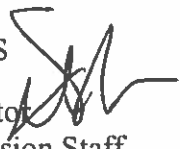


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TO: COUNCIL MEMBERS 
FROM: David Whitaker, Director
Legislative Policy Division Staff
DATE: October 7, 2019
RE: Application for an **Obsolete Property Rehabilitation Certificate** by
6001 Cass, LLC Public Act 146 of 2000 PUBLIC HEARING

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.

6001 Cass

The Developer and owner of the property is 6001 Cass, LLC. This project is located at 6001 Cass, built in 1920 by renowned architect Albert Kahn as the Cadillac Sales and Service Building. Wayne State University repurposed the building in the 1970s for its Criminal Justice department. In subsequent years due to a lack of maintenance, the vacant building faced demolition several times. The current proposed development consists of a mixed-use¹ project featuring approximately 110,000 SF of office space, and 20,000 SF ground floor retail space. Specifically, the project includes restoration of a 12,000 sf former Cadillac dealership showroom with 22' high decorative ceilings on the first floor of the 6-story building with a dedicated entrance on Cass Avenue. In addition, 110,000 sf of office space will occupy floors 2-6.

¹ Mixed-use development is characterized as pedestrian-friendly development that blends two or more residential, commercial, cultural, institutional, and/or industrial uses.

The ground floor retail spaces will also include a WSU Art Gallery in the attached former garage featuring a unique building structure with glazed wall tiles and terrazzo floors.

The developer estimates that this building can potentially support up to 500 office jobs and 25 first floor retail jobs. However, at this point the developer is still negotiating leases for commercial and retail tenants. One future tenant has been identified, Tata Technologies, and they would occupy one floor. The DEGC has recommended a full term 12-year OPRA cert.

DEGC Project Evaluation Checklist

6001 Cass

Developer: 6001 Cass LLC

Principle: The Platform

Obsolete Property Rehabilitation Act, PA 146 of 2000 as amended – Current taxes frozen at pre-rehab construction values, local taxes abated for up to 12 years	
DEGC Recommendation	12 Years
Request Type	Certificate
Location	
Address	6001 Cass
City Council District	District 5
Neighborhood	Tech Town
Located in HRD Targeted Area	Yes, Greater Downtown
Building Use	
Total Rentable Square Footage	134,114
Commercial Square Footage	113,114
Retail Square Footage	15,000
Gallery Space Square Footage	6,000
Project Description	
<p>6001 Cass is a mixed-use rehabilitation development featuring approximately 110,000 SF of office space, and approximately 20,000 SF ground floor retail space.</p> <p>The redevelopment includes restoration of a 12,000 sf former Cadillac dealership showroom with 22' high decorative ceilings on the second floor of the 6-story building with a dedicated entrance on Cass Avenue. 110,000 sf of traditional office space will occupy floors 2-6. The ground floor retail spaces will also include a WSU Art Gallery in the attached former garage featuring a unique building structure with glazed wall tiles and terrazzo floors.</p> <p>The developer estimates that this building can potentially support up to 500 office jobs and 25 ground floor retail jobs. However, at this point the developer is still negotiating leases for commercial and retail tenants.</p>	

Rental Breakdown	
Office Tenant 1	\$20 psf & 22,000sf
Office Tenant Others	\$34.68 psf & 91,114sf
Retail Tenant	\$25 psf & 15,000sf
WSU Gallery Space	\$0 psf & 6,000sf
Project Costs	
Total Investment	\$44.6M
Uses	\$2M Acquisition (5%), \$33.1M Hard Construction (74%), \$9.5M Soft Costs (21%)
Project Benefits (10 years)	
Estimated jobs	~525 FTE, 105 construction jobs
Estimated city benefits before tax abatement	\$16,011,081
Total nominal value of OPRA	\$1,415,909
Less cost of services & utility deductions	\$5,429,726
Net benefit to city	\$9,165,410

