


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.
Nur Barre
M. Rory Bolger, Ph.D., FAICP
Elizabeth Cabot, Esq.
Tasha Cowan
George Etheridge

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
Kim Newby
Analine Powers, Ph.D.
Jennifer Reinhardt
Rebecca Savage
Sabrina Shockley
Thomas Stephens, Esq.
David Teeter
Theresa Thomas
Kathryn L. Underwood, MUP
Ashley A. Wilson

TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: July 6, 2020

RE: Application for an **Obsolete Property Rehabilitation Certificate by Downtown Hospitality Detroit, 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, commercial housing projects and to return them to the tax rolls.

The project developer and owner of the property is Downtown Hospitality Detroit, LLC. The project is located at 2305 Park, also known as Park Avenue House, a high rise residential building in the Park Avenue Historic District in Downtown Detroit.¹ Built in 1924, 2305 Park was formerly known as the Royal Palm Hotel, is one of three hotels located in the district designed by Louis Kamper,² the other two are the Eddystone and the Park Avenue Hotel. The current plan calls for the restoration of the original Royal Palm name, while redeveloping the thirteen-story brick and masonry hotel with Italian Renaissance features with 175 restored hotel rooms, in addition to a first floor restaurant. If approved by Council, the refurbished building will operate as a four-star hotel, as part of the Tapestry Collection by Hilton.³

¹ It was listed on the National Register of Historic Places in 1996. It should not be confused with the nearby Park Avenue Hotel, which was demolished in 2015.

² Louis Kamper (March 11, 1861 – February 24, 1953) “the architect of Detroit’s Gilded Age.”

³ Tapestry Collection by Hilton was curated due to customer and owner demand for original upscale hotels that cater to guests seeking reliability and value in their independent hotel choices.

<https://newsroom.hilton.com/corporate/news/hilton-launches-its-14th-brand-tapestry-collection-by-hilton>

In addition to the current requested OPRA request, the developer is planning to seek the approval of a Brownfield reimbursement. The estimated investment in the project is **\$48.7 million**.

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

DEGC Project Evaluation Checklist

2305 Park

Owners: Mario Kiezi, Mike Abdulnoor

Consultants: John Hambrick, Adam Hoffman

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 Years
Request Type	Certificate
Location	
Address	2305 Park
City Council District	District 6
Neighborhood	Downtown
Located in NRSA	No
Building Use	
Total Rentable Square Footage	103,040
Hotel Square Footage	95,680
Retail Square Footage	7,360
Project Description	
<p>Formerly known as the Royal Palm Hotel, it is designed by Louis Kamper. Built in 1924, The Royal Palm is a thirteen-story brick and masonry hotel with Italian Renaissance details and is located within the Park Avenue Historic District. The development team is re-introducing The Royal Palm name and the completed project will bring 175 additional hotel rooms to the City of Detroit as well as a ground floor restaurant. The redeveloped hotel will be branded as part of the Tapestry Collection by Hilton, a 4-star hotel positioned as a more affordable version of Curio.</p> <p>The project is expected to bring a minimum of 65 full-time jobs to the City of Detroit. In addition to the added employment to the City of Detroit, the redevelopment of 2305 Park Avenue will restore the structure to its original historic beauty.</p>	
Underwriting	
Internal Rate of Return	10.9% with abatement (9.2% without abatement)
Debt Service Coverage Ratio	1.39x with abatement (1.28x without abatement)
Cash on Cash	7.5% with abatement (5.5% without abatement)
Project Costs	
Total Investment	\$48.7M
Uses	\$13.5M Acquisition (28%), \$22.4M Hard Construction (46%), \$12.8M Soft Costs (26%)
Project Benefits (12 years)	
Estimated jobs	65 FTE, 65 construction jobs
Estimated city benefits before tax abatement	\$5,941,630
Total nominal value of OPRA	\$984,060
Less cost of services & utility deductions	\$2,243,291
Net benefit to city	\$2,714,279

