side of Detroit's Central Business District (CBD) and within the Broadway Street District. The parcel totals approximately 0.092 acres; 1308 Broadway is improved with an eight-story building. The building is currently underutilized and has historically been occupied with retail and office uses.

The developer intends to create a unique commercial and office space that will include a restaurant on the ground floor and class A office space on the upper floors. The project will preserve the historic character of the façade and the lobby, including updates for current ADA standards. The floorplan calls for a combination of an open concept as well as private office spaces throughout the upper floors. The required renovations will be substantial and will include but not limited to the following items: lighting, windows, and HVAC systems. New prospective tenants as of yet, have not been identified.

DEGC Project Evaluation Checklist

1308 Broadway
Developer: Broadway Detroit Development LLC
Principle: Roger Basmajian

| | |
|---|--|
| Commercial Rehabilitation Act, PA 210 of 2005 as amended – Current taxes frozen at pre-rehab construction values, local taxes abated for up to 10 years | |
| DEGC Recommendation | |
| Request Type | Certificate |
| Location | |
| Address | 1308 Broadway |
| City Council District | District |
| Neighborhood | Downtown |
| Located in HRD Targeted Area | Yes, Greater Downtown |
| Building Use | |
| Total Rentable Square Footage | 27,260 |
| Commercial Square Footage | 22,860 |
| Retail Square Footage | 2,900 |
| Other Square Footage | 1,500 |
| Project Description | |
| <p>The project consists of one (1) parcel located at 1308 Broadway Street, Detroit (also known as 1300 Broadway Street). The parcel lies on the east side of Detroit's Central Business District (CBD) and within the Broadway Street District. The parcel totals approximately 0.092 acres; 1308 Broadway is improved with an eight-story building. The building is currently underutilized and has historically been occupied with retail and office uses. The developer intends to create a unique commercial and office space which will include a restaurant on the ground floor and class A office space on the upper floors. The project will preserve the historic character of the façade and the lobby, including updates for current ADA standards. The floorplan calls for a combination of open concept as well as private office spaces throughout the upper floors. The renovation will be substantial and is not limited to the following items: lighting, windows, and HVAC systems. Prospective tenants have not yet been identified.</p> | |
| Rental Breakdown | |
| Office Tenants | \$16.64psf |
| Retail Tenant | \$30psf |
| Underwriting | |
| Internal Rate of Return | 1.0% with abatement (-0.4% without abatement) |
| Debt Service Coverage Ratio | 1.25x with abatement (0.99x without abatement) |
| Cash on Cash | 2.3% with abatement (0.9% without abatement) |
| Project Costs | |
| Total Investment | \$6.8M |

| | |
|--|--|
| Uses | \$5.2M Acquisition (77%), \$1.3M Hard Construction (19%), \$0.3M Soft Costs (4%) |
| Project Benefits (10 years) | |
| Estimated jobs | 38 FTE, 56 construction jobs |
| Estimated city benefits before tax abatement | \$1,969,472 |
| Total nominal value of PA 210 | \$301,599 |
| Less cost of services & utility deductions | \$698,646 |
| Net benefit to city | \$969,227 |

City of Detroit: Benefits, Costs, and Net Benefits over 10 Years (Prior to the Tax Abatement)

| | Amount |
|--|--------------------|
| Real Property Taxes, before abatement | \$314,183 |
| Personal Property Taxes, before abatement | \$0 |
| New Residential Property Taxes | \$0 |
| Municipal Income Taxes - Direct Workers | \$145,656 |
| Municipal Income Taxes - Indirect Workers | \$55,295 |
| Municipal Income Taxes - Corporate Income | \$88,215 |
| Municipal Income Taxes - Construction Period | \$12,071 |
| Utility Revenue | \$246,165 |
| Utility Users' Excise Taxes | \$21,545 |
| State Revenue Sharing - Sales Tax | \$149,516 |
| Building Permits and Fees | \$0 |
| Miscellaneous Taxes & User Fees | \$209,989 |
| Subtotal Benefits | \$1,242,634 |
| Cost of Providing Municipal Services | (\$253,591) |
| Cost of Providing Utility Services | (\$246,165) |
| Subtotal Costs | (\$499,756) |
| Net Benefits | \$742,879 |

