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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: **Peterboro Investments 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.

Peterboro Investments LLC

Peterboro Investments LLC, the project developer plans to properties located at **444 & 458 Peterboro**, in the Midtown area in the City of Detroit. The property consists of two commercial vacant lots on 0.436 acres of land. The developer plans to construct a three-story, 21,920 square foot mixed-use commercial retail and office building, constructed out of refurbished shipping containers.

According to the Assessor's Office, 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.

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

DEGC Project Evaluation Checklist

444 Peterboro

Developer: Detroit Rising Development

Principle: Jonathan Hartzell; Rick Stanza

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 PA 210 District
Request Type	Certificate (10 Yr. Abatement Term)
Location	
Address	444 Peterboro
City Council District	District 5
Neighborhood	Downtown
Located in HRD Targeted Area	Yes, Greater Downtown
Building Use	
Total Rentable Square Footage	27,260
Commercial Square Footage	22,860
Retail Square Footage	2,900
Other Square Footage	1,500
Project Description	
<p>The company was founded in 2017 by CEO Jonathan Hartzell, also co-founder and co-owner of the Detroit Shipping Company, a major multi-tenant restaurant and entertainment venue in Midtown Detroit. Adjacent to this existing facility, 444 Peterboro is a 21,900 square foot mixed retail and office space collective, built out of refurbished shipping containers. The ground floor will offer small space retail storefronts, including value-add patron spaces on both ends. The second floor will consist of small office space, with shared amenities at each end of the floor with reservable space. The third floor will feature a large single tenant space with a city skyline-facing glass wall and outdoor terrace. By design, this will create more foot traffic and energy with the goal of supporting all local businesses.</p> <p>Covid Update on 5/4/20: Two signed retail tenant LOI's during crisis. Bank financing and investor equity intact. Looking to begin construction after abatement district approval in mid-July. Submission of building plans to BSEED imminent.</p>	
Project Costs	
Total Investment	\$6.3M
Uses	\$759k Acquisition (12%), \$4.2M Hard Construction (67%), \$1.3M Soft Costs (21%)
Project Benefits (10 years)	
Estimated jobs	45 FTE, 80 Construction
Estimated city benefits before tax abatement	\$1,467,320
Total nominal value of PA 210	\$121,591
Less cost of services & utility deductions	\$673,577
Net benefit to city	\$672,062

City of Detroit: Incentive Summary Over the First 10 Years

	Amount
Real Property Taxes, before abatement	\$294,991
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$178,706
Municipal Income Taxes - Indirect Workers	\$35,474
Municipal Income Taxes - Corporate Income	\$95,462
Municipal Income Taxes - Construction Period	\$38,448
Utility Revenue	\$418,759
Utility Users' Excise Taxes	\$19,142
State Revenue Sharing - Sales Tax	\$150,241
Building Permits and Fees	\$25,000
Miscellaneous Taxes & User Fees	\$211,007
Subtotal Benefits	\$1,467,230
Cost of Providing Municipal Services	(\$254,818)
Cost of Providing Utility Services	(\$418,759)
Subtotal Costs	(\$673,577)
Net Benefits	\$793,653

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	\$1,467,230	(\$673,577)	(\$121,591)	\$0	\$0	\$672,062
Wayne County	\$113,267	(\$44,894)	(\$29,087)	\$0	\$0	\$39,286
Detroit Public Schools	\$419,793	(\$139,461)	(\$47,068)	\$0	\$0	\$233,263
State Education	\$52,704	\$0	\$0	\$0	\$0	\$52,704
Wayne RESA	\$37,043	\$0	(\$15,269)	\$0	\$0	\$21,775
Wayne County Comm. College	\$28,467	\$0	(\$11,734)	\$0	\$0	\$16,734
Wayne County Zoo	\$878	\$0	(\$362)	\$0	\$0	\$516
Detroit Institute of Arts	\$1,757	\$0	(\$724)	\$0	\$0	\$1,033
Total	\$2,121,140	(\$857,933)	(\$225,834)	\$0	\$0	\$1,037,373

Conclusion

The investment in this project is estimated at \$6.3 million. The proposed tax abatement is projected to be worth a tax savings of **\$225,834** to the developer. The estimated investment is projected to produce a positive cost benefit to the City of Detroit is **\$672,062**, and over **\$1,037,373²** to all of the impacted taxing units, in addition to 45 FTE's and 80 temporary construction jobs.

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

Attachment: Assessor's Letter, dated September 23, 2020

¹ Charts courtesy of the DEGC

² Existing Annual Taxes: \$4,491 - New Annual Taxes AFTER Incentive: \$8,452



Rendering of the Development³

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 Photo: Charts courtesy of the DEGC



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

COLEMAN A. YOUNG MUNICIPAL CENTER
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 DETROIT, MI 48226
 PHONE: 313•224•3011
 FAX: 313•224•9400

September 23, 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 – **Peterboro Investments LLC**
 Property Address: 444/458 Peterboro
 Parcels Number: 02000707/02000706

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 **444/458 Peterboro** in the **Midtown** 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 two commercial vacant lots on 0.436 acres of land. The developer plans to construct a three-story, 21,920 square foot mixed-use commercial retail and office building. 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
02000707.	444 Peterboro	\$ -	\$ -	\$ 340,800	\$ 340,800
02000706.	458 Peterboro	\$ -	\$ -	\$ 130,800	\$ 130,800

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 **444/458 Peterboro** 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



Commercial Rehabilitation Certificate
Peterboro Investments LLC
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Property Owner: PETERBORO INVESTMENTS LLC
Property Address: 444 PETERBORO
Parcel Number: 02000707.
Legal Description: N PETERBORO E 25 FT 22 23 BLK 87--PLAT PT CASS FARM L1 P172 PLATS, W C R 2/72 75 X 190

Property Owner: PETERBORO INVESTMENTS LLC
Property Address: 458 PETERBORO
Parcel Number: 02000706.
Legal Description: N PETERBORO W 25 FT 22 BLK 87--PLAT PT CASS FARM L1 P172 PLATS, W C R 2/72 25 X 190

