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City of Detroit

CITY COUNCIL

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TO: COUNCIL MEMBERS
FROM: David Whitaker, Director 
Legislative Policy Division Staff
DATE: October 21, 2020
RE: **6600 MTE Holdings, LLC Public Act 198 Certificate Request**

Industrial Facility Abatements (Public Act 198 of 1974)

Public Act 198 of 1974, as amended, is the primary tool local units of government use as an incentive to renovate and expand manufacturing plants or to build new plants. The local legislative body grants the abatement, which reduces local property taxes by roughly 50% on new plants. In the case of a rehabilitation project, the obsolete State Equalized Value (SEV) is frozen and the investment on improvements is 100% exempt from property taxes. Abatements cover both real and personal property and can run from one to twelve years at the option of the local unit of government.

6600 MTE Holdings, LLC

The project developer, 6600 MTE Holdings, LLC,¹ plans to rehabilitate and develop a 307,000 sq. ft. light manufacturing facility, located at 6600 Mt. Elliot, into a warehousing, distribution and logistics facility. The developer is requesting assistance with the approval of an Industrial Facilities Exemption Certificate (IFEC).² Initially, the building was constructed in 1910 with several additions incorporated between 1910 and 1948. The proposed rehabilitation would include roof repairs, new interior & exterior lighting, exterior façade repairs as well as upgraded mechanical systems, office upgrades, new locker rooms and mechanical doors & docks within the existing building, for re-use and re-occupancy.

¹ 6600 Mte Holdings, LLC is a Michigan Domestic Limited-Liability Company filed on May 1, 2020.

² An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years.

DEGC Fact Sheet
6600 Mt Elliot
Developer: Christos Moisides

Industrial Facilities Exemption, PA 198 of 1974 as amended - Plant Rehabilitation District – current taxes frozen at pre-rehab values, improvements not taxed for up to 12 years. Developer still pays tax increases on land value.	
DEGC Recommendation	PA 198 Certificate – 12 Years
Deal Snapshot	
Property Size	14 acres; 609k SqFt
Proposed Development	Existing 307k SqFt structure with 261k SqFt leasable
Current Property Ownership	Developer Owned
Construction Timeline	Break Ground: Fall 2020 Construction Completion: Fall 2021
Estimated Jobs & Average Salary	53 Jobs; \$44,000 annual salary (equivalent to \$21/hr)
Estimated Net Benefit to City (12-year analysis)	\$1.2 million (mainly income tax generation revenue)
Project Description	
<p>The proposed project would include rehabilitation and extensive repair to the current building for reuse of primarily warehousing and distribution/logistics consistent with the definition of a qualified commercial activity as defined by Public Act 198. Portions of the current building were constructed by 1910 with various additions added between 1910 and 1948. Over the years the property has suffered deferred maintenance, severely reducing its usage. The property was last occupied by International Specialty Tube which closed its operations in this location in 2017. The property has been vacant since with little activity since 2014. The proposed rehabilitation would include roof repairs, interior/exterior lighting, exterior façade repairs as well as upgraded mechanical systems, office upgrades, locker rooms and mechanical doors and docks within the existing building for re-use and re-occupancy. The immediate neighborhood is characterized by industrial use. Therefore, by successfully repurposing the existing building facilitates reuse that prevents new construction of industrial/warehousing use on greenfield space. It will also provide a new, clean frontage to Mt. Elliot. The developer is facing fierce competition in securing tenants. Specifically, the project is competing with Ohio, Indiana, and Pennsylvania. Securing the tax abatement will ensure the developer is able to rehabilitate the currently vacant building and secure tenants/future jobs in Detroit, Michigan.</p>	
Project Costs	
Total Investment	\$7.7M (\$107/PSF)
Uses	\$4.1M Acquisition (54%), \$3.1M Hard Construction (40%), \$425K Soft Costs (6%)

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

	Amount
Real Property Taxes, before abatement	\$1,627,741
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$24,856
Municipal Income Taxes - Indirect Workers	\$6,129
Municipal Income Taxes - Corporate Income	\$9,053
Municipal Income Taxes - Construction Period	\$20,399
Utility Revenue	\$21,368
Utility Users' Excise Taxes	\$3,838
State Revenue Sharing - Sales Tax	\$14,763
Building Permits and Fees	\$20,000
Miscellaneous Taxes & User Fees	\$20,734
<u>Subtotal Benefits</u>	<u>\$1,768,882</u>
Cost of Providing Municipal Services	(\$25,039)
Cost of Providing Utility Services	(\$21,368)
<u>Subtotal Costs</u>	<u>(\$46,407)</u>
Net Benefits	\$1,722,475

