

David Whitaker, Esq.  
Director  
Irvin Corley, Jr.  
Executive Policy Manager  
Marcell R. Todd, Jr.  
Senior City Planner  
Janese Chapman  
Deputy Director

John Alexander  
LaKisha Barclift, Esq.  
M. Rory Bolger, Ph.D., AICP  
Elizabeth Cabot, Esq.  
Tasha Cowen  
Richard Drumb  
George Etheridge  
Deborah Goldstein

# 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

Christopher Gulock, AICP  
Derrick Headd  
Marcel Hurt, Esq.  
Kimani Jeffrey  
Anne Marie Langan  
Jamie Murphy  
Carolyn Nelson  
Kim Newby  
Analine Powers, Ph.D.  
Jennifer Reinhardt  
Sabrina Shockley  
Thomas Stephens, Esq.  
David Teeter  
Theresa Thomas  
Kathryn Lynch Underwood  
Ashley A. Wilson

TO: COUNCIL MEMBERS

FROM: David Whitaker, Director *DW*  
Legislative Policy Division Staff

DATE: February 18, 2020

RE: Application for an **Obsolete Property Rehabilitation Certificate** by  
**Selden AA Third Street Garage, 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 is Selden AA Third Street Garage, LLC, is requesting the approval of an OPRA certificate<sup>1</sup> to support the conversion of the existing 7,701 sq. ft. building at 3960 Third Avenue, into a single retail/restaurant tenant space. The existing building is a vacant one-story garage built in 1927. According to a staff report from the Historic section of the Planning Department, the building's original use was a 50-car capacity garage, constructed of hollow concrete or cement block, and faced with brick.<sup>2</sup>

The building requires significant rehabilitation work, in order to transform it into a modern restaurant space. If approved by Council, some of the rehabilitation will include: replacing the existing torch down roof with new membrane roofing,<sup>3</sup> replacement of the exterior brick, new

---

<sup>1</sup> The OPRA District for Selden AA Third Street Garage, LLC was approved by Council on September 10, 2019.

<sup>2</sup> Planning Department STAFF REPORT: 12-11-2019 MEETING of the Historic Distric Commission, prepared by A. Dye

<sup>3</sup> Membrane roofing is a type of roofing system for buildings and tanks. It is used to create a watertight roof covering to protect the interior of a building. Membrane roofs are most commonly made from synthetic rubber.

windows and doors, a new fire protection system, and a build out of new mechanical and electric rooms.

The project is located in the Willis-Selden Local Historic District.<sup>4</sup> Ideally, the developer has plans to conform to the elements of design, which are specified for the aforementioned historic district in the Willis-Selden Local Historic District section, of the Detroit City Code. The DEGC has recommended a full-term 12-year OPRA for this project.

### DEGC Project Evaluation

#### Checklist 3960 Third

Developer: Selden AA Third Street Garage, LLC

Principal: Jon Carlson

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>Certificate</b>
<b>DEGC Recommendation</b>	<b>12 Years</b>
<b>Location</b>	
Address	3960 3 <sup>rd</sup> Avenue
City Council District	District 6
Neighborhood	Midtown
Located in HRD Targeted Area	Yes, Greater Downtown Study Area
<b>Building Use</b>	
Total Rentable Square Foot	7,500
Retail Square Foot	7,500
<b>Project Description</b>	
<p>This development is the conversion of the existing building at 3960 Third Avenue into a single retail/restaurant tenant space. The existing building is a vacant 1 story auto repair garage built in 1927. There will be significant rehabilitation work done to the building to transform it into a modern restaurant space. Some of the rehabilitation will include: replacing the existing roof, replacement of the exterior brick, new windows and doors, new fire protection system, and build out of mechanical and electric rooms.</p>	
<b>Sources and Uses</b>	
Total Investment	\$2.7MM
Uses	\$1MM Acquisition (36%), \$1.5MM Hard Construction (55%), \$250k Soft Costs (9%)
<b>Project Benefits</b>	
Estimated Jobs	42 FTE, 8 part time
Estimated City benefits before tax abatement	<b>\$1,177,018</b>

<sup>4</sup> Chapter 25, Article II, of the 1984 Detroit City Code was amended by adding Section 25-2-181 to establish the Willis-Selden Local Historic District, and to define the elements of design for the district. - *Effective 10/11/2011*