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

	Amount
Real Property Taxes, before abatement	\$2,040,993
Personal Property Taxes, before abatement	\$340,864
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$322,827
Municipal Income Taxes - Indirect Workers	\$74,573
Municipal Income Taxes - Corporate Income	\$192,933
Municipal Income Taxes - Construction Period	\$123,343
Utility Revenue	\$1,755,356
Utility Users' Excise Taxes	\$185,726
State Revenue Sharing - Sales Tax	\$287,686
Building Permits and Fees	\$213,286
Miscellaneous Taxes & User Fees	\$404,042
<u>Subtotal Benefits</u>	<u>\$5,941,630</u>
Cost of Providing Municipal Services	(\$487,935)
Cost of Providing Utility Services	(\$1,755,356)
<u>Subtotal Costs</u>	<u>(\$2,243,291)</u>
Net Benefits	\$3,698,339

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	\$5,941,630	(\$2,243,291)	(\$984,060)	\$0	\$0	\$2,714,279
Wayne County	\$666,961	(\$87,644)	(\$235,408)	\$0	\$0	\$343,908
Detroit Public Schools	\$2,427,548	(\$281,350)	(\$380,934)	\$0	\$0	\$1,765,264
State Education	\$435,833	\$0	\$0	\$0	\$0	\$435,833
Downtown Dev. Authority	\$71,818	\$0	(\$28,971)	\$0	\$0	\$42,847
Wayne RESA	\$279,945	\$0	(\$117,699)	\$0	\$0	\$162,246
Wayne County Comm. College	\$235,408	\$0	(\$94,964)	\$0	\$0	\$140,444
Wayne County Zoo	\$7,264	\$0	(\$2,930)	\$0	\$0	\$4,334
Detroit Institute of Arts	\$14,528	\$0	(\$5,861)	\$0	\$0	\$8,667
Total	\$10,080,935	(\$2,612,285)	(\$1,850,828)	\$0	\$0	\$5,617,822

Conclusion

The estimated total capital investment for this project is **\$48.7 million**. It is also estimated that completed project will create 65 FTEs and 65 temporary construction jobs. The total value of the 12 year OPRA tax abatement is estimated at **\$1,850,828**.⁵

Based on the investment and jobs, this project is also estimated to provide the City of Detroit a net benefit of **\$2,714,279** and all of the impacted taxing units, a net benefit of **\$5,617,822** over the 12 years of the OPRA tax abatement.⁶

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

⁴ Charts courtesy of the DEGC

⁵ Existing Taxes: \$242,788 - New Taxes AFTER Incentive: \$297,247

⁶ According to the DEGC, during the abatement period, the report considers that there will be minimal TIF capture, since nearly all of the capturable mills are abated.



2305 Park⁷

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
Avery Peebles, Mayor's Office
Malinda Jensen, DEGC
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC

⁷ Source: **Historic Park Avenue Hotel sold; renovations planned**
<https://www.detroitnews.com/story/news/local/detroit-city/2019/03/25/historic-park-avenue-hotel-sold-renovations-planned/3266877002/>



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

COLEMAN A. YOUNG MUNICIPAL CENTER
 2 WOODWARD AVE., SUITE 824
 DETROIT, MI 48226
 PHONE: 313•224•3011
 FAX: 313•224•9400

April 16, 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 – Downtown Hospitality Detroit LLC**
 Property Address: 2305 Park
 Parcel Number: 02000469.

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 **2305 Park** in the **Foxtown** area of 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.

Downtown Hospitality Detroit LLC plans to rehabilitate the thirteen-story, 104,157 square foot apartment building, built in 1924 on .170 acres of land formerly known as the Royal Palm Hotel and currently known as Park Avenue House. Rehabilitation of the historic building will include transforming the apartment building to be branded at the Tapestry Collection by Hilton into a 175-room hotel with a first floor café and a bar/restaurant. Rehabilitation will include interior demolition, new mechanical, new HVAC, new plumbing and electrical, new elevators, elevator shaft and pit repair, masonry work, roofing patio pavers and terrace pavers and fire protection systems.

The 2020 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
02000469.	2305 Park	\$ 2,510,600	\$ 2,510,600	\$ 321,500	\$ 321,500

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

A field investigation indicated that the property located at **2305 Park** 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
Downtown Hospitality Detroit LLC
Page 2

Property Address: 2305 PARK
Parcel Number: 02000469.
Property Owner: DOWNTOWN HOSPITALITY DETROIT LLC
Legal Description: N MONTCALM 35-36 LOTHROPS SUB L39 P430 DEEDS, W C R 2/46 80 X 92.5

The legal description matches the OPRA certificate request.

