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TO: COUNCIL MEMBERS  
FROM: David Whitaker, Director  
Legislative Policy Division Staff  
DATE: May 12, 2020  
RE: **POAH DD Sugar Hill, LLC PA 210 Certificate Request**



**Commercial Rehabilitation Act, PA 210 of 2005**

The Commercial Rehabilitation Act, PA 210 of 2005, is a tax incentive for the rehabilitation of commercial property for the primary purpose and use of a commercial business or a multi-family residential facility. The property must be located within an established Commercial Rehabilitation District. Exemptions are approved for a term of 1-10 years, as determined by the local unit of government. The property taxes are based upon the prior year's taxable value.

**POAH DD Sugar Hill, LLC**

POAH DD Sugar Hill, LLC, is the project developer and owner of the property located at 81, 95, 107 and 119 Garfield. POAH DD Sugar Hill LLC, was awarded the opportunity to develop the site through an RFP<sup>1</sup> released by the City of Detroit. The completed project will add approximately 11,000 square feet of rentable commercial/retail space, an estimated 68 apartment units and create 160-178 new on-site parking spaces.<sup>2</sup> The stated benefits of the project include:

- Removal blight & the creation affordable housing
- Providing child care services for the neighborhood
- Creating parking & increasing urban density
- Creation of jobs

This particular PA 210 request involves the commercial portion of the project, the developer will be seeking the approval of a separate NEZ for the residential component of the project.

<sup>1</sup> A request for proposal (RFP) is a business document that announces and provides details about a project, as well as solicits bids from contractors who will help complete the project.

<sup>2</sup> Council may want to ask the developer for clarity on the number of parking spaces.

The total investment in this project is \$36.6 million. The DEGC is recommending a full term 10 year tax abatement for this project.

### DEGC Project Evaluation Checklist

#### Sugar Hill

Developer: POAH DD Sugar Hill LLC

<b>Commercial Rehabilitation Act, PA 210</b> - Provides tax incentives for the rehabilitation of commercial property for the primary purpose and use of commercial activity.	
<b>Request Type</b>	<b>Certificate</b>
<b>DEGC Recommendation</b>	<b>10 Years</b>
<b>Location</b>	
Address	81, 95, 107, & 119 Garfield
City Council District	District 6
Neighborhood	Midtown
<b>Building Use</b>	
Total Rentable Square Foot	74,031
Commercial Square Foot	11,761
Residential Square Foot	62,270
Parking Deck Square Foot	71,980
Parking Spaces	178
<b>Project Description</b>	
<p>The Applicant, POAH DD Sugar Hill LLC, was awarded the opportunity to develop the site through an RFP released by the City of Detroit. The proposed project will remove blight, create affordable housing, provide child care services for the neighborhood, create parking, increase urban density and create jobs. The completed project will add approximately 11,000 square feet of rentable commercial/retail space, an estimated 68 apartment units and create 178 new on-site parking spaces. The product will be a high-quality, sustainable development that the Midtown neighborhood and City of Detroit will be proud of.</p> <p>The subject property will be redeveloped with a 5-story mixed-use development with ground floor commercial/retail space and an estimated 68 residential apartments. The new development will further be supported by a 160-space parking deck, which will be segregated for both residents of the development and public uses. The Project will integrate sustainable design elements including the construction of a green roof and a green alley to the west of the development. Also included in the Project is the revitalization of approximately 3,707 square feet of public right of way along Garfield Street and John R Street. The requested tax incentives are necessary to make the project feasible. The project is challenged by a number of factors including rising construction costs, desire to incorporate affordable (30-60% of AMI) housing, desire to provide parking solutions for the neighborhood and prevailing wage requirements.</p>	
<b>Sources and Uses</b>	
Total Investment	\$36.6M
Uses	\$0.2M Acquisition (1%), \$26.8M Hard Construction (73%), \$9.6M Soft Costs (26%)
<b>Project Benefits</b>	
Estimated Jobs	15 FTE, 132 Construction Employees
Estimated City benefits before tax abatement	<b>\$5,404,698</b>
Total estimated City value of NEZ	<b>\$693,039</b>
Total estimated City Value of PA 210	<b>\$839,697</b>
Less cost of services & utility deductions	<b>\$754,134</b>
Net Benefit to City with abatements	<b>\$3,117,828</b>

