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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: March 3, 2021

RE: Application for an **Obsolete Property Rehabilitation Certificate** by
Randolph Capital Partners Public Act 146 of 2000 **PUBLIC HEARING**

Obsolete Property Rehabilitation Act Public Act 146 of 2000

The Obsolete Property Rehabilitation Act (OPRA), Public Act 146 of 2000, provides for a tax incentive to encourage the redevelopment of obsolete buildings. This tax incentive is designed to assist in the redevelopment of older buildings, which are contaminated, blighted or functionally obsolete. The primary purpose of this incentive is to rehabilitate and convert vacant, functionally obsolete older buildings into vibrant commercial uses, commercial housing projects and to return them to the tax rolls.

Randolph Capital Partners

The project developer and owner of the property is Randolph Capital Partners. The developer plans to redevelop two three-story mixed-use structures, located at **1407 & 1427 Randolph**, to transition these buildings for office and retail use. The developer plans to redevelop 17,367 square feet building area on 0.135 acres of land of the two buildings, which were constructed in 1903 and 1908 respectively. The renovations and repairs to the building are to include major renovations, which will include floor replacement, roof replacement, new design configurations and HVAC, bathrooms and electrical upgrades. Ultimately, the property will have two floors of office space and a first floor hospitality space.

The DEGC has recommended a full term 12-year OPRA certificate.

**DEGC Project Evaluation Checklist
1407 Randolph**

Developer: Randolph Capital Partners

Principal: Dennis Archer Jr.

Obsolete Property Rehabilitation Act, PA 146 of 2000 – current taxes frozen at pre-rehab values, improvements taxed at discounted millage for up to 12 years	
Request Type	OPRA Certificate
DEGC Recommendation	Approval of 12 year term
Location	
Address	1407 & 1427 Randolph
City Council District	District 6
Neighborhood	Downtown; Paradise Valley
Building Use	
Total SqFt	19,048
Commercial SqFt	10,048
Retail SqFt	7,200
Other SqFt	1,800
Project Description	
<p>The developer’s plans for the acquisition and redevelopment of 1407 Randolph and 1427 Randolph Street are first to reposition these buildings for office and retail use. The repositioning includes connecting them on floors two and three by opening the walls and creating a corridor. This will allow the elevator in 1407 to seamlessly service 1427 as well. The property will ultimately have two floors of office space and a first floor hospitality use. The tenant mix will uniquely be appealing locally, while also serving as a destination point. Existing tenants are part of the plan and we will work with them as it relates to their desire to be part of our long-term vision of the district and in honor of their respective leases.</p>	
Sources and Uses	
Total Investment	\$1.97 Million
Sources	\$1.4M Level One Bank (71%), \$0.57M Owner Equity (29%)
Uses	\$450k Acquisition (23%), \$1.1M Hard Construction (55%), \$0.42M Soft Costs (22%)
Project Benefits	
Estimated Jobs	60 New FTE, 15 Construction Employees
Estimated City benefits before tax abatement	\$2,594,917
Total estimated City value of OPRA	\$51,501
Less cost of services & utility deductions	\$585,797
Net Benefit to City with abatements	\$1,957,619

Existing Conditions:



Location Map:



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

	Amount
Real Property Taxes, before abatement	\$453,837
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$824,779
Municipal Income Taxes - Indirect Workers	\$173,914
Municipal Income Taxes - Corporate Income	\$181,063
Municipal Income Taxes - Construction Period	\$11,739
Utility Revenue	\$103,553
Utility Users' Excise Taxes	\$72,367
State Revenue Sharing - Sales Tax	\$284,332
Building Permits and Fees	\$90,000
Miscellaneous Taxes & User Fees	\$399,330
<u>Subtotal Benefits</u>	<u>\$2,594,917</u>
Cost of Providing Municipal Services	(\$482,244)
Cost of Providing Utility Services	(\$103,553)
<u>Subtotal Costs</u>	<u>(\$585,797)</u>
Net Benefits	\$2,009,119

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	\$2,594,917	(\$585,797)	(\$51,501)	\$0	\$0	\$1,957,619
Wayne County	\$192,915	(\$84,738)	(\$12,318)	\$0	\$0	\$95,859
Detroit Public Schools	\$705,465	(\$257,245)	(\$19,936)	\$0	\$0	\$428,284
State Education	\$83,887	\$0	\$0	\$0	\$0	\$83,887
Downtown Dev. Authority	\$13,823	\$0	(\$1,516)	\$0	\$0	\$12,307
Wayne RESA	\$52,207	\$0	(\$6,255)	\$0	\$0	\$45,952
Wayne County Comm. College	\$45,310	\$0	(\$4,970)	\$0	\$0	\$40,340
Wayne County Zoo	\$1,398	\$0	(\$153)	\$0	\$0	\$1,245
Detroit Institute of Arts	\$2,796	\$0	(\$307)	\$0	\$0	\$2,490
Total	\$3,692,718	(\$927,780)	(\$96,956)	\$0	\$0	\$2,667,982

Conclusion

The estimated total capital investment for this project is **\$1.97 Million**. It is also projected that completed project will create 60 FTEs and 15 temporary construction jobs.² The total value of the 12 year OPRA tax abatement is estimated at **\$96,956**.³

Based on the investment and jobs, this project is also estimated to provide the City of Detroit a net benefit of **\$1,957,619** and all of the impacted taxing units, a net benefit of **\$2,667,982** over the 12 years of the OPRA tax abatement.

