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City of Detroit

CITY COUNCIL

LEGISLATIVE POLICY DIVISION
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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: October 7, 2020

RE: **Cass Parking Garage 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.

Cass Parking Garage LLC

Cass Parking Garage LLC, an entity of Basco Detroit,¹ the project developer plans to completely restore and modernize the ten-story, 160,000 square foot existing parking structure built in 1928, at intersection of Cass Avenue and Lafayette Boulevard in Downtown Detroit. The restoration and modernization of the parking garage includes enlarging the parking footprint to around 420² parking spaces and ground floor retail. This project is considered an integral component of Basco's projects located at 607 Shelby, 751 Griswold, 220 West Congress, and 44 Michigan, all of which require parking for its tenants.

Currently, the parking structure suffers from deferred maintenance by the previous owner. If approved by Council, the project will include repairs to the structure, elevator, roof and operation equipment. Also to be included are interior demolition and remediation, asbestos abatement, interior HVAC demolition and reinstallation, exterior renovation, floor replacement, new fire suppression systems and structural steel support repairs.

¹ Basco is a Detroit-based, innovative owner-developer focused on constructing creative communities through adaptive-reuse of historic structures and infill development in mixed-use neighborhoods throughout Southeast Michigan. <https://bascomi.com/mission/>

² According to its website, Basco will provide 420 parking spaces. <https://bascomi.com/portfolio/1009cass/>

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

DEGC Project Evaluation Checklist

1009 Cass

Developer: Cass Parking Garage, LLC

Principle: Roger Basmajian

Commercial Rehabilitation Act, PA 210 of 2005 as amended – Current taxes frozen at pre-rehab construction values, local taxes abated for up to 10 years	
DEGC Recommendation	Approval of the Certificate
Request Type	PA 210 Certificate – 10 Year Recommendation
Location	
Address	1009 Cass
City Council District	District 6
Neighborhood	Downtown
Building Use	
Total Square Footage	160,400
Parking Square Footage	160,000
Retail Square Footage	400
Project Description	
<p>Basco, as part of its strategic efforts to ensure the success of its existing and future development projects, acquired the parking facility at 1009 Cass Avenue. This acquisition is a key piece and integral component of their projects located at 607 Shelby, 751 Griswold, 220 West Congress, and 44 Michigan as each one requires parking for tenants. Without being able to provide a holistic parking solution, their projects will not be successful.</p> <p>The project scope includes a much-needed refurbishment of the exterior of the garage through new site lighting and exterior painting. The project will also create new street level retail via retail kiosks on both Lafayette and Cass Avenue at the intersection while still maintaining a clear vision corner. These kiosks will also provide the space to introduce hardscape and landscaping features to create a sense of place and help drive further development in the Western section of the Financial District of the Central Business District. Additionally, with the introduction of street level retail and enhanced landscaping, the project will soften the gateway intersection of Lafayette and Cass creating a pedestrian friendly sense of place and helping spur further development in this area.</p>	
Parking Breakdown	
Total Spaces	336
Public Spaces	15
Dedicated Spaces	321
Project Costs	
Total Investment	\$14.8 M
Uses	\$7.7M Acquisition (52%), \$5.8M Hard Construction (40%), \$1.2M Soft Costs (8%)

Project Benefits (10 years)	
Estimated jobs	0 FTE, 20 Construction
Estimated city benefits before tax abatement	\$1,507,508
Total nominal value of PA 210	\$904,378
Less cost of services & utility deductions	\$128,561
Net benefit to city	\$474,569

City of Detroit: Incentive Summary Over the First 10 Years

	Amount
Real Property Taxes, before abatement	\$1,270,140
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$4,796
Municipal Income Taxes - Indirect Workers	\$922
Municipal Income Taxes - Corporate Income	\$2,464
Municipal Income Taxes - Construction Period	\$33,642
Utility Revenue	\$122,637
Utility Users' Excise Taxes	\$14,508
State Revenue Sharing - Sales Tax	\$3,493
Building Permits and Fees	\$50,000
Miscellaneous Taxes & User Fees	\$4,905
<u>Subtotal Benefits</u>	<u>\$1,507,508</u>
Cost of Providing Municipal Services	(\$5,924)
Cost of Providing Utility Services	(\$122,637)
<u>Subtotal Costs</u>	<u>(\$128,561)</u>
Net Benefits	\$1,378,948

