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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: February 25, 2020

RE: Application for an **Obsolete Property Rehabilitation Certificate** by
Iconic 511, LLC 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.

The developer and owner of the property, Iconic 511, LLC, is requesting the approval of an OPRA certificate to support the “Dream 511” project, which involves the rehabilitation of 511 Woodward for office (approximately 19,207 square feet) and retail (approximately 11,129 square feet) purposes. Dream 511 represents the expansion of a collaboration between The Elia Group and the Downtown Detroit Partnership (DDP), which includes a background in transforming under-utilized downtown parcels into vibrant community parks, restaurants and landmarks.¹

Constructed in 1972, 511 Woodward is a four (4) story glass curtain wall building on three (3) sides with a brick and block center section over the building entry with a block and brick rear side. The building was originally inhabited by various professional offices and a financial institution from 1973 until 2006, when the building was vacated. The building has been vacant

¹ The Elia Group-DDP collaborated to create Parc restaurant, which opened in 2016 in Downtown Detroit: Campus Martius. Additionally, they created The Fountain Detroit, a 340-square-foot restaurant that brought one of the first adaptive reuses of old shipping containers in Detroit to Campus Martius. The partnership is also a driving force in activating Campus Martius as an all-season community gathering space, operating the Rink Side Bar and Arctic Zone concession areas, and providing free live entertainment to visitors and families all year long.

and unutilized since 2006. The Downtown Detroit Partnership (DDP) will occupy approximately 7,584 square feet of office space in the building. The incentives requested for this project, which include a recently approved *brownfield*,² will allow the owner to provide space in the building at a deeply discounted rental rate. The remaining office and retail space are slated for various private users.

A significant number of DDP's Downtown Detroit Business Improvement Zone (BIZ) Clean and Hospitality Ambassadors are referred through "second chance" programs such as Goodwill Industries of Detroit. Correspondingly, DDP provides wraparound services to facilitate the success of this initiative. DDP's landscape vendor utilizes the Greening of Detroit and its training programs. At the request of Mayor Duggan, DDP served as the fiduciary for the launch of the Grow Detroit's Young Talent program.

The building requires significant rehabilitation work, in order to restore it into a modern space, which include, but may not be limited to:

- Replacing the mechanical and electrical systems must be replaced.
- Bringing the elevators up to code.
- Addressing the interior finishes that have been stripped.
- Installing new life safety systems (smoke detectors, fire alarm systems, exit signs and fire sprinklers).
- Installing a new security system.
- Rehabilitating or replacing the windows of the building.
- Replacement of the entire roof of the building.

The Dream 511 project is estimated to produce a minimum of 75 construction jobs, of which one-third are anticipated to be specific to low-income Wayne County residents (according to the Brownfield Plan). The new space will allow for the hiring of approximately 100 new retail and office employees.³ One Property Manager will be hired directly by the new owner.

The total development costs are currently estimated at \$18,061,583. The DEGC has recommended a full-term 12-year OPRA for this project.



Project location⁴

² The 511 Woodward Avenue Brownfield Redevelopment Plan was approved by Council in November 2019. The developer's request, a \$1,564,142 TIF (Tax Increment Financing) reimbursement. (LPD report 11/20/19)

³ 175 total construction and post construction jobs are indicated in both the Brownfield Plan and the OPRA application for this project.

⁴ Map courtesy of the DEGC

DEGC Project Evaluation

Dream 511

Developer: ICONIC-511, LLC

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 Year Term	
Request Type		OPRA Certificate	
Address	511 Woodward		
City Council District	District 6		
Neighborhood	Downtown		
Located in HRD Targeted Area	Yes, Greater Downtown		
Building Use			
Total Rentable Square Footage	30,336		
Commercial Square Footage	19,207		
Retail Square Footage	11,129		
Project Description			
<p>The Dream 511 project includes the rehabilitation of the vacant, blighted building located at 511 Woodward in Downtown Detroit. The Project will produce a minimum of 100 construction jobs, one-third of which are anticipated to be specific to low-income Wayne County residents. Once operational, Dream 511 will become a hub for economic and civic vitality. DDP's headquarters will anchor the space, and support workforce development and creative talent are central to its mission. For example, many of DDP's Downtown Detroit Business Improvement Zone (BIZ) Clean and Hospitality Ambassadors are referred through "second chance" programs such as Goodwill Industries of Detroit, and DDP provides wraparound services to facilitate the success of this initiative. DDP's landscape vendor utilizes the Greening of Detroit and its training programs. DDP served as the fiduciary for the launch of the Grow Detroit's Young Talent program at the request of Mayor Duggan and engages the region's creative talent to perform in Downtown public spaces.</p>			
Rental Breakdown			
Office Tenant - DDP	\$20psf & 7,584sf		
Office Tenant - Others	\$45psf & 4,039-7,584sf		
Retail Tenant	\$47psf & 4,039-7,090sf		
Project Costs			
Total Investment	\$18.0M		
Uses	\$4.6M Acquisition (26%), \$8.9M Hard Construction (51%), \$4.1M Soft Costs (23%)		
Project Benefits (12 years)			
Estimated jobs	100 new FTE, 100 construction jobs		
Estimated city benefits before tax abatement	\$3,778,581		
Total nominal value of OPRA	\$1,032,947		
Less cost of services & utility deductions	\$1,114,685		
Net benefit to city	\$1,630,949		

