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# City of Detroit

## CITY COUNCIL

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TO: COUNCIL MEMBERS 

FROM: David Whitaker, Director  
Legislative Policy Division Staff

DATE: October 23, 2019

RE: Application for an **Obsolete Property Rehabilitation Certificate** by  
**Jefferson Van Dyke Inc 2, 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.

#### 7891 & 7903 E Jefferson

The Developer and owner of the property is Jefferson Van Dyke Inc. 2, LLC. The project located at 7891 & 7903 E Jefferson, involves a project if approved by Council, would include 42 units of housing, plus 15,000 square feet of retail, restaurant and commercial space. Overall, the 42 apartments would be priced at or between 50 and 120 percent of the area median income and as of April, the Wayne County figure for one person's rent at 50 percent AMI was \$668 per month and 120 percent was \$1,605.<sup>1</sup>

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<sup>1</sup> \$21 million development with apartments, parking garage, retail planned on polluted site on Jefferson, Crain's Detroit Business September 9, 2019 by ANNALISE FRANK <https://www.crainsdetroit.com/economic-development/21-million-development-apartments-parking-garage-retail-planned-polluted-site>

Overall elements of the project:

**Building A** – 36 total units; 15 @ market rate; 21 Units Affordable; 9 Units @ 50% AMI and 12 units @ 80% AMI

**Building C** – 6 total units; 5 @ market rate; 1 @ 80% AMI

The project, which will be known as “The Villages,” will activate 5 vacant structures, in addition, to a parking Garage with green features, such as adding a green roof to the parking structure to improve permeability and to reduce storm water runoff. Native plants and grasses will be installed in the green spaces of the project and also in the Jefferson Avenue Plaza area. In addition to the requested OPRA, the developer has sought and has received approval of a Brownfield Plan for this project.<sup>2</sup> The \$21 million Jefferson Van Dyke mixed-use project involved demolishing the 80-year-old parking garage and renovating a retail building, carriage house and two former dwellings.



**Jefferson Van Dyke Brownfield Plan<sup>3</sup>**

The DEGC has recommended a full term 12-year OPRA certificate.

<sup>2</sup> The Developer requested a \$4,774,600 TIF reimbursement and the total costs under the plan. 10/22/19

<sup>3</sup> Via: Crain's <https://www.craindetroit.com/economic-development/21-million-development-apartments-parking-garage-retail-planned-polluted-site>

## DEGC Project Evaluation Checklist

### Jefferson Van Dyke

**Developer:** Jefferson Van Dyke Inc. 2 LLC

**Principle:** Michael Higgins

<b>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</b>	
<b>DEGC Recommendation</b>	<b>12 years</b>
<b>Request Type</b>	<b>District</b>
<b>Location</b>	
Address	7891 & 7903 E Jefferson
City Council District	District 5
Neighborhood	West Village
<b>Building Use</b>	
Total Rentable Square Footage	97,980
Retail Square Footage	15,049
Residential Square Footage	26,831
Parking Square Footage	56,100
<b>Project Description</b>	
<p>This project aligns community and economic development priorities set in the City by adding mixed-use mixed-income residential and commercial space. This investment will create community benefits of affordable housing and new retail/commercial while preserving historic structures built in 1909-1928 for another 100 years.</p> <p>This project will add 42 units as well as reactivating key commercial assets that have been vacant and obsolete for many years. All of the residential units will be available at between 50% and 120% AMI as a result of financing received from the financial institution, Capital Impact. Three of the commercial spaces, a total of 2,400 square feet of retail will be available to Motor City Match Business Owners.</p> <p>Building A – 36 total units; 15 @ market rate; 21 Units Affordable; 9 Units @ 50% AMI and 12 units @ 80% AMI                  Building C – 6 total units; 5 @ market rate; 1 @ 80% AMI</p> <p>Adding commercial assets and residential to an already dense neighborhood, the Villages, will expand investment and activate 5 vacant structures. In addition, the Parking Garage is a particularly critical asset to an area that has limited off-street parking. Green features of the project will include renovating and building new residential to Energy Star Guidelines, adding a Green Roof to the Parking Structure to improve permeability and reduce storm water runoff. Native plants and grasses will be installed in the green space and Jefferson Avenue Plaza area.</p>	
<b>Rental Breakdown</b>	
One Bedroom	39 units, 450-691sf, \$769-\$1,830/mo
Two Bedroom	3 units, 800-991sf, \$1,940-\$2,340/mo

Retail & Commercial	\$21.06psf
<b>Project Costs</b>	
Total Investment	\$21.5M
Uses	\$1M Acquisition (5%), \$16.8M Hard Construction (78%), \$3.6M Soft Costs (17%)
Sources	\$8.5M Capital Impact (39%), \$6M LISC Financing (28%), \$2.5M CRP (12%), \$1.4M Deferred Developer Fees (6%), \$2.7M Owner's Equity (12%)
<b>Project Benefits (12 years)</b>	
Estimated jobs	36 FTE, 80 construction jobs
Estimated city benefits before tax abatement	\$6,137,326
Total nominal value of OPRA	\$557,054
Less cost of services & utility deductions	\$540,326
Net benefit to city	\$2,465,643