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	\$1,768,882	(\$46,407)	(\$1,304,889)	\$0	\$0	\$417,586
Wayne County	\$397,417	(\$4,458)	(\$312,157)	\$0	\$0	\$80,801
Detroit Public Schools	\$1,541,861	(\$23,386)	(\$1,204,535)	\$0	\$0	\$313,940
State Education	\$293,638	\$0	(\$233,136)	\$0	\$0	\$60,502
Wayne RESA	\$194,770	\$0	(\$158,490)	\$0	\$0	\$36,280
Wayne County Comm. College	\$158,604	\$0	(\$125,924)	\$0	\$0	\$32,679
Wayne County Zoo	\$4,894	\$0	(\$3,886)	\$0	\$0	\$1,008
Detroit Institute of Arts	\$9,788	\$0	(\$7,771)	\$0	\$0	\$2,017
Total	\$4,369,853	(\$74,251)	(\$3,350,788)	\$0	\$0	\$944,813

Charts courtesy of the DEGC

Conclusion

The estimated total investment is approximately \$7.7 million. The developer has committed to create 3 FTE's³ in addition to 30 temporary construction jobs and 50 tenant positions. The total value of the twelve-year PA 198 tax abatement is estimated at **\$3,350,788**.⁴

Based on the investment and jobs, the new industrial operation is projected to provide the City of Detroit a net benefit of **\$417,586**⁵ and all of the impacted taxing units, a net benefit of **\$944,813**⁶ over the 12 years of the PA 198 abatement, which is inclusive of a net benefit of **\$313,940**⁷ to the Detroit Public Schools (DPS old). *Initially, the developer submitted an application indicating 53 employees would be hired. However, its enforceable contract with the City, specifies 3 direct hires, thereby leaving 50 tenant positions, this issue is addressed by CRIO.*⁸ *Initially, we were going to request that the developer complete a new application, but CRIO has secured a tenant employment plan with the developer, which the developer has committed to the department's seven Detroit Resident Hiring Commitments (attached) for the hiring of the 50 tenant positions. Therefore, the developer has committed to make good faith efforts to accomplish the goal of securing the aforementioned 50 tenant positions.*

The City's IFEC tax abatement contract with 6600 MTE Holdings, LLC, based on the provisions in PA 198, allow for revocation and or clawbacks, if the written promises made by 6600 MTE Holdings, LLC, the recipient of said tax abatement are not met.⁹ The current proposed project, subject to Council approval, is bound by the provisions of PA 198.

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

³ 6600 MTE Holdings, LLC IFEC application has a jobs commitment of 53 positions and create 3 jobs within two years, to its current position of committing to 3 jobs created. 6600 MTE Holdings, LLC's enforceable IFEC contract with the City reflects 3 positions. The remaining 50 positions are tenant jobs.

⁴ **Existing Annual Taxes: \$72,764 - New Annual Taxes AFTER Incentive: \$81,634**

⁵ DEGC reviewed the project initially with 53 employees, instead of 3, with a Net Benefit to the City of Detroit in the amount of **\$1,168,322**. **However, this will be the impact if the 50 tenant jobs are filled.**

⁶ DEGC reviewed the project initially with 53 employees, instead of 3, with a Net Benefit to the Detroit Public Schools (DPS old) in the amount of **\$326,873**. **However, this will be the impact if the 50 tenant jobs are filled.**

⁷ DEGC reviewed the project initially with 53 employees, instead of 3, with a Net Benefit to the Impacted Taxing Units in the amount of **\$1,168,322**. **However, this will be the impact if the 50 tenant jobs are filled.**

⁸ Civil Rights, Inclusion and Opportunity Department (CRIO)

⁹MCL 207.572 (1)

Attachments: **Assessor's letter dated October 7, 2020**
CRIO Employment Clearance- signed October 20, 2020

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



6600 Mt. Elliot¹⁰

¹⁰ Photo: <https://www.commercialexchange.com/property/5d87c4b597f5390001af7d81/photos>



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

October 7, 2020

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

Re: **Industrial Facilities Tax Exemption (PRD) Certificate – 6600 MTE Holdings LLC**
 Address: 6660 Mt Elliott
 Parcel 15014140.

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the application by **6600 MTE Holdings LLC** for approval of an Industrial Facilities Tax (IFT) Plant Rehabilitation District (PRD) certificate as it relates to the Plant Rehabilitation and Industrial Development District Act, PA 198 of 1974, as amended.

