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## 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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TO: COUNCIL MEMBERS   
FROM: David Whitaker, Director  
Legislative Policy Division Staff  
DATE: January 30, 2020  
RE: Application for an **Obsolete Property Rehabilitation Certificate** by  
**603 Edsel Ford, LLC Public Act 146 of 2000 PUBLIC HEARING**

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.

The developer and owner of the property is 603 Edsel Ford, LLC, is requesting the approval of a 12-year OPRA certificate to support the rehabilitation of 701 E Edsel Ford. If approved by Council, the rehabilitation will result in the development of 24 new "Class A"<sup>1</sup> units, in a building that is currently blighted and vacant, with no windows and a large hole in the roof. The developer purchased the Milwaukee Junction area building in December 2017, and is a licensed general contractor and will complete the renovations himself. The rehabilitation will include, but not limited to new energy efficient heating, cooling, and ventilation systems, new energy efficient windows and doors, and structure building repairs. The building will include 20% of the units available at 80% AMI.<sup>2</sup>

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

<sup>1</sup> Class A: These properties represent the highest quality buildings in their market and area.  
<https://www.realtymogul.com/knowledge-center/article/what-is-class-a-class-b-or-class-c-property>

<sup>2</sup> The Detroit-Warren-Livonia, MI HUD Metro AMI (area median income) at 80% is \$ 42,750 I. A rough estimate would equate to rents in the vicinity of \$1,069 per month.

# DEGC Project Evaluation Checklist

**603 Edsel Ford**

Developer: 603 Edsel Ford, LLC

Principal: Michael Rivait

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>OPRA District</b>
<b>DEGC Recommendation</b>	<b>12 years</b>
<b>Location</b>	
Address	5918 St. Antoine & 701 E Edsel Ford
City Council District	District 5
Neighborhood	Milwaukee Junction
Located in HRD Targeted Area	Yes, Greater Downtown
<b>Building Use</b>	
Total Rentable Square Foot	16,675
Residential Space	16,675
<b>Residential Breakdown</b>	
Total Units	24 units, 5 affordable (\$1.90 rent psf)
1 Bedroom	7 units, 500sf, \$995-\$1,000/mo rent
2 Bedroom	17 units, 775sf, \$1,279-\$1,473/mo rent
<b>Project Description</b>	
The developer purchased the Milwaukee Junction area building in December 2017. He is a licensed general contractor and will be performing the renovation himself. He has completed several similar renovations in the Detroit area. The building is currently blighted with no windows and a large hole in the roof. The rehabilitation will include but not be limited to: new energy efficient heating, cooling, and ventilation systems, new energy efficient windows and doors, and building structure repairs. Upon completion 24 new "Class A" units will be created. The project will reserve 20% of the units for tenants at 80% AMI.	
<b>Underwriting</b>	
Internal Rate of Return	12.6% with abatement (6.5% without abatement)
Debt Service Coverage Ratio	1.03x stabilized with abatement (0.79x without abatement)
Cash on Cash Return	2.0% with abatement (-14.4% without abatement)
<b>Sources and Uses</b>	
Total Investment	\$3.1MM
Sources	\$3MM Construction Loan (97%); \$100k Owner's Equity (3%)
Uses	\$350k Acquisition (11%); \$2.75M Hard Construction (89%)
<b>Project Benefits</b>	
Estimated Jobs	1 FTE, (100 Construction Employees)
Estimated City benefits before tax abatement	<b>\$653,977</b>
Total estimated City value of OPRA abatement	<b>\$268,071</b>
Less cost of services & utility deductions	<b>\$126,357</b>
Net Benefit to City	<b>\$259,548</b>

