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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: September 30, 2020

RE: **D-Town Grand 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.

D-Town Grand LLC

D-Town Grand LLC, the project developer plans to develop the structure located at 3040 E Grand Blvd, designed by Albert Khan¹ and Geroge Mason,² is near the New Center area in Detroit. The property consists of a commercial vacant former real estate office.

The developer plans to rehabilitate and reconfigure the structure into a mixed used property with general office space on the first floor and three residential apartment units on the second and third floors. The rehabilitation of the property 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 DEGC has recommended a full-term 10-year PA 210 tax abatement.

¹ Albert Kahn (March 21, 1869 – December 8, 1942) The foremost American industrial architect of his day, is often referred as the "architect of Detroit."

² George D. Mason (July 4, 1856 - June 3, 1948) was "the dean of Detroit architects," perhaps only Albert Kahn and Louis Kamper were responsible for more of Detroit's built environment.

DEGC Project Evaluation Checklist

3040 E Grand Blvd

Developer: D-Town Grand LLC

Principal: Jan Djikers

Commercial Rehabilitation Act, PA 210 – current taxes frozen at pre-rehab values, improvements taxed at discounted millage for up to 10 years	
Request Type	PA 210 Certificate
DEGC Recommendation	Approval of 10 year term
Location	
Address	3040 E Grand Blvd
City Council District	District 5
Neighborhood	North End
Building Use	
Total SqFt	4,480
Commercial SqFt	1,185
Residential SqFt	1,915
Other SqFt	1,380
Project Description	
<p>The subject property is a two-story, 4,500 sq. ft. historic structure. It was built in 1900, designed by George Mason and Albert Kahn, as a residential home. It was once the headquarters, office space and practice space of the D-Town Records soul music label, and was most recently a real estate brokerage circa 2000. The property is currently gutted to the studs. It has as large usable attic that will be converted to additional square footage. The existing subject property will be completely renovated into first floor office space, and second and third floor residential, including exterior restoration of historic masonry, wheelchair ramp, interior structural repairs, completely new electrical, plumbing, sewer, heating/cooling, windows, and all interior fits and finishes. The property is in an historic district (Jam Handy, formed in 2015), and all exterior renovations will conform to the requirements set forth in the Certificate of Appropriateness from the Detroit Historic Commission. The first floor commercial tenant is a property management firm, which is currently operating out of a residential condominium, and is quickly outgrowing the space. Of the three residential units, one will be rented at 80% AMI.</p>	
Sources and Uses	
Total Investment	\$1.1M
Uses	\$0.1M Acquisition (8%), \$0.8M Hard Construction (72%), \$0.2M Soft Costs (20%)
Project Benefits	
Estimated Jobs	5 New FTE, 9 retained FTE, 40 Construction Employees
Estimated City benefits before tax abatement	\$405,017
Total estimated City value of PA 210	\$59,312
Less cost of services & utility deductions	\$105,944
Net Benefit to City with abatements	\$239,760

City of Detroit: Incentive Summary Over the First 10 Years

	Amount
Real Property Taxes, before abatement	\$69,260
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$90,396
Municipal Income Taxes - Indirect Workers	\$33,525
Municipal Income Taxes - Corporate Income	\$34,492
Municipal Income Taxes - Construction Period	\$7,619
Municipal Income Taxes - New Res. Inhabitants	\$12,646
Utility Revenue	\$19,450
Utility Users' Excise Taxes	\$5,006
State Revenue Sharing - Sales Tax	\$50,999
Building Permits and Fees	\$10,000
Miscellaneous Taxes & User Fees	\$71,624
Subtotal Benefits	\$405,017
Cost of Providing Municipal Services	(\$86,494)
Cost of Providing Utility Services	(\$19,450)
Subtotal Costs	(\$105,944)
Net Benefits	\$299,072

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	\$405,017	(\$105,944)	(\$59,312)	\$0	\$0	\$239,760
Wayne County	\$29,884	(\$13,854)	(\$14,189)	\$0	\$0	\$1,842
Detroit Public Schools	\$84,693	(\$19,092)	(\$22,960)	\$0	\$0	\$42,641
State Education	\$12,484	\$0	\$0	\$0	\$0	\$12,484
Wayne RESA	\$8,543	\$0	(\$7,448)	\$0	\$0	\$1,095
Wayne County Comm. College	\$6,743	\$0	(\$5,724)	\$0	\$0	\$1,019
Wayne County Zoo	\$208	\$0	(\$177)	\$0	\$0	\$31
Detroit Institute of Arts	\$416	\$0	(\$353)	\$0	\$0	\$63
Total	\$547,988	(\$138,890)	(\$110,162)	\$0	\$0	\$298,936

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Conclusion

The investment in this project is estimated at \$1.1 million. The proposed tax abatement is projected to be worth a tax savings of **\$110,162** to the developer. The estimated investment is projected to produce a positive cost benefit to the City of Detroit is **\$239,760**, and over **\$298,936⁴** to all of the impacted taxing units, in addition to 5 new FTE's, 9 retained FTE's and 40 temporary construction jobs.

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

Attachment: Assessor's Letter, dated September 15, 2020

³ Charts courtesy of the DEGC

⁴ Existing Annual Taxes: \$4,491 - New Annual Taxes AFTER Incentive: \$8,452



3040 E Grand Blvd ⁵

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

⁵ Photo: Charts courtesy of the DEGC



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

September 15, 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 – **D-Town Grand LLC**
 Property Address: 3040 E Grand Blvd
 Parcels Number: 01001946.000

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 **3040 E Grand Blvd** near the **New Center** 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 former real estate office consisting of approximately 4,244 sq.ft. The developer plans to rehabilitate and reconfigure the structure into a mixed used property with general office space on the first floor and three residential apartment units on the second and third floors. The rehabilitation of the property 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
01001946.000	3040 E Grand Blvd	\$ 49,400	\$ 30,773	\$ 1,000	\$ 623

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 **3040 E Grand Blvd** 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



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

COLEMAN A. YOUNG MUNICIPAL CENTER
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Commercial Rehabilitation Certificate
D-Town Grand LLC
Page 2

Property Owner: D-TOWN GRAND LLC
Property Address: 3040 E GRAND BLVD
Parcel Number: 01001946.000
Legal Description: N E GRAND BLVD 11 EXC PT TAKEN FOR OPENING JOHN R 12 W 10.21 FT 13 ATKINSONS L7 P33 PLATS, W C R
1/100 88.41 X 110
SPLIT/COMBINED ON 03/23/2020 FROM 01001946., 01001947.;

