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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director   
Legislative Policy Division Staff

DATE: July 1, 2020

RE: Application for an **Obsolete Property Rehabilitation Certificate** by  
**Riopelle Market Development LP** 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.

**Riopelle Market Development LP**

The project developer and owner of the property is Riopelle Market Development LP.<sup>1</sup> The project is located at 3500 Riopelle, which consists of a 1-story warehouse with 105,544 square feet of building area and a 1-story warehouse with 2,000 square feet of building area, built in 1930, on 6.163 acres of land. The proposed project consists of rehabbing the 105,544 square foot building into 66,910 square feet of flexible commercial/office space, 12,235 square feet of food accelerator space, 16,680 square feet of restaurant space and 16,977 square feet of common area/special event space with a 3,355 panel 1,107 kilowatt (kW)<sup>2</sup> solar array panel on the roof.

<sup>1</sup> A limited partnership (LP)—not to be confused with a limited liability partnership (LLP)—is a partnership made up of two or more partners. The general partner oversees and runs the business while limited partners do not partake in managing the business. However, the general partner has unlimited liability for the debt, and any limited partners have limited liability up to the amount of their investment.

<https://www.investopedia.com/terms/l/limitedpartnership.asp>

<sup>2</sup> One kilowatt (kW) is equal to 1000 watts (W)

The other 2,000 square foot building will be demolished and converted to a parking lot to accommodate 370 on-site parking stalls.

The project has been named The Mosaic, to reflect the mix of tenants, which will include the Eastern Market Corporation that will lease approximately 13,785 square feet of space in the building to serve as their food accelerator and to provide space for local food-related entrepreneurs to grow their business in a collaborative and supportive environment. Other building tenants may include a restaurant and/or brew pub, retailers and office users. The property will anchor its corner of the Eastern Market neighborhood with a mix of indoor/outdoor spaces and commercial and retail spaces, to ideally invite additional investment to the area.

Upon its completion, the project is estimated to create 140 full-time employees (FTEs) and 260 temporary construction jobs. The estimated investment in the project is **\$24.1 million**.

In addition to the current requested OPRA incentive, in November of 2019, the Detroit City Council approved a \$6,059,937 Brownfield TIF<sup>3</sup> reimbursement to the developer Mosaic Eastern Market Brownfield Redevelopment Plan.<sup>4</sup>

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

**DEGC Project Evaluation Checklist**

**The Mosaic**

**Developer:** Riopelle Market Development LP (Ventra & Halcor)

**Principle:** George Jackson and Brian Powell

Obsolete Property Rehabilitation Act, <b>PA 146 of 2000 as amended</b> – Current taxes frozen at pre-rehab construction values, local taxes abated for up to 12 years	
<b>DEGC Recommendation</b>	
<b>Request Type</b>	<b>Certificate</b>
<b>Location</b>	
Address	3500 Riopelle
City Council District	District 5
Neighborhood	Eastern Market
<b>Building Use</b>	
Total Rentable Square Footage	92,085
Retail / Restaurant Square Footage	27,620
Commercial Square Footage	50,680
Other Square Footage	13,785
<b>Project Description</b>	
The project has been named The Mosaic to reflect the mix of tenants, indoor/outdoor spaces and commercial and retail spaces. The property will anchor this corner of the Eastern Market neighborhood and invite additional investment to follow Eastern Market Corporation will lease approximately 13,785 square feet of space in the building to serve as their food accelerator - providing a space for local food-related entrepreneurs to grow their business in a collaborative and supportive environment. Other building tenants may include a restaurant and/or brew pub, retailers and office users. The Mosaic will also be an example of green energy generation with the	

<sup>3</sup> Tax Increment Financing (TIF) subsidizes an entity by refunding or diverting a portion of their taxes to help finance development in an area or on a project site.

<sup>4</sup> 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.

anticipated installation of an approximately 3,355-panel 1,107 kilowatt solar array on the roof.

Investor financing still in place. Anticipated signing of LOIs have been delayed. Developers were clearing site of debris and about to start construction when State order to shelter in place was issued. Construction has resumed.