¹ Charts, photo and map, courtesy of the DEGC

² The developer's application indicates 35 jobs, which includes jobs to be retained, created and construction jobs.

³ Existing Annual Taxes: \$0 - New Annual Taxes AFTER Incentive: \$91,967

cc: Auditor General's Office
Donald Rencher, Chief of Services and Infrastructure
Katy Trudeau, Planning and Development Department
Julie Schneider, HRD
Veronica Farley, HRD
Stephanie Grimes Washington, Mayor's Office
Avery Peebles, Mayor's Office
Malinda Jensen, DEGC
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC



1407 and 1427 Randolph St.⁴

Attachments: Assessor's Letter, dated September 23, 2020
CRIO Employment Clearance, signed August 11, 2020
Developer Application for an Obsolete Property Rehabilitation Certificate (*Indicating 1420 and 1426 Randolph*)⁵

⁴ <http://www.dailydetroit.com/2016/06/29/paradise-valley-cultural-entertainment-district-getting-facelift/>

⁵ *The developer's application needs to be corrected to indicate 1407 & 1427 Randolph.*



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 23, 2020

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

Re: **Obsolete Property Rehabilitation Certificate – Randolph Capital Partners**
 Addresses: 1407/1427 Randolph
 Parcel Number: 01003949/01003948

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed Obsolete Property Rehabilitation Certificate for the property located at **1407/1427 Randolph** located in the **Paradise Valley** area of the City of Detroit.

The rationale for Obsolete Property Rehabilitation Certificates under PA 146 of 2000, 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 2020 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
01003949.	1407 Randolph	\$ 318,100	\$ 318,100	\$ 190,500	\$ 190,500
01003948.	1427 Randolph	\$ 335,500	\$ 335,500	\$ 152,800	\$ 152,800

The project as proposed by the **Randolph Capital Partners** consists of two three-story mixed-use structures with 17,367 square feet of building area built in 1903 & 1908 on 0.135 acres of land. The proposed project will rehabilitate the current structures with a mixture of retail and office use. The building will undergo major renovations including floor replacement, roof replacement, layout reconfigurations, HVAC, bathrooms, and electrical.

This property meets the criteria set forth under PA 146 of 2000, as amended. It applies to blighted, functionally obsolete and contaminated properties. "Rehabilitation," meaning that changes to qualified facilities that are required to restore or modify the property, together with all appurtenances, to an economically efficient condition. Rehabilitation also includes major renovation and modification including, but not necessarily limited to, the improvement of floor loads, correction of deficient or excessive height, new or improved fixed building equipment, including heating, ventilation, and lighting, reducing multistory facilities to 1 or 2 stories, adding additional stories



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Obsolete Property Rehabilitation Certificate
Randolph Capital Partners
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to a facility or adding additional space on the same floor level not to exceed 100% of the existing floor space on that floor level, improved structural support including foundations, improved roof structure and cover, floor replacement, improved wall placement, improved exterior and interior appearance of buildings, and other physical changes required to restore or change the obsolete property to an economically efficient condition.

A field investigation indicated that the proposed Obsolete Property Rehabilitation Certificate for the property located at **1407/1427 Randolph** is eligible as it pertains to the Obsolete Property Rehabilitation Act under P.A. 146 of 2000, 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: 8.6.20

Tax Abatement Type: PA 146

New Renewal

Duration of Abatement: 15 years

Development: Paradise Valley

Parcel/Facility Address: 155 W Congress Street

Applicant/Recipient: Randolph Capital Partners

Applicant Contact: Dennis Archer Jr.
313-496-1900
dennis@ignitionmediagroup.com

Post-Construction Employment Commitments

Developer Occupied Tenant Occupied

Total Employment: 60

Detroit Resident: 60 (100%)

Detroit Resident Hiring Strategies: The developer's plans for the acquisition and redevelopment of 1407 Randolph and 1420 Randolph Street are first to reposition these buildings. The repositioning includes connecting them on floors two and three by opening the walls and creating a corridor. This will allow the elevator in 1407 to seamlessly service 1427 as well. Ultimately each property included in the redevelopment proposal will feature two floors of office space and a first floor hospitality use. Their repositioning of these properties will incorporate the goal and missions of the PVCED. The tenant mix will uniquely be appealing locally, while also serving as a destination point. Existing tenants are part of the plan and the developer will work with them as it relates to their desire to be part of the developer's long-term vision of the district and in honor of their respective leases.

The developer is a hospitality owner in Downtown Detroit already and will ask their current workforce, which is predominantly Detroiters, for referrals. Second, they will also have a small job fair for Detroiters at the restaurant space for folks to come in and apply. Third, they will post the positions and emphasize our strong commitment to hiring Detroiters and encouraging them to apply.

