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TO: COUNCIL MEMBERS
FROM: David Whitaker, Director 
Legislative Policy Division Staff
DATE: July 6, 2020
RE: **Merrill Development, 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.

Merrill Development, LLC

Merrill Development, LLC, is the project developer and owner of the property located at 1312 Seward. The project, Merrill Place II, a 27-unit development consisting of 18 two-bedroom apartments and 9 one-bedroom apartments, is adjacent to Merrill Place I, which was developed in 2006 as a 6-unit rehab of rental townhomes

The current project, if approved by Council, will be a ground up new construction housing project. The planned allocation of its rental units are as follows:

Rental Summary

Total Units	27 units, <u>9 affordable</u> (33.3%)
1 Bedroom Affordable	9 units total; 3 Units at 80% AMI + 6 Units at 50% AMI
2 Bedroom Market Rate	18 units, 885sf, \$1,791/mo

The project is estimated to create 0 FTEs and 50 temporary construction jobs. The total estimated investment in the project is \$6.8 million.

The DEGC has recommended a full-term 10 year PA 210 tax abatement.

DEGC Project Evaluation Checklist
Merrill Place Phase II
Developer: Sauda Ahmad-Green

Commercial Rehabilitation Act, PA 210 of 2005 as amended – current taxes frozen at pre-rehab values, local taxes abated for up to 10 years	
DEGC Recommendation	Approval of PA 210 Certificate – 10 Yr Term
Request Type	Certificate
Location	
Address	1312 Seward
City Council District	District 5
Neighborhood	Virginia Park
Located in HRD Targeted Area	Yes, Greater Downtown
Building Use	
Total Rentable Square Footage	25,000
Residential Square Footage	25,000
Project Description	
<p>The Developer began development in 2006 with the adjacent Merrill Place I, which is a 6-unit rehab into rental townhomes. The Developer intends to complete Merrill Place II, which is a 27-unit development consisting of 18 two-bedroom apartments and 9 one-bedroom apartments. The Developer is a graduate of the first cohort of Capital Impact’s Equitable Developer program. The Developer is receiving both assistance and financing from Invest Detroit and Capital Impact Partners. The Developer hopes to begin construction in 2020. Both new buildings will make a crucial contribution to the neighborhood's aesthetic cohesiveness, economic vitality, and community identity. As this will be the immediate hospital system area’s first new construction multi-family development in over a decade, Merrill Place II will contribute to the overall massing of the area, bridging the gap between the neighborhood to the North and the activity of West Grand Boulevard.</p>	
Rental Breakdown	
Total Units	27 units, 9 affordable
1 Bedroom Affordable	9 units total; 3 Units at 80% AMI + 6 Units at 50% AMI
2 Bedroom Market	18 units, 885sf, \$1,791/mo
Project Costs	
Total Investment	\$6.8M
Uses	\$25k Acquisition (1%), \$5.3M Hard Construction (78%), \$1.5M Soft Costs (22%)
Project Benefits (10 years)	
Estimated jobs	0 FTE, 50 construction jobs
Estimated city benefits before tax abatement	\$725,483
Total nominal value of PA 210	\$275,793

Less cost of services & utility deductions	\$136,006
Net benefit to city	\$313,684

City of Detroit: Incentive Summary Over the First 10 Years

	Amount
Real Property Taxes, before abatement	\$278,918
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$0
Municipal Income Taxes - Indirect Workers	\$0
Municipal Income Taxes - Corporate Income	\$0
Municipal Income Taxes - Construction Period	\$42,519
Municipal Income Taxes - New Res. Inhabitants	\$192,548
Utility Revenue	\$136,006
Utility Users' Excise Taxes	\$2,956
State Revenue Sharing - Sales Tax	\$0
Building Permits and Fees	\$72,535
Miscellaneous Taxes & User Fees	\$0
<u>Subtotal Benefits</u>	<u>\$725,483</u>
Cost of Providing Municipal Services	\$0
Cost of Providing Utility Services	(\$136,006)
<u>Subtotal Costs</u>	<u>(\$136,006)</u>
Net Benefits	\$589,477

All Taxing Units: Incentive Summary Over the First 10 Years

City of Detroit	\$725,483	(\$136,006)	(\$275,793)	\$0	\$0	\$313,684
Wayne County	\$66,723	\$0	(\$65,976)	\$0	\$0	\$748
Detroit Public Schools	\$257,468	\$0	(\$106,760)	\$0	\$0	\$150,707
State Education	\$49,833	\$0	\$0	\$0	\$0	\$49,833
Wayne RESA	\$35,025	\$0	(\$34,632)	\$0	\$0	\$392
Wayne County Comm. College	\$26,916	\$0	(\$26,615)	\$0	\$0	\$302
Wayne County Zoo	\$831	\$0	(\$821)	\$0	\$0	\$9
Detroit Institute of Arts	\$1,661	\$0	(\$1,642)	\$0	\$0	\$19
Total	\$1,163,940	(\$136,006)	(\$512,239)	\$0	\$0	\$515,694

Conclusion

The estimated total capital investment from the developer is approximately **\$6.8 million**. It is also estimated that 0 FTE and 50 construction jobs¹ will be created as a result of the project. *Council may want to ask the developer why it has a \$10,026,000 estimated cost of rehabilitation in Merrill Development, LLC's amended application.*

Based on the investment and jobs, the project is estimated to provide the City of Detroit a net benefit of **\$313,684**, and all of the impacted taxing units, a net benefit of **\$515,694** over 10 years,² despite the **\$512,239 tax abatement** to the developer.