<b>Project Costs</b>	
Total Investment	\$24.1 M
Uses	\$0.7M Acquisition (3%), \$17.5M Hard Construction (73%), \$5.9M Soft Costs (24%)
<b>Project Benefits (12 years)</b>	
Estimated jobs	140 FTE, 260 construction jobs
Estimated city benefits before tax abatement	<b>\$4,937,779</b>
Total nominal value of OPRA	<b>\$1,244,278</b>
Less cost of services & utility deductions	<b>\$1,350,979</b>
Net benefit to city	<b>\$2,342,522</b>

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

	Amount
Real Property Taxes, before abatement	\$1,382,016
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$845,030
Municipal Income Taxes - Indirect Workers	\$229,881
Municipal Income Taxes - Corporate Income	\$356,372
Municipal Income Taxes - Construction Period	\$162,387
Utility Revenue	\$396,557
Utility Users' Excise Taxes	\$60,135
State Revenue Sharing - Sales Tax	\$562,727
Building Permits and Fees	\$152,350
Miscellaneous Taxes & User Fees	\$790,324
<b>Subtotal Benefits</b>	<b>\$4,937,779</b>
Cost of Providing Municipal Services	(\$954,422)
Cost of Providing Utility Services	(\$396,557)
<b>Subtotal Costs</b>	<b>(\$1,350,979)</b>
Net Benefits	\$3,586,800

### 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	\$4,937,779	(\$1,350,979)	(\$1,244,278)	\$0	\$0	\$2,342,522
Wayne County	\$492,315	(\$169,440)	(\$297,658)	\$0	\$0	\$25,217
Detroit Public Schools	\$1,841,914	(\$533,388)	(\$481,665)	\$0	\$0	\$826,862
State Education	\$247,322	\$0	\$0	\$0	\$0	\$247,322
Wayne RESA	\$167,436	\$0	(\$151,128)	\$0	\$0	\$16,307
Wayne County Comm. College	\$133,587	\$0	(\$120,075)	\$0	\$0	\$13,511
Wayne County Zoo	\$4,122	\$0	(\$3,705)	\$0	\$0	\$417
Detroit Institute of Arts	\$8,244	\$0	(\$7,410)	\$0	\$0	\$834
<b>Total</b>	<b>\$7,832,718</b>	<b>(\$2,053,806)</b>	<b>(\$2,305,921)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,472,991</b>

