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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: April 7, 2021

RE: Application for an **Obsolete Property Rehabilitation Certificate** by
Innovative Acquisitions, LLC 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. 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.

The project developer and owner of the property is Innovative Acquisitions, LLC, a subsidiary of Bedrock Detroit, LLC. The developer plans to redevelop the Book Building & Book Tower, located at **1249 Washington Blvd**, to create a mixed-use development that will include retail, commercial, and residential space. The Book Building & Book Tower project is one of the four elements of Bedrock's \$2 billion investment in its Transformational Brownfield Project, illustrated below, was approved by Council in 2017:

TRANSFORMATIONAL SITE	PROJECT INVESTMENT	% OF TOTAL INVESTMENT
1. Hudson's Site	\$908,980,541	42.4%
2. Monroe Blocks	\$830,091,215	38.7%
3. One Campus Martius Expansion	\$94,782,781	4.4%
4. Book Building and Tower	\$311,444,245	14.5%
GRAND TOTAL	\$2,145,298,782	100%

¹ Estimated investment as of October 2017, which is detailed in LPD's report of 10/31/17, Transformational Brownfield Plan for the Hudson's Block, Monroe Blocks, One Campus Martius Expansion, and Book Building and Book Tower Redevelopment Projects (Bedrock) Public Acts 46-50 of 2017 (*Primarily, a State incentive program*)

In addition to the Council approved Transformational Brownfield incentive, the City Council has also approved a NEZ (the zone in 2017 and the certificate in 2020) for Book Building and Tower project, which encompasses the residential element of the project. The OPRA incentive that is currently subject to Council's review and approval encompasses the commercial elements of the Book Building and Tower project. The 38-story Book Tower and adjoining 13-story Book Building will undergo a comprehensive renovation of their interiors and exteriors. To-date, the estimated investment for the Book project is \$313.7 million.

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

PROJECT SUMMARY

RESIDENTIAL 229 UNITS 237,764 GSF²

L33-L36 3 units x 4 floors = 12 units 20,332 gsf
L15-L32 6 units x 18 floors = 108 units 115,510 gsf
L14 4 units 4,699 gsf
L13 11 units 8,917 gsf
L10, L12 24 units x 2 floors = 48 units 44,162 gsf
L9, L11 23 units x 2 floors = 46 units 44,144 gsf

HOTEL 117 UNITS 110,244 GSF

L6-L8 24 units x 3 floors = 72 units 66,200 gsf
L5 23 units 22,062 gsf
L4 22 units 21,982 gsf

OFFICE 38,831 GSF

L3 White-box office 22,286 gsf
L2 White-box office; management/leasing offices 16,545 gsf

RETAIL/EVENTS/F&B 45,207 GSF

L14 Rooftop bar 1,990 gsf
L13 Rooftop access; event conservatory, pre-function 12,423 gsf
L1 White-box retail; Restaurant, Pub 21,702 gsf
B1 Restaurant; Kitchens 9,092

RESIDENTIAL/HOTEL AMENITIES 12,777 GSF

L14 Lounge 1,127 gsf
L13 Entertaining Suite 497 gsf
L11 Guest Suite 519 gsf
L2 Fitness Center; co-working space 6,028 gsf
B1 Residential storage, bulk laundry 4,606 gsf

TOTAL 483,889 GSF

B1-L36 Programmed Area 444,823 gsf
B2-L38 BOH, Mech, etc. 39,066 gsf

² This portion of the project is covered under the NEZ incentive and not the OPRA.

DEGC Project Evaluation Checklist
Book Building
Developer: Bedrock Management Services
Principle: Dan Gilbert

