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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: November 10, 2020

RE: **Godfrey Detroit PropCo, 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.

Godfrey Detroit PropCo, LLC

Godfrey Detroit PropCo, LLC, the project developer, plans to develop two adjoining parcels, located at 1401 and 1411 Michigan Avenue, to be developed as the Godfrey Hotel Detroit, a new, 7-story, 142,000 square foot, 227-room hotel, in the Corktown neighborhood in southwest Detroit. Currently, a single story vacant office building, which was constructed in 1971 and totals 13,329 square feet, located at 1401 Michigan Avenue, is planned for demolition to clear the way for the planned development. 1411 Michigan Avenue is currently used as a parking lot.

In addition to requesting the approval of a PA 210 tax abatement, the developer is also requesting the approval of a Brownfield TIF¹ from the City of Detroit as well.

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

¹ The developer is requesting a \$5,391,811 Tax Increment Financing reimbursement via Michigan Public Act 381, for environmental remediation.

DEGC Project Evaluation Checklist

Godfrey Corktown

Developer: Hunter Pasteur Homes & Oxford Capital

Principal: Randy Wortheimer (HPH); John Rutledge (Oxford)

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	1401 Michigan Ave
City Council District	District 6
Neighborhood	Corktown
Building Use	
Total Number of Rooms	227 Rooms
Hotel SqFt	138,000 SqFt
Average Daily Rate (ADR)	\$202/night
Occupancy Rate	72% stabilized
Project Description	
<p>Godfrey PropCo LLC is the project developer (“Developer”) and prospective owner. The Godfrey Hotel Detroit will be a new, 227-room hotel located along Michigan Avenue at the corner of 8th Street in Detroit’s historic Corktown neighborhood, one mile west of the city’s central business district. The program includes a ground-level lobby, bar and restaurant, an approximately 6,000 square-foot ballroom with prefunction space, and a roof top café and amenity space. It is currently anticipated construction will begin in late 2020, and eligible activities will be completed within 18-24 months.</p>	
Sources and Uses	
Total Investment	\$73.0M
Uses	\$3.0M Acquisition (4%), \$49.7M Hard Construction (68%), \$20.3M Soft Costs (28%)
Project Benefits	
Estimated Jobs	200 FTE, 350 Construction Employees
Estimated City benefits before tax abatement	\$9,745,529
Total estimated City value of PA 210	\$2,892,388
Less cost of services & utility deductions	\$1,572,144
Net Benefit to City with abatements	\$5,280,997

City of Detroit: Incentive Summary Over the First 10 Years

	Amount
Real Property Taxes, before abatement	\$3,001,396
Personal Property Taxes, before abatement	\$728,073
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$1,998,543
Municipal Income Taxes - Indirect Workers	\$461,663
Municipal Income Taxes - Corporate Income	\$492,737
Municipal Income Taxes - Construction Period	\$312,535
Utility Revenue	\$246,731
Utility Users' Excise Taxes	\$174,860
State Revenue Sharing - Sales Tax	\$781,462
Building Permits and Fees	\$450,000
Miscellaneous Taxes & User Fees	\$1,097,528
<u>Subtotal Benefits</u>	<u>\$9,745,529</u>
Cost of Providing Municipal Services	(\$1,325,413)
Cost of Providing Utility Services	(\$246,731)
<u>Subtotal Costs</u>	<u>(\$1,572,144)</u>
Net Benefits	\$8,173,385

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	\$9,745,529	(\$1,572,144)	(\$2,892,388)	\$0	\$0	\$5,280,997
Wayne County	\$1,118,632	(\$237,924)	(\$691,921)	\$0	\$0	\$188,787
Detroit Public Schools	\$3,980,627	(\$754,152)	(\$1,119,655)	\$0	\$0	\$2,106,820
State Education	\$666,432	\$0	\$0	\$0	\$0	\$666,432
Wayne RESA	\$475,927	\$0	(\$363,210)	\$0	\$0	\$112,717
Wayne County Comm. College	\$359,962	\$0	(\$279,121)	\$0	\$0	\$80,841
Wayne County Zoo	\$11,107	\$0	(\$8,613)	\$0	\$0	\$2,494
Detroit Institute of Arts	\$22,214	\$0	(\$17,225)	\$0	\$0	\$4,989
Total	\$16,380,431	(\$2,564,220)	(\$5,372,134)	\$0	\$0	\$8,444,077

Conclusion

The investment in this project is estimated at **\$73 million**.³ The proposed tax abatement is projected to be worth a tax savings of **\$5,372,134**⁴ to the developer. The estimated investment is also projected to produce a positive cost benefit to the City of Detroit of **\$5,280,997**, and over **\$8,444,077** to all of the impacted taxing units, in addition to 200 full-time and 350 temporary construction jobs.

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

² Charts courtesy of the DEGC

³ The entire investment was listed \$74.1 million in the project's corresponding brownfield plan.

⁴ Existing Annual Taxes: \$9,768 - New Annual Taxes AFTER Incentive: \$215,140



Rendering of the Godfrey Hotel ⁵

Attachment: Assessor's Letter dated June 22, 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

⁵ Photo 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

June 22, 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 – **Godfrey Detroit Propco LLC**
 Property Address: 1401/1411 Michigan Avenue
 Parcels Number: 0600400-1/06000402

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 **1401/1411 Michigan Avenue** in the **Corktown** 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.

Parcel 06000400-1 consists of a single story vacant office building built in 1971 and totals 13,329 square feet. The developer plans to raze the current structure and construct a 7-story, 137,000 square foot, 227-room hotel, including a ground-level lobby, bar, and restaurant, an approximately 6,000 square foot ballroom with prefunction space, and a rooftop café. Parcel 06000402 is currently being used as a parking lot. 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
06000400-1	1401 Michigan	\$ 108,100	\$ 31,368	\$ 225,300	\$ 65,377
06000402	1411 Michigan	\$ -	\$ -	\$ 44,200	\$ 7,630

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 **1401/1411 Michigan** 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
Godfrey Detroit Propco LLC LLC
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Property Owner: GODFREY DETROIT PROPCO LLC
Property Address: 1401 MICHIGAN AVE
Parcel Number: 06000400-1
Legal Description: S MICHIGAN 1 & 2 EXC A TRIANG PT BG W 6.51 FT ON N LINE & RNG TO SW COR ALSO EXC MICHIGAN AVE AS WD VAC ALLEY LYG S & ADJ 14 THRU 12BLK 79 WOODBRIDGE FARM SUB L1 P146-7 PLATS, W C R 6/12 24,099 SQ FT

Property Owner: GODFREY DETROIT PROPCO LLC
Property Address: 1411 MICHIGAN AVE
Parcel Number: 06000402.
Legal Description: S MICHIGAN TRIANG POR OF 2 BG W 6.51 FT ON N LINE & E RNG TO S W CORNER ALSO E 38.48 FT ON N LINE BG E 44.90 FT ON S LINE OF 3 ALL EXC MICHIGAN AVE AS WD BLK 79 WOODBRIDGE FARM L1 P146-7 PLATS, W C R 6/12 50.32 IRREG