**City of Detroit: Benefits, Costs, and Net Benefits Over the Next 15 Years<sup>3</sup>**

	Amount
Real Property Taxes, before abatement	\$1,739,657
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$120,099
Municipal Income Taxes - Indirect Workers	\$44,541
Municipal Income Taxes - Corporate Income	\$54,990
Municipal Income Taxes - Construction Period	\$101,373
Utility Revenue	\$353,938
Utility Users' Excise Taxes	\$14,426
State Revenue Sharing - Sales Tax	\$88,110
Building Permits and Fees	\$143,381
Miscellaneous Taxes & User Fees	\$123,747
<b><u>Subtotal Benefits</u></b>	<b><u>\$2,784,261</u></b>
Cost of Providing Municipal Services	(\$149,442)
Cost of Providing Utility Services	(\$353,938)
<b><u>Subtotal Costs</u></b>	<b><u>(\$503,379)</u></b>
<b>Net Benefits</b>	<b>\$2,280,882</b>

**City of Detroit: Incentive Summary Over the First 15 Years**

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Business Personal Property Tax Abatement	Enter Incentive Description*	Net Benefits After Tax Abatements & Incentives
Year 1	\$362,569	(\$19,499)	(\$75,295)	\$0	\$0	\$267,775
Year 2	\$148,877	(\$30,292)	(\$77,102)	\$0	\$0	\$41,484
Year 3	\$152,255	(\$30,898)	(\$78,952)	\$0	\$0	\$42,405
Year 4	\$155,710	(\$31,516)	(\$80,847)	\$0	\$0	\$43,347
Year 5	\$159,244	(\$32,146)	(\$82,788)	\$0	\$0	\$44,311
Year 6	\$162,859	(\$32,789)	(\$84,775)	\$0	\$0	\$45,295
Year 7	\$166,556	(\$33,445)	(\$86,809)	\$0	\$0	\$46,302
Year 8	\$170,338	(\$34,114)	(\$88,893)	\$0	\$0	\$47,332
Year 9	\$174,206	(\$34,796)	(\$91,026)	\$0	\$0	\$48,384
Year 10	\$178,163	(\$35,492)	(\$93,211)	\$0	\$0	\$49,460
Year 11	\$182,210	(\$36,202)	\$0	\$0	\$0	\$146,008
Year 12	\$186,369	(\$36,926)	\$0	\$0	\$0	\$149,443
Year 13	\$190,603	(\$37,664)	\$0	\$0	\$0	\$152,939
Year 14	\$194,935	(\$38,417)	\$0	\$0	\$0	\$156,518
Year 15	\$199,366	(\$39,186)	\$0	\$0	\$0	\$160,180
<b>Total</b>	<b>\$2,784,261</b>	<b>(\$503,379)</b>	<b>(\$839,697)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,441,185</b>

<sup>3</sup> A 15 year review is used to align the 10-year Commercial Rehabilitation Certificate data with the data for 15 year Neighborhood Enterprise Zone (NEZ), which this developer is also seeking. This approach is taken so that each phase of the project's review lines up with the length of the longer NEZ incentive, for this singular project.

## All Taxing Units: Incentive Summary Over the First 15 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	\$2,784,261	(\$503,379)	(\$839,697)	\$0	\$0	\$1,441,185
Wayne County	\$441,923	(\$27,080)	(\$200,873)	\$0	\$0	\$213,970
Detroit Public Schools	\$1,711,025	(\$99,435)	(\$325,050)	\$0	\$0	\$1,286,540
State Education	\$310,813	\$0	\$0	\$0	\$0	\$310,813
Wayne RESA	\$203,589	\$0	(\$105,214)	\$0	\$0	\$98,375
Wayne County Comm. College	\$167,880	\$0	(\$81,033)	\$0	\$0	\$86,848
Wayne County Zoo	\$5,180	\$0	(\$2,500)	\$0	\$0	\$2,680
Detroit Institute of Arts	\$10,360	\$0	(\$5,001)	\$0	\$0	\$5,360
<b>Total</b>	<b>\$5,635,032</b>	<b>(\$629,894)</b>	<b>(\$1,559,368)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,445,770</b>

### Conclusion

The estimated total capital investment from the developer is approximately **\$36.6 million**. It is estimated that 15 FTE and 32 construction jobs as a result of the project.

Based on the investment and jobs, the project is estimated to provide the City of Detroit a net benefit of **\$1,441,185**, and all of the impacted taxing units, a net benefit of **\$3,445,770** over 15 years, despite the **\$1,559,368 tax abatement** to the developer.

Please contact us if we can be of any further assistance.



Courtesy of City of Detroit

A \$32 million project at Garfield and John R in the Sugar Hill Arts District is expected to bring 84 apartments to Detroit.<sup>4</sup> *(This appears to have been modified since this 2017 report)*

<sup>4</sup> A \$32 million project in Sugar Hill Arts District to bring 84 apartments to Detroit, Crain's Detroit Business, by Kirk Pinho, June 9, 2017 <https://www.craindetroit.com/article/20170609/news/631051/32-million-project-sugar-hill-arts-district-bring-84-apartments-detroit>

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