Obsolete Property Rehabilitation Act, PA 146 – current taxes frozen at pre-rehab values, improvements taxed at discounted millage for up to 12 years	
DEGC Recommendation	Approval of 12-yr term
Request Type	OPRA Certificate
Location	
Address	1249 Washington
City Council District	District 6
Neighborhood	Downtown
Building Use*	
Commercial Square Footage	38,247
Retail Square Footage	40,714
Hotel Square Footage	86,984 (117 keys)
Residential Square Footage	168,963 (229 units)
Other Square Footage	1,937
*Note that this breakdown shows the entire building use, but the OPRA Certificate request only applies to the Commercial, Retail, & Hotel portions of the property. A NEZ Certificate is covering the Residential portion.	
Project Description	
<p>The Book Tower, completed in 1926, was named after Detroit’s own Book Brothers, who pioneered the development of Washington Boulevard into a posh city center. With 13 stories of retail space and a 38-story office tower, it was the tallest building in Detroit when first erected. The building has been largely vacant for the past 33 years. Prior to acquisition by Bedrock, the Property fell into a state of severe disrepair. Bedrock’s historic renovation will preserve the character of the building without changing or removing any significant features.</p> <p>Bedrock has undertaken a complete rehabilitation and restoration of the historic structure, including:</p> <ul style="list-style-type: none"> i. Replacement of all mechanical and electrical systems, plumbing, elevators, life safety systems, and windows; ii. Lead and asbestos abatement and hazardous materials removal; and iii. Complete restoration of the historic terracotta façade and interior build-out. <p>The Book Tower Development Project, which is anticipated to cost approximately \$313.7 Million based on final construction document estimation, is anticipated to create a mixed-use development that will include retail, commercial, and residential space. Under the new development program, the multi-use structure will contain residential, hospitality, office, retail, and F&B space.</p>	
Project Costs	
Total Investment	\$313.7M
Uses	\$25.1M Acquisition (8%), \$227.6M Hard Construction (73%), \$61.0M Soft Costs (19%)
Project Benefits (12 years, based on 339 FTEs)	
Estimated jobs	6 FTE Developer Jobs, 307 FTE Tenant Jobs, 330 Construction
Estimated city benefits before tax abatement	\$15,575,986
Total nominal value of OPRA	\$4,990,949
Brownfield TIF Capture	\$0
DDA TIF Capture	\$144,532
Less cost of services & utility deductions	\$2,777,608
Net benefit to city	\$7,662,897

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

	Amount
Real Property Taxes, before abatement	\$5,365,054
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$3,255,002
Municipal Income Taxes - Indirect Workers	\$1,207,182
Municipal Income Taxes - Corporate Income	\$164,982
Municipal Income Taxes - Construction Period	\$713,148
Utility Revenue	\$616,103
Utility Users' Excise Taxes	\$412,640
State Revenue Sharing - Sales Tax	\$1,290,419
Building Permits and Fees	\$689,405
Miscellaneous Taxes & User Fees	\$1,862,052
Subtotal Benefits	\$15,575,987
Cost of Providing Municipal Services	(\$2,161,507)
Cost of Providing Utility Services	(\$616,103)
Subtotal Costs	(\$2,777,610)
Net Benefits	\$12,798,378

Impacted Taxing Units: Incentive Summary over the First 12 Years

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	DDA TIF Capture	Brownfield TIF Capture	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$15,575,986	(\$2,777,608)	(\$4,990,949)	(\$144,532)	\$0	\$7,662,897
Wayne County	\$1,765,334	(\$482,095)	(\$1,193,749)	(\$34,446)	(\$12,780)	\$42,264
Detroit Public Schools	\$7,528,377	(\$2,104,735)	(\$1,932,017)	\$0	(\$1,659,113)	\$1,832,512
State Education	\$958,539	\$0	\$0	\$0	(\$926,977)	\$31,562
Downtown Dev. Authority	\$148,334	\$0	(\$137,991)	\$0	\$0	\$10,343
Wayne RESA	\$862,437	\$0	(\$812,086)	\$0	(\$32,127)	\$18,224
Wayne County Comm. College	\$517,739	\$0	(\$481,637)	(\$19,054)	\$0	\$17,048
Wayne County Zoo	\$15,976	\$0	(\$14,862)	\$0	\$0	\$1,114
Detroit Institute of Arts	\$31,951	\$0	(\$29,723)	\$0	\$0	\$2,228
Total	\$27,404,671	(\$5,364,438)	(\$9,593,013)	(\$198,031)	(\$2,630,996)	\$9,618,192

Impacted Units: Incentive Summary over the First 12 Years (With the *Library* breakout from the City)

Jurisdiction	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	DDA TIF Capture	Brownfield TIF Capture	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$14,836,202	(\$2,777,608)	(\$4,302,750)	(\$117,306)	\$0	\$7,638,538
Library	\$739,784	\$0	(\$688,199)	(\$27,226)	\$0	\$24,359
Wayne County	\$1,765,334	(\$482,095)	(\$1,193,749)	(\$34,446)	(\$12,780)	\$42,264
Detroit Public Schools	\$7,528,377	(\$2,104,735)	(\$1,932,017)	\$0	(\$1,659,113)	\$1,832,512
State Education	\$958,539	\$0	\$0	\$0	(\$926,977)	\$31,562
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Detroit Institute of Arts	\$31,951	\$0	(\$29,723)	\$0	\$0	\$2,228
Total	\$27,404,673	(\$5,364,438)	(\$9,593,014)	(\$198,032)	(\$2,630,997)	\$9,618,192