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

	Amount
Real Property Taxes, before abatement	\$1,854,480
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$3,659,521
Municipal Income Taxes - Indirect Workers	\$1,007,314
Municipal Income Taxes - Corporate Income	\$1,558,305
Municipal Income Taxes - Construction Period	\$176,606
Utility Revenue	\$1,350,694
Utility Users' Excise Taxes	\$282,053
State Revenue Sharing - Sales Tax	\$2,357,281
Building Permits and Fees	\$371,950
Miscellaneous Taxes & User Fees	\$3,352,262
Subtotal Benefits	\$16,011,081
Cost of Providing Municipal Services	(\$1,049,068)
Cost of Providing Utility Services	(\$1,350,694)
Subtotal Costs	(\$5,429,762)
Net Benefits	\$10,551,319 ²

² Chart courtesy of the DEGC

Impacted Taxing Units: Incentive Summary over the First 12 Years

	Benefits	Additional	Net	State	Federal	Net Benefits
	Before Tax	Costs	Property Tax	Property Tax	Income Tax	After Tax
	Abatements		Abatement	Abatement	Exemption	Abatements
						& Incentives
City of Detroit	\$16,011,021	(\$5,429,762)	(\$1,415,909)	\$0	\$0	\$9,165,410
Wayne County	\$1,160,546	(\$772,532)	(\$335,766)	\$0	\$0	\$68,078
Detroit Public Schools	\$1,639,249	(\$2,613,550)	(\$545,104)	\$0	\$0	\$1,331,640
State Education	\$332,481	\$0	\$0	\$0	\$0	\$332,481
Wayne RESA	\$217,456	\$0	(\$171,549)	\$0	\$0	\$45,908
Wayne County Comm. College	\$179,524	\$0	(\$136,658)	\$0	\$0	\$42,046
Wayne County Zoo	\$5,511	\$0	(\$1,216)	\$0	\$0	\$1,525
Detroit Institute of Arts	\$11,023	\$0	(\$8,452)	\$0	\$0	\$2,650
Total	\$22,631,015	(\$9,310,395)	(\$2,023,615)	\$0	\$0	\$10,991,337

3

Conclusion

The estimated total capital investment from the developer for this project is \$44.6 million. It is also estimated that completed project will create 525 FTE, and 105 temporary construction jobs. The total value of the 12 year OPRA tax abatement is estimated at \$2,623,615.

Based on the investment and jobs, this project is estimated to provide the City of Detroit a net benefit of \$9,165,410 and all of the impacted taxing units, a net benefit of \$10,991,337 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

³ Charts courtesy of the DEGC



6001 Cass in the 1950's⁴



6001 Cass (a more recent picture)⁵

⁴ Photo by Ara Howrani via The Platform <https://www.theplatform.city/6001-cass/>

⁵ The Platform <https://www.theplatform.city/6001-cass/>

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



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

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Katy Trudeau, Deputy Director
Planning & Development Department
Coleman A. Young Municipal Center
2 Woodward Ave, Suite 803
Detroit, MI 48226

RE **Obsolete Property Rehabilitation Certificate – 6001 Cass Owner LLC**
Property Address: 6001 Cass Avenue
Parcel Number 02002158

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 6001 Cass Avenue near the New Center 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.

6001 Cass LLC plans to rehabilitate the building for retail, event and office space. The majority of the building is currently vacant with only a geology lab and maintenance storage space occupying the first floor. The six-story building is a 142,035 square foot office building with an attached 9,478 square foot garage built in 1930 on .914 acres of land. Rehabilitation will include restoring the existing structure that is functionally obsolete, blighted and a historical resource by restoring the exterior structure, renovating the interior for retail, office and event space and updating and replacing mechanical equipment.

The 2019 values are as follows:

Parcel #	Address	Building Assessor Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
02002158	6001 Cass	\$ 688,000	\$ 688,000	\$ 416,300	\$ 416,300

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 New Center area and is expected to increase commercial activity, create employment and revitalize an urban area.

A field investigation indicated that the property located at 6001 Cass Avenue 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