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

	Amount
Real Property Taxes, before abatement	\$1,225,010
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$522,797
Municipal Income Taxes - Indirect Workers	\$126,002
Municipal Income Taxes - Corporate Income	\$296,821
Municipal Income Taxes - Construction Period	\$89,193
Utility Revenue	\$367,508
Utility Users' Excise Taxes	\$62,002
State Revenue Sharing - Sales Tax	\$440,536
Building Permits and Fees	\$30,000
Miscellaneous Taxes & User Fees	\$618,712
Subtotal Benefits	\$3,778,581
Cost of Providing Municipal Services	(\$747,177)
Cost of Providing Utility Services	(\$367,508)
Subtotal Costs	(\$1,114,685)
Net Benefits	\$2,663,896

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	\$3,778,581	(\$1,114,685)	(\$1,032,947)	\$0	\$0	\$1,630,949
Wayne County	\$419,016	(\$132,392)	(\$247,140)	\$0	\$0	\$39,483
Detroit Public Schools	\$1,565,670	(\$411,204)	(\$399,858)	\$0	\$0	\$754,608
State Education	\$218,865	\$0	\$0	\$0	\$0	\$218,865
Downtown Dev. Authority	\$36,065	\$0	(\$30,411)	\$0	\$0	\$5,654
Wayne RESA	\$148,420	\$0	(\$125,150)	\$0	\$0	\$23,270
Wayne County Comm. College	\$118,216	\$0	(\$99,681)	\$0	\$0	\$18,535
Wayne County Zoo	\$3,648	\$0	(\$3,076)	\$0	\$0	\$572
Detroit Institute of Arts	\$7,295	\$0	(\$6,152)	\$0	\$0	\$1,144
Total	\$6,295,775	(\$1,658,281)	(\$1,944,414)	\$0	\$0	\$2,693,080

Conclusion

The estimated total capital investment from the developer for this project is \$18 million. It is also estimated that the project will create 100 tenant positions, in addition to 75 temporary construction jobs. The total value of the 12 year OPRA tax abatement is estimated at \$1,944,414.

⁵ Charts courtesy of the DEGC

Based on the investment and jobs, this project is estimated to provide the City of Detroit a net benefit of **\$1.63 million** and a net benefit of **\$2.693 million** to all of the impacted taxing units, which is inclusive of **\$754,608** to the *Detroit Public Schools (old)*⁶ over the 12 years of the OPRA abatement.

The legislative body of the qualified local governmental unit may, by resolution, revoke the obsolete property rehabilitation exemption certificate of a facility if it finds that the completion of rehabilitation of the facility has not occurred within the time authorized by the legislative body in the exemption certificate . . . , or that the holder of the obsolete property exemption certificate has not proceeded in good faith with the operation of the rehabilitated facility in a manner consistent with the purposes of this act and in the absence of circumstances that are beyond the control of the holder of the exemption certificate.⁷

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

⁶ The old district — Detroit Public Schools — continues to exist, but only to pay taxes and pay off debt.
<https://chalkbeat.org/posts/detroit/2019/04/11/detroit-school-financial-review-commission-state-control-oversight-nikolai-vitti/>

⁷ OBSOLETE PROPERTY REHABILITATION ACT 146 of 2000, MCL 125.2792 (1)



511 Woodward Avenue

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) 224-3911 • TTY: 711
(313) 224-9400
WWW.DETROITMI.GOV

February 3, 2020

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

Re: **Obsolete Property Rehabilitation Certificate – Iconk 511 LLC**
Property Address: 511 Woodward Avenue
Parcel Number: 03003010.

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 511 Woodward Avenue in the Downtown 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.

Iconk 511 LLC plans to rehabilitate the four-story, 30,240 square foot office building, built in 1972 on .186 acres of land for new commercial and retail tenants. The building has been vacant and unutilized since 2006 and cleared out down to the building structural elements. Rehabilitation will include a new fire suppression system, updating the electrical system, updating the elevators to code, and a new curtain wall and proposed screen wall to provide an energy efficient exterior wall system.

The 2020 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
02001900-9	511 Woodward Ave	\$ 260,200	\$ 280,200	\$ 416,900	\$ 416,900

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 finished project will result bringing increased commercial activity, creating and retaining employment and will revitalize an urban area in the Downtown area.

A field investigation indicated that the property located 511 Woodward 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



Obsolete Property Rehabilitation Certificate
Iconic 511 LLC
Page 2

Address: 511 WOODWARD AVENUE
Parcel Number: 02001900-9
Property Owner: ICONIC 511 LLC
Legal Description: W WOODWARD W 30 FT OF LOTS 58 THRU 62 PLAT OF SEC 2 GOVERNOR & JUDGES PLAN L34 P549
DEEDS, W C R 2/38 270 X 30