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

Date

Janice M. Winfrey
City Clerk

City of Detroit
OFFICE OF THE CITY CLERK

Andre P. Gilbert II
Deputy City Clerk

May 22, 2020

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

Re: RANDOLPH CAPITAL PARTNERS

Please find attached an application for Obsolete Property Rehabilitation Exemption Certificate for the property located at 1420 and 1426 Randolph Street, Detroit, MI.
(RELATED TO PETITION #896)

Respectfully submitted,

Nathan Shafer,
Junior City Council Committee Clerk
Office of the City Clerk

Application for Obsolete Property Rehabilitation Exemption Certificate

This form is issued as provided by Public Act 146 of 2000, as amended. This application should be filed after the district is established. This project will not receive tax benefits until approved by the State Tax Commission. Applications received after October 31 may not be acted upon in the current year. This application is subject to audit by the State Tax Commission.

INSTRUCTIONS: File the original and two copies of this form and the required attachments with the clerk of the local government unit. (The State Tax Commission requires two copies of the Application and attachments. The original is retained by the clerk.) Please see State Tax Commission Bulletin 9 of 2000 for more information about the Obsolete Property Rehabilitation Exemption. The following must be provided to the local government unit as attachments to this application: (a) General description of the obsolete facility (year built, original use, most recent use, number of stories, square footage); (b) General description of the proposed use of the rehabilitated facility, (c) Description of the general nature and extent of the rehabilitation to be undertaken, (d) A descriptive list of the fixed building equipment that will be a part of the rehabilitated facility, (e) A time schedule for undertaking and completing the rehabilitation of the facility, (f) A statement of the economic advantages expected from the exemption. A statement from the assessor of the local unit of government, describing the required obsolescence has been met for this building, is required with each application. Rehabilitation may commence after establishment of district.

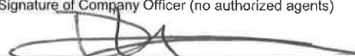
Applicant (Company) Name (applicant must be the OWNER of the facility) <i>Randolph Capital Partners</i>		
Company Mailing address (No. and street, P.O. Box, City, State, ZIP Code) <i>151 W Congress Street, Suite 400</i>		
Location of obsolete facility (No. and street, City, State, ZIP Code) <i>1420 & 1424 Randolph Street, Detroit, MI, 48226</i>		
City, Township, Village (indicate which) <i>Detroit</i>		County <i>Wayne</i>
Date of Commencement of Rehabilitation (mm/dd/yyyy) <i>07/01/2020</i>	Planned date of Completion of Rehabilitation (mm/dd/yyyy) <i>12/31/2020</i>	School District where facility is located (include school code) <i>Detroit Public Schools Comm. District</i>
Estimated Cost of Rehabilitation <i>\$1,700,000</i>	Number of years exemption requested <i>15</i>	Attach Legal description of Obsolete Property on separate sheet
Expected project likelihood (check all that apply):		
<input checked="" type="checkbox"/> Increase Commercial activity	<input type="checkbox"/> Retain employment	<input checked="" type="checkbox"/> Revitalize urban areas
<input checked="" type="checkbox"/> Create employment	<input type="checkbox"/> Prevent a loss of employment	<input type="checkbox"/> Increase number of residents in the community in which the facility is situated
Indicate the number of jobs to be retained or created as a result of rehabilitating the facility, including expected construction employment <u><i>35</i></u>		
Each year, the State Treasurer may approve 25 additional reductions of half the school operating and state education taxes for a period not to exceed six years. Check the following box if you wish to be considered for this exclusion. <input type="checkbox"/>		

APPLICANT'S CERTIFICATION

The undersigned, authorized officer of the company making this application certifies that, to the best of his/her knowledge, no information contained herein or in the attachments hereto is false in any way and that all of the information is truly descriptive of the property for which this application is being submitted. Further, the undersigned is aware that, if any statement or information provided is untrue, the exemption provided by Public Act 146 of 2000 may be in jeopardy.

The applicant certifies that this application relates to a rehabilitation program that, when completed, constitutes a rehabilitated facility, as defined by Public Act 146 of 2000, as amended, and that the rehabilitation of the facility would not be undertaken without the applicant's receipt of the exemption certificate.

It is further certified that the undersigned is familiar with the provisions of Public Act 146 of 2000, as amended, of the Michigan Compiled Laws; and to the best of his/her knowledge and belief, (s)he has complied or will be able to comply with all of the requirements thereof which are prerequisite to the approval of the application by the local unit of government and the issuance of an Obsolete Property Rehabilitation Exemption Certificate by the State Tax Commission.

Name of Company Officer (no authorized agents) <i>Dennis Archer Jr.</i>	Telephone Number <i>313-496-1900</i>	Fax Number
Mailing Address <i>151 W Congress Street, Suite 400</i>	Email Address <i>dennis@ignitionmediagroup.com</i>	
Signature of Company Officer (no authorized agents) 	Title <i>CEO</i>	

LOCAL GOVERNMENT UNIT CLERK CERTIFICATION

The Clerk must also complete Parts 1, 2 and 4 on Page 2. Part 3 is to be completed by the Assessor.

Signature	Date application received
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FOR STATE TAX COMMISSION USE		
Application Number	Date Received	LUCI Code