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

	Amount
Real Property Taxes, before abatement	\$281,450
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$7,099
Municipal Income Taxes - Indirect Workers	\$2,633
Municipal Income Taxes - Corporate Income	\$3,193
Municipal Income Taxes - Construction Period	\$17,289
Municipal Income Taxes - New Res. Inhabitants	\$196,191
Utility Revenue	\$118,011
Utility Users' Excise Taxes	\$1,279
State Revenue Sharing - Sales Tax	\$4,921
Building Permits and Fees	\$15,000
Miscellaneous Taxes & User Fees	\$6,911
<b>Subtotal Benefits</b>	<b>\$653,977</b>
Cost of Providing Municipal Services	(\$8,346)
Cost of Providing Utility Services	(\$118,011)
<b>Subtotal Costs</b>	<b>(\$126,357)</b>
<b>Net Benefits</b>	<b>\$527,620</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	\$653,977	(\$126,357)	(\$268,071)	\$0	\$0	\$259,548
Wayne County	\$73,129	(\$1,604)	(\$68,200)	\$0	\$0	\$3,326
Detroit Public Schools	\$288,623	(\$11,693)	(\$110,343)	\$0	\$0	\$166,587
State Education	\$53,469	\$0	\$0	\$0	\$0	\$53,469
Wayne RESA	\$36,003	\$0	(\$34,536)	\$0	\$0	\$1,467
Wayne County Comm. College	\$28,880	\$0	(\$27,508)	\$0	\$0	\$1,373
Wayne County Zoo	\$891	\$0	(\$849)	\$0	\$0	\$42
Detroit Institute of Arts	\$1,782	\$0	(\$1,698)	\$0	\$0	\$85
<b>Total</b>	<b>\$1,136,755</b>	<b>(\$139,654)</b>	<b>(\$511,203)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$485,898</b>

<sup>3</sup> Charts courtesy of the DEGC

## **Conclusion**

The estimated total capital investment from the developer for this project is \$3.1 million. It is also estimated that completed project will create 1 FTE, and 100 temporary construction jobs. The total value of the 12 year OPRA tax abatement is estimated at \$511,203.

Based on the investment and jobs, this project is estimated to provide the City of Detroit a net benefit of **\$259,548** and all of the impacted taxing units, a net benefit of **\$485,898** 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  
Katy Trudeau, 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 street view**



**Location map<sup>4</sup>**

<sup>4</sup> Photo and map courtesy of the DEGC



### Renderings<sup>5</sup>

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<sup>5</sup> Renderings 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  
(313) 224-3011 • TTY 711  
(313) 224-9400  
WWW.DETROITMI.GOV

August 22, 2019

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

RE: *Obsolete Property Rehabilitation Certificate – 603 Edsel Ford LLC*  
Property Address: 5918 St. Antoine Street (aka 603 East Edsel Ford Drive)  
Parcel Number: 03001687.

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 5918 St. Antoine Street in the Milwaukee Junction 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.

The proposed project by 603 Edsel Ford LLC is to renovate the three-story, 15,053 square foot, apartment building with a garden level basement built in 1912 on .198 acres of land located at 5918 St. Antoine into 24 residential units. Rehabilitation will include gutting the building, building repairs, new windows, new roof, new mechanical, plumbing and electrical systems, and energy efficient heating, cooling and ventilation systems along with new apartment fixtures. An ADA lift and fire suppression/alarm system may be included if deemed required.

The 2019 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
03001687	5918 St. Antoine	\$ 69,300	\$ 20,153	\$ 55,000	\$ 15,994

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 located in the Milwaukee Junction district is expected to increase commercial activity in the area, create employment, increase the number of residents in the community and revitalize an urban area.

A field investigation indicated that the property located at 5918 St. Antoine Street (aka 603 East Edsel Ford Drive) 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





Obsolete Property Rehabilitation Certificate  
603 Edsel Ford LLC  
Page 2

Property Address: 5916 ST ANTOINE  
Parcel Number: 03001687  
Property Owner: 603 EDESEL FORD LLC  
Legal Description: N EDESEL FORD N 103 FT ON W LINE BG N 55 FT ON E LINE S&E WM H BREARLEYS L8 P3 PLATS, W C R 3/74  
119.58 IRREG

The legal description matches the OPRA district request.