Impacted Taxing Units: Incentive Summary over 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 | \$1,242,634 | (\$499,756) | (\$157,792) | \$0 | \$0 | \$585,087 |
| Wayne County | \$123,832 | (\$46,151) | (\$40,144) | \$0 | \$0 | \$37,538 |
| Detroit Public Schools | \$469,916 | (\$152,740) | (\$64,950) | \$0 | \$0 | \$252,227 |
| State Education | \$59,688 | \$0 | \$0 | \$0 | \$0 | \$59,688 |
| Wayne RESA | \$38,178 | \$0 | (\$21,023) | \$0 | \$0 | \$17,154 |
| Wayne County Comm. College | \$32,239 | \$0 | (\$16,192) | \$0 | \$0 | \$16,048 |
| Wayne County Zoo | \$995 | \$0 | (\$500) | \$0 | \$0 | \$495 |
| Detroit Institute of Arts | \$1,990 | \$0 | (\$999) | \$0 | \$0 | \$990 |
| Total | \$1,969,472 | (\$698,646) | (\$301,599) | \$0 | \$0 | \$969,227 |

Charts courtesy of the DEGC

Conclusion

The estimated total capital investment from the developer is approximately \$6.8M. It is estimated that 38 FTE and 56 construction jobs as a result of the project.

Based on the investment and jobs, the project is estimated to provide the City of Detroit a net benefit of **\$585,087**, and all of the impacted taxing units, a net benefit of **\$969,227** over 10 years, despite the **\$301,599 tax abatement** to the developer.

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

Attachment: Finance Assessor’s PA 210 Eligibility Letter

- 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



October 15, 2019

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

RE: Commercial Rehabilitation Certificate – Broadway Detroit Development LLC
Property Address: 1308 Broadway
Parcels Number: 01004003

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the Commercial Rehabilitation certificate application for the properties located at 1308 Broadway in the Downtown area in the City of Detroit.

The rationale for issuing Commercial Rehabilitation certificates under PA 210 of 2005, 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.

The proposed project by Broadway Detroit Development LLC consists of rehabilitate the 8-story office mixed used building with 38,743 total floor area built in 1908 on .092 acres of land into a unique commercial and office space which will include a restaurant on the ground floor and class A office space on the remaining floors. Rehabilitation will include complete building restoration, carpentry, doors, windows, and fire suppression systems, mechanical electrical and interior finishes. The project is expected to increase commercial activity, create employment, retain employment, prevent loose of employment and revitalize an urban area.

The 2019 values are as follows:

| Parcel # | Address | Building Assessed Value (SEV) | Building Taxable Value | Land Assessed Value (SEV) | Land Taxable Value |
|----------|---------------|-------------------------------|------------------------|---------------------------|--------------------|
| 01004003 | 1308 Broadway | \$ 1,227,800 | \$ 418,460 | \$ 225,100 | \$ 76,719 |

This property meets the criteria set forth under PA 210 of 2005, as amended. It applies to a building or a group of contiguous buildings, a portion of a building or group of contiguous buildings previously used for commercial or industrial purposes, obsolete industrial property, and vacant property which, within the immediately preceding 15 years, was operating as a commercial business enterprise.

A review of the general plans, along with the criteria set forth under the Commercial Rehabilitation Act, indicated that the proposed project located at 1308 Broadway is eligible as it pertains to the Commercial Rehabilitation certificate criteria under P.A. 210 of 2005, as amended.

Sincerely,

Charles Ericson, MMAO
Assessor, Board of Assessors

mmp



Commercial Rehabilitation Certificate
Broadway Detroit Development LLC
Page 2

Property Owner: BROADWAY DETROIT DEVELOPMENT LLC
Property Address: 1308 BROADWAY
Parcel Number: 01004003
Legal Description: NE BROADWAY S 56.65 FT OF W 60.85 FT OF 5 AND VAC 10 FT OF LAND IN FRONT PLAT OF SEC 9 GOVERNOR & JUDGES PLAN L34 P552 DEEDS, W CR 1/56 56 65 X 70.85

The legal description on the assessment roll matches the legal description on the petition.