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

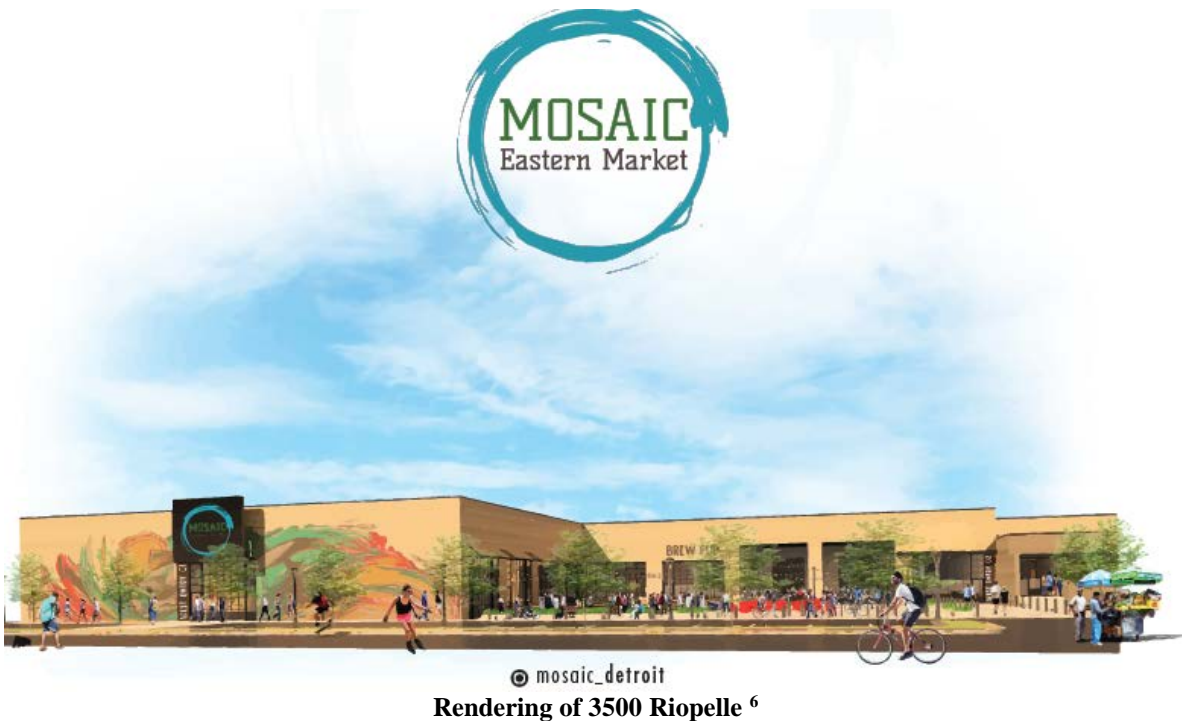
## Conclusion

The estimated total capital investment from the developer for this project is **\$24.1 million**. It is also estimated that completed project will create 140 FTEs and 260 temporary construction jobs. The total value of the 12 year OPRA tax abatement is estimated at **\$2,305,921**.

Based on the investment and jobs, this project is estimated to provide the City of Detroit a net benefit of **\$2,342,522** and all of the impacted taxing units, a net benefit of **\$3,472,991** over the 12 years of the OPRA abatement.

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



<sup>6</sup> Source: 3500 Riopelle, Detroit, Mosaic\_CustomFlyer\_Final.pdf  
<https://listingsprod.blob.core.windows.net/ourlistings-usa/1a11520e-ac44-431c-8730-b0d9bb864839/0f44dce0-9a06-4416-8f55-3806f55e110b>

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 AVE., SUITE 824  
 DETROIT, MI 48226  
 PHONE: 313•224•3011  
 FAX: 313•224•9400

May 12, 2020

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

Re: **Obsolete Property Rehabilitation Certificate – Riopelle Market Development LP**  
 Addresses: 3500 Riopelle  
 Parcel Number: 07001978-82

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed Obsolete Property Rehabilitation Certificate for the property located at **3500 Riopelle** located in **Eastern Market** area of the City of Detroit.

The rationale for 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.

The 2020 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
07001978-82	3500 Riopelle	\$ 122,300	\$ 122,300	\$ 194,500	\$ 194,500

The project as proposed by the **Riopelle Market Development LP** consists of a 1-story warehouse with 105,544 square feet of building area and a 1-story warehouse with 2,000 square feet of building area, built in 1930, on 6.163 acres of land. The proposed project consists of rehabilitating the 105,544 square foot building into 66,910 square feet of flexible commercial/office space, 12,235 square feet of food accelerator space, 16,680 square feet of restaurant space and 16,977 square feet of common area/special event space with a 3,355 panel 1,107 kw solar array on the roof. The building will undergo major renovations including window replacement, floor replacement, roof replacement, all major mechanical, plumbing and electrical systems replacement, and installation of new furniture and fixtures. The other 2,000 square foot building will be demolished and converted to a parking lot to accommodate 370 on-site parking stalls.

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. Rehabilitation also includes major renovation and modification including, but not necessarily limited to, the improvement of floor loads, correction of deficient or excessive height, new or improved fixed building equipment, including heating, ventilation, and lighting, reducing multistory facilities to 1 or 2 stories, adding additional stories



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Obsolete Property Rehabilitation Certificate  
Riopelle Market Development LP – 3500 Riopelle  
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to a facility or adding additional space on the same floor level not to exceed 100% of the existing floor space on that floor level, improved structural support including foundations, improved roof structure and cover, floor replacement, improved wall placement, improved exterior and interior appearance of buildings, and other physical changes required to restore or change the obsolete property to an economically efficient condition.

A field investigation indicated that the proposed Obsolete Property Rehabilitation Certificate for the property located at **3500 Riopelle** 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