The rationale for approving IFT PRD certificates under PA 198 of 1974, as amended, is based upon the anticipation that the subsequent tax abatement will benefit the city and that expansion, retention, or location of an eligible business will not occur without this exemption. PA 198 of 1974, as amended, also provides a tax incentive to manufacturers in order to enable renovation, restoration, and expansion of aging facilities, building of new facilities, and to promote establishment of high tech facilities. "Restoration" means changes to obsolete industrial property other than replacement as may be required to restore the property, together with all appurtenances to the property, to an economically efficient functional condition.

The 2020 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
15014140.	6660 Mt Elliott	\$ 1,960,500	\$ 757,909	\$ 163,400	\$ 63,169

6600 MTE Holdings LLC plans to rehabilitate and repair a 307,000 sq.ft light manufacturing and warehousing structure built in 1910-1948 into a warehousing, distribution, and logistics center, with a total investment of \$3,000,000 in real property improvements. The completed project is expected to create 53 employees.

A review of the application and statutory requirements indicates that the property located at **6660 Mt Elliott** is eligible for the IFT PRD certificate as outlined under PA 198 of 1974, as amended.

Sincerely,

Charles Ericson, MMAO
 Assessor, Board of Assessors



Civil Rights, Inclusion
and Opportunity

COLEMAN A. YOUNG MUNICIPAL CENTER
2 WOODWARD AVENUE, SUITE 1240
DETROIT, MICHIGAN 48226
PHONE: 313.224.4950
FAX: 313.224.3434

Decision Regarding Employment Clearance for Tax Abatement

Date: 10.12.20

Tax Abatement Type: Industrial Facilities Exemption (PA 198)

New Renewal

Duration of Abatement: 12 years

Development: 6600 Mt. Elliot Redevelopment

Parcel/Facility Address: 6600 Mt. Elliot

Applicant/Recipient: 6600 MTE Holdings, LLC

Applicant Contact: Elizabeth Masserang

(248)414-1441

masserang@pmenv.com

Post-Construction Employment Commitments

Developer Occupied Tenant Occupied

Total Employment: 50

Detroit Resident: Attached Employment Plan

Detroit Resident Hiring Strategies:

See Attached Employment Plan

The Applicant/Recipient has provided the Civil Rights, Inclusion and Opportunity Department required information in accordance with specific current and future employment data and commitments as part of a tax abatement agreement with the City of Detroit.

Therefore my signature below grants **Approval** of the above tax abatement application/renewal based upon annual reports to and appraisals by this agency of the recipient's employment measures projected and achieved for the duration of the abatement.

Charity Dean
Director, Civil Rights Inclusion and Opportunity

10/20/20

Date



Civil Rights, Inclusion
and Opportunity

COLEMAN A. YOUNG MUNICIPAL CENTER
2 WOODWARD AVENUE, SUITE 1240
DETROIT, MICHIGAN 48226
PHONE: 313.224.4950
FAX: 313.224.3434

Detroit Resident Priority Hiring for Tax Abatement

This agreement evidences priority to hire Detroit Residents at this facility, as stated in the tax abatement agreement. Complete the following based on the **agreement to commit to all seven of the Detroit Resident Priority Hiring Commitments**

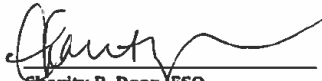
Please check the box that applies:

Developer Occupied Tenant Occupied

On 10/20/2020 (Date), Christos Moises (Name), acting on behalf of 6600 MTF Holdings, LLC (Company) agrees to the following for the life of the PA 198 (Tax Abatement) that is approved for 12 (Years):

1. Use Detroit at Work as the company's priority staffing partner for all openings in Detroit for the life of the local incentive.
2. Develop and implement a Detroit at Work Staffing Plan in partnership with the company's Detroit at Work Staffing Consultant.
3. Post all Detroit job openings through Detroit at Work.com;
4. Ban the Box: Commits to removing the felony and/or misdemeanor question from the employment application, and agrees to using a background-friendly approach to hiring new employees in Detroit; and,
5. Modify pre-employment screening and testing so that an applicant who tests positive for a legalized substance in the State of Michigan are not disqualified from the hiring process, to the extent permissible under applicable laws, regulations, and other legal requirements.
6. Commit to an agreed-upon priority hiring window for all new positions in Detroit-at the inception of the agreement, and give priority to Detroiters for all positions that must be backfilled (following attrition) in Detroit for the life of the local incentives;
7. Commit to attending a New Employer Introduction meeting for Grow Detroit's Young Talent (GDYT), Detroit's summer youth employment program, in the first 90 days following approval

Respectfully,


Charity R. Dean, ESQ.
Director
Civil Rights, Inclusion, and Opportunity

Nicole Sherard-Freeman
Executive Director
Workforce Development / Detroit at Work
City of Detroit


Developer