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

	Amount
Real Property Taxes, before abatement	\$1,342,437
Personal Property Taxes, before abatement	\$154,145
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$211,505
Municipal Income Taxes - Indirect Workers	\$63,510
Municipal Income Taxes - Corporate Income	\$108,638
Municipal Income Taxes - Construction Period	\$64,381
Municipal Income Taxes - New Res. Inhabitants	\$281,203
Utility Revenue	\$240,948
Utility Users' Excise Taxes	\$21,843
State Revenue Sharing - Sales Tax	\$176,510
Building Permits and Fees	\$650,000
Miscellaneous Taxes & User Fees	\$247,902
<b>Subtotal Benefits</b>	<b>\$3,563,023</b>
Cost of Providing Municipal Services	(\$299,378)
Cost of Providing Utility Services	(\$240,948)
<b>Subtotal Costs</b>	<b>(\$540,326)</b>
Net Benefits	\$3,022,697 <sup>4</sup>

<sup>4</sup> Chart courtesy of the DEGC

### 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	\$3,563,023	(\$540,326)	(\$557,054)	\$0	\$0	\$2,465,643
Wayne County	\$413,407	(\$57,216)	(\$133,279)	\$0	\$0	\$222,912
Detroit Public Schools	\$1,552,462	(\$210,474)	(\$215,638)	\$0	\$0	\$1,126,351
State Education	\$268,056	\$0	\$0	\$0	\$0	\$268,056
Wayne RESA	\$182,190	\$0	(\$67,492)	\$0	\$0	\$114,698
Wayne County Comm. College	\$144,786	\$0	(\$53,757)	\$0	\$0	\$91,029
Wayne County Zoo	\$4,468	\$0	(\$1,659)	\$0	\$0	\$2,809
Detroit Institute of Arts	\$8,935	\$0	(\$3,318)	\$0	\$0	\$5,618
<b>Total</b>	<b>\$6,137,326</b>	<b>(\$808,016)</b>	<b>(\$1,032,195)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,297,115</b>

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### Conclusion

The estimated total capital investment from the developer for this project is \$21 million. It is also estimated that completed project will create 36 FTE, 80 construction jobs. The total value of the 12 year OPRA tax abatement is estimated at \$1 million.

Based on the investment and jobs, this project is estimated to provide the City of Detroit a net benefit of **\$2.297 million** and all of the impacted taxing units, a net benefit of **\$2.465 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

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<sup>5</sup> Chart courtesy of the DEGC



**7891 & 7903 E Jefferson**

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



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

COLMAN A. YOUNG MUNICIPAL CENTER  
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DETROIT, MICHIGAN 48226  
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(313) 224-9400  
[WWW.DETROITMI.GOV](http://WWW.DETROITMI.GOV)

October 1, 2019

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

RE *Two Obsolete Property Rehabilitation Certificates – Jefferson Van Lyke Inc. 2 LLC*  
Property Address 7891 and 7903 East Jefferson (Separate P A 146 Applications)  
Parcel Numbers 17000048 and 17000049

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed Obsolete Property Rehabilitation certificate applications for the properties located at 7891 and 7903 East Jefferson in the West Village 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.

Jefferson Van Dyke 2 LLC intends to demolish the 2 story parking structure and retail building at 7891 East Jefferson on .586 acres of land built in 1935, remove the underground storage tank and perform soil remediation then construct a parking structure with 3 floors, one level of underground parking, for a total of 136 spaces having a 3<sup>rd</sup> floor roof deck to be a green roof and common area for tenants. A commercial building will be constructed as part of the 1<sup>st</sup> floor parking structure with a new 4 story residential apartment building with 36 units being part of the parking structure. The property at 7903 East Jefferson consists of 3 vacant structures built between 1910 to 1920, one with commercial on the first floor and apartments on the 2<sup>nd</sup> floor with the future use being a restaurant, commercial 3 story "white building" will renovate to have 6 units of affordable 1 and 2 bedroom units and the carriage house used currently as a garage with the future use of the building and ground being a gallery and community art space on .392 acres of land. Overall, the commercial buildings will be rehabilitated, including 6 residential apartments, construction of a 136 space new parking structure, construction of 36 new residential units and renovation of the existing pedestrian plaza.

The 2019 values are:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
17000048	7891 E Jefferson	\$ 276,800	\$ 75,157	\$ 28,300	\$ 7,684
17000049	7903 E Jefferson	\$ 60,300	\$ 55,434	\$ 19,900	\$ 18,294

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 project is expected to increase commercial activity, create employment opportunities, rehabilitate and preserve a historic building and revitalize and urban area.



Obsolete Property Rehabilitation Certificates  
Jefferson Van Dyke 2 LLC  
Page 3

Property Address: 7891 E JEFFERSON  
Parcel Number: 17000048.  
Property Owner: JEFFERSON VAN DYKE INC  
Legal Description: N JEFFERSON 50 EXC W 41 FT ON S LINE BG W 40 FT A RIGHT ANGLES ON N LINE OF S 70 FT ON W LINE S 61 FT  
ON E LINE 49&48 CHAS BEWICKS SUB L21 P39 PLATS, W C R 17/550 105.13 IRREG

Property Address: 7903 E JEFFERSON  
Parcel Number: 17000049.  
Property Owner: JEFFERSON VAN DYKE INC  
Legal Description: N JEFFERSON 47&46 CHAS BEWICKS SUB L21 P39 PLATS, W C R 17/550 97 42 IRREG

The legal description matches the OPRA certificates request.