3

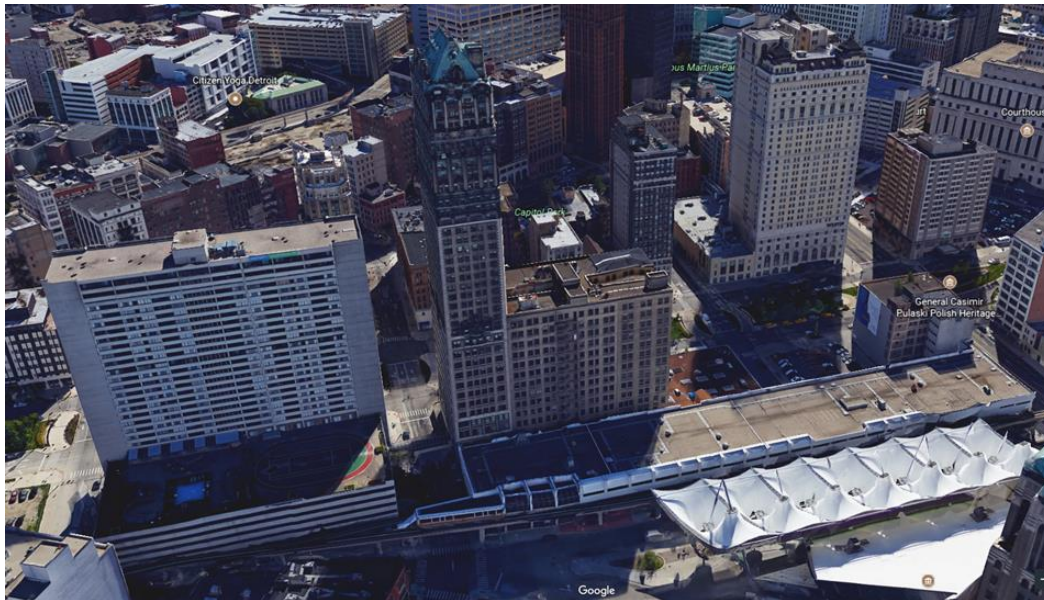
³ Charts courtesy of the DEGC

Conclusion

The estimated total capital investment for this project is **\$313.7 million**. It is also projected that completed project will create 6 FTE developer jobs, 307 FTE tenant jobs and 330 construction jobs. The total value of the 12-year OPRA tax abatement is estimated at **\$9,593,013**.⁴

Based on the investment and jobs, this project is also estimated to provide the City of Detroit a net benefit of **\$7,662,897** and all of the impacted taxing units, a net benefit of **\$9,618,192** over the 12 years of the OPRA tax abatement.

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



Book Building and Tower

Attachment: Assessor's Letter, dated December 7, 2020

⁴ Existing Annual Taxes: \$78,510 - New Annual Taxes AFTER Incentive: \$172,336



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

December 7, 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 – Innovative Acquisitions LLC**
Addresses: 1249 Washington Blvd
Parcel Number: 02000298-9

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 **1249 Washington Blvd** located in **Central Business District** 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 OPRA is requested solely for the rehabilitation of non-residential floors.**

The 2020 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
02000298-9	1249 Washington Bl	\$ 5,482,000	\$ 446,677	\$ 592,900	\$ 48,311

The project as proposed by the **Innovative Acquisitions LLC** consists of the Former Book Tower and Building, a historic office building built in 1926 with 448,571 gross building area on 0.595 acres of land. The proposed project consists of rehabilitating the vacant structure with ground floor retail, office space, and hotel. The building will undergo major renovations including façade rehabilitation, window replacement, floor replacement, roof replacement, all major mechanical, plumbing and electrical systems replacement, and installation of a new elevator system.

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
Innovative Acquisitions LLC – 1249 Washington Blvd
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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 review of the application and project details indicated that the proposed Obsolete Property Rehabilitation Certificate for the property located at **1249 Washington Blvd** 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



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OFFICE OF THE ASSESSOR

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Obsolete Property Rehabilitation Certificate
Innovative Acquisitions LLC – 1249 Washington Blvd
Page 3

Property Address: 1249 WASHINGTON BLVD
Parcel Number: 02000298-9
Property Owner: INNOVATIVE ACQUISITIONS LLC
Legal Description: W WASHINGTON BLVD 10 THRU 7 & N 38.77 FT OF E 10 FT OF VAC ALLEY IN REAR OF LOT 7 W 5 FT OF VAC WASHINGTON BLVD ADJ PLAT OF SEC 10 GOVERNOR & JUDGES PLAN L34 P553 DEEDS, W C R 2/2 243.08 IRREG