Total estimated City value of OPRA abatement	\$62,422
Less cost of services & utility deductions	\$447,101
Net Benefit to City	\$667,495

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

	Amount
Real Property Taxes, before abatement	\$83,833
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$324,295
Municipal Income Taxes - Indirect Workers	\$69,450
Municipal Income Taxes - Corporate Income	\$116,354
Municipal Income Taxes - Construction Period	\$0
Utility Revenue	\$72,653
Utility Users' Excise Taxes	\$16,657
State Revenue Sharing - Sales Tax	\$182,607
Building Permits and Fees	\$65,000
Miscellaneous Taxes & User Fees	\$246,169
<b>Subtotal Benefits</b>	<b>\$1,177,018</b>
Cost of Providing Municipal Services	(\$374,448)
Cost of Providing Utility Services	(\$72,653)
<b>Subtotal Costs</b>	<b>(\$447,101)</b>
Net Benefits	\$729,917

**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	\$1,177,018	(\$447,101)	(\$62,422)	\$0	\$0	\$667,495
Wayne County	\$69,353	(\$57,791)	(\$15,282)	\$0	\$0	(\$3,720)
Detroit Public Schools	\$256,041	(\$192,153)	(\$24,721)	\$0	\$0	\$39,167
State Education	\$15,323	\$0	\$0	\$0	\$0	\$15,323
Wayne RESA	\$10,454	\$0	(\$8,194)	\$0	\$0	\$2,260
Wayne County Comm. College	\$8,276	\$0	(\$6,163)	\$0	\$0	\$2,114
Wayne County Zoo	\$255	\$0	(\$190)	\$0	\$0	\$65
Detroit Institute of Arts	\$511	\$0	(\$380)	\$0	\$0	\$130
<b>Total</b>	<b>\$1,537,232</b>	<b>(\$697,045)</b>	<b>(\$117,353)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$722,834</b>

5

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

## Conclusion

The estimated total capital investment from the developer for this project is \$2.7 million.<sup>6</sup> It is also estimated that the project will create 42 full-time and 8 part-time tenant positions, in addition to 30 temporary construction jobs. The total value of the 12 year OPRA tax abatement is estimated at \$117,353.

Based on the investment and jobs, this project is estimated to provide the City of Detroit a net benefit of \$667,495 and all of the impacted taxing units, a net benefit of \$722,834 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.<sup>7</sup>

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

---

<sup>6</sup> Which includes \$1.5M in rehabilitation costs, per the OPRA application.

<sup>7</sup> OBSOLETE PROPERTY REHABILITATION ACT Act 146 of 2000, MCL 125.2792 (1)



**Street view as of October 2019**



**Street view October 2011<sup>8</sup>**

---

<sup>8</sup> Source of photos: Planning Department STAFF REPORT: 12-11-2019 MEETING of the Historic District Commission, prepared by A. Dye

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

January 28, 2020

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

Re: **Obsolete Property Rehabilitation Certificate – Selden AA Third Street Garage LLC**  
Property Address: 3960 Third Ave  
Parcel Number: 04003403.

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 3960 Third in the Midtown 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.

Selden AA Third Street Garage LLC plans to renovate the auto repair garage building that is currently being used for storage of building materials consisting of 7,701 square feet of building area, built in 1927, on .172 acres of land into one retail restaurant tenant space.

The 2020 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
04003403	3960 Third	\$ 82,700	\$ 81,178	\$ 195,200	\$ 191,608

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 developer proposes to renovate the building with installing a new roof membrane, replacing/repairing the exterior bricks, adding new windows and doors, removing all existing interior walls, and upgrading the existing mechanical, electrical and plumbing system along with the installation of fire protection systems. The project is expected to increase commercial activity, create and retain employment, revitalize an urban area and increase the number of residents in the community.

A field investigation indicated that the property located 3960 Third 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  
Selden AA Third Street Garage LLC  
Page 2

Address: 3960 THIRD  
Parcel Number: 04003403.  
Property Owner: SELDEN AA THIRD ST GARAGE LLC  
Legal Description: E THIRD 6 BLK 94 CASS FARM SUB L1 P175-7 PLATS, W C R 4/34 50 X 150

The legal description matches the OPRA district request.