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

¹ Merrill Development, LLC has submitted a revised application with 70 temporary construction jobs.

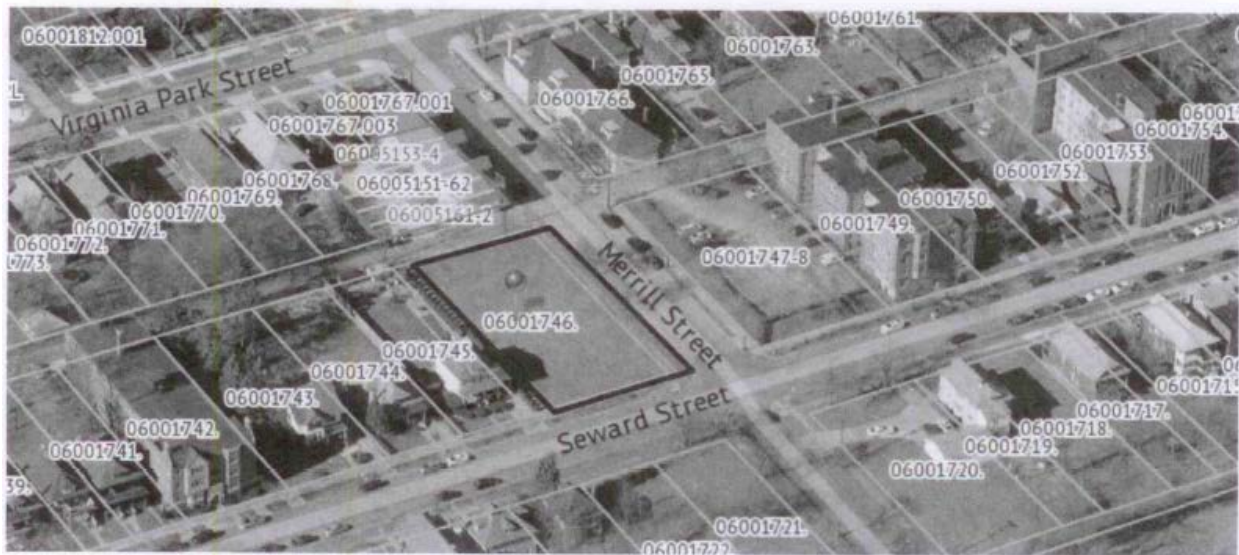
² Existing Taxes: \$344 - New Taxes AFTER Incentive: \$18,344

Property Owner: MERRILL DEVELOPMENT LLC

Property Address: 1312 SEWARD

Parcel Number: 06001746.

Legal Description: N SEWARD E 3 FT 3 2-1 BLK 13 BECKS SUB L4 P59 PLATS, W C R 6/109 96.50 X 175.22



1312 Seward³

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

³ Source: Assessor's Letter of April 17, 2020



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 17, 2020

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

RE: Commercial Rehabilitation Certificate – **Merrill Development LLC (under the umbrella of S&S Development LLC)**
 Property Address: 1312 Seward
 Parcels Number: 06001746.

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the Commercial Rehabilitation certificate application for the properties located at **1312 Seward** in the near the **Virginia Park** area in the City of Detroit.

The rationale for issuing Commercial Rehabilitation certificates under PA 210 of 2005, 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 property consists of a commercial vacant lot on .390 acres of land. The developer, Merrill Development LLC, plans to construct a 27-unit multi-family building with approximately 25,000 square feet having a mix of (18) 2-bedroom units and (9) 1-bedrooms. The new construction of the complex is expected to increase commercial activity in the area, prevent loss of employment, revitalize the urban area and increase the number of residents in the city.

The 2020 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
06001746	1312 Seward	\$ -	\$ -	\$ 3,300	\$ 3,300

This property meets the criteria set forth under PA 210 of 2005, as amended. It applies to a building or a group of contiguous buildings, a portion of a building or group of contiguous buildings previously used for commercial or industrial purposes, obsolete industrial property, and vacant property which, within the immediately preceding 15 years, was operating as a commercial business enterprise.

A review of the general plans, along with the criteria set forth under the Commercial Rehabilitation Act, indicated that the proposed project located at **1312 Seward** is eligible as it pertains to the Commercial Rehabilitation certificate criteria under P.A. 210 of 2005, as amended.

Sincerely,

Charles Ericson, MMAO
 Assessor, Board of Assessors

mmp



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OFFICE OF THE CHIEF FINANCIAL OFFICER
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Commercial Rehabilitation Certificate
Merrill Development LLC
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