All Taxing Units: Incentive Summary Over the First 10 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	\$1,507,508	(\$128,561)	(\$904,378)	\$0	\$0	\$474,569
Wayne County	\$305,385	(\$876)	(\$216,347)	\$0	\$0	\$88,162
Detroit Public Schools	\$1,175,184	\$0	(\$350,089)	\$0	\$0	\$825,095
State Education	\$227,455	\$0	\$0	\$0	\$0	\$227,455
Downtown Dev. Authority	\$37,481	\$0	(\$26,626)	\$0	\$0	\$10,855
Wayne RESA	\$158,756	\$0	(\$113,567)	\$0	\$0	\$45,190
Wayne County Comm. College	\$122,856	\$0	(\$87,274)	\$0	\$0	\$35,582
Wayne County Zoo	\$3,791	\$0	(\$2,693)	\$0	\$0	\$1,098
Detroit Institute of Arts	\$7,582	\$0	(\$5,386)	\$0	\$0	\$2,196
Total	\$3,545,997	(\$129,437)	(\$1,706,359)	\$0	\$0	\$1,710,202

Conclusion

In 2019, the investment in this project was *initially estimated at \$12.6 million*. However, the developer resubmitted an increased estimate of \$2.2 million in hard construction costs³ that *increased the overall cost of the project to \$14.8 million*,⁴ which will now be reflected in an updated application. The proposed tax abatement is projected to be worth a tax savings of **\$1,706,359** to the developer. The estimated investment is projected to produce a positive cost benefit to the City of Detroit of **\$474,569**, and over **\$\$1,710,202** to all of the impacted taxing units, in addition to 20 temporary construction jobs.⁵

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



1009 Cass ⁶

Attachment: Assessor's Letter dated August 27, 2019

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 The initial hard const. cost estimate was \$3.6 million, which increased by \$2.2 million (61%) to \$5.8 million.

⁴ Cass Parking Garage LLC submitted an updated proforma to DEGC this summer reflecting greater costs due to normal circumstances (rising construction costs in general, COVID situation).

⁵ **Existing Annual Taxes: \$103,000 - New Annual Taxes AFTER Incentive: \$162,000**

⁶ Photo: Courtesy of the DEGC



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

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August 27, 2019

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

RE: Commercial Rehabilitation Certificate – Cass Parking Garage LLC, an affiliate of Basco of Michigan Inc.
 Property Address: 1009 Cass Avenue
 Parcel Number: 02000201-2

Dear Mr. Cox:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the Commercial Rehabilitation certificate application for the property located at **1009 Cass Avenue** in the **Downtown** 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 proposed project by **Basco of Michigan Inc.**, with **Cass Parking Garage LLC** being its affiliate, consists of an 11 story parking garage with 171,680 square feet of total building area built in 1928 on .478 acres of land. The parking structure suffers from deferred maintenance by the previous owner, including structural repairs, elevator repairs, roof repairs and operation equipment. The developer plans to rehabilitate the structure with interior demolition and remediation, asbestos abatement, interior HVAC demolition and re-install, exterior renovation, floor replacement, fire protection systems and repairing structural steel support. The proposed project will support additional investments in the area and growth in an urban area.

The 2019 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
02000201-2	1009 Cass	\$ 2,897,800	\$ 2,897,800	\$ 867,900	\$ 867,900

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 **1009 Cass Avenue** 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



Commercial Rehabilitation Certificate
Cass Parking Garage LLC, an affiliate of Basco of Michigan Inc.
Page 2

Property Address: 1009 CASS
Parcel Number: 02000201-2
Property Owner: CASS PARKING GARAGE LLC
Legal Description: N W LAFAYETTE E 30 FT 11 12 THRU 14BLK 28;SUB OF CASS FARM L12 P324 CITY RECORDS,W CR 2/125 1MILITARY RESERVE L5 P218 CITY RECORDS, W C R 2/582/--- 160 X 130

The legal description of the property matches the legal description on the petition.

