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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: May 25, 2021

RE: Application for an **Obsolete Property Rehabilitation Certificate by Speramus Partners, 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. This tax incentive is designed to assist in the redevelopment of older buildings, which are contaminated, blighted or functionally obsolete and to return them to the tax rolls.

Speramus Partners, LLC

The project developer and owner of the property is Speramus¹ Partners, LLC. The project is located at **7400 W. McNichols**, a 7,686 sq. ft. building constructed in 1942, which consists of vacant retail space on 0.194 acres of land, located in Council District 2. If approved by Council, the space will include two restaurants, a taproom, entertainment, and retail.² In addition to the current OPRA request, the development is a recipient of funding through Invest Detroit. Prior its development, the building was in a severe state of disrepair.

The developer is planning to invest \$2.97 million and according to the DEGC, plans to create 10 permanent jobs and 42 temporary construction jobs.³ DEGC is recommending a full 12-year abatement for this project.

¹ Latin for: "We hope"

² The building is one of three buildings on West McNichols where renovations are in the works. The others are 7316 W. McNichols, which is expected to have a pizzeria, and there are plans for commercial and residential at 7303 W. McNichols. <https://www.bridgedetroit.com/detroit-is-getting-its-first-black-owned-brewery/>

³ However, according to the developer's amended application, submitted April 29, 2021, the developer is set to create 62 permanent and temporary construction jobs.

DEGC Project Evaluation Checklist
7400 W. McNichols Redevelopment Project

Developer: Speramus Partners, LLC.

Principal: Chase Cantrell + Jason Headen

Obsolete Property Rehabilitation Act, PA 146 - incentive for redevelopment and rehabilitation for commercial or commercial mixed use buildings that are contaminated, blighted, or functionally obsolete.	
DEGC Recommendation	12 years
Location	
Address	7400 W. McNichols
City Council District	District 2
Neighborhood	Livernois McNichols
Located in HRD Targeted Area	Liv-6
Building Use	
Total Rentable Square Foot	7,539 SF
Retail Square Foot	7,539 SF
Public Parking Spaces	
Project Description	
<p>The rehabilitation of 7400 W. McNichols is one of the most significant to occur along the W. McNichols corridor in decades, and the Speramus Partners team considers this to be a catalyst project that may spur the creation of a cultural corridor. The site will include a taproom for a SE MI brewery, which is majority Black-owned, as the anchor tenant, two restaurants, entertainment, and retail.</p> <p>This will create approximately 10 new full-time employees and 10 part-time employees. As a recipient of funding through Invest Detroit’s Strategic Neighborhood Fund, this project is slated to be one of the first catalyst projects to open along the W. McNichols/Livernois micro-corridor (between San Juan and Monica). As such, this will be one of the few “third spaces” within a 20-minute walking distance where residents can comfortably dine in, drink, shop, and watch live performances and lectures. More than a food or banquet hall, the development team and the tenants wish for the space to be a consciousness shifting experience in which patrons are exposed to the wealth of Black creative talent that this city has to offer, from culinary expertise through to the curation of performances from Black creatives and thought leaders.</p> <p>The rehabilitation of the Property will have a significant positive impact on the community in which it is located. The developers each have ties to the neighborhood, either currently living there or having been raised there. All parties involved wish to extend employment opportunities to community residents, not only post-construction in the operation of the businesses but also during the construction process.</p>	
Sources and Uses	
Total Investment	\$2.97M
Uses	\$208K Land (7%), \$2.296M Hard Construction (77.3%), \$464K Soft Costs (15.7%)
Project Benefits	
Estimated Jobs	10 FTE, 42 Construction
Estimated City benefits before tax abatement	\$405,096
Total estimated City value of OPRA abatement	\$56,883
Less cost of services & utility deductions	\$135,562
Net Benefit to City with OPRA abatement	\$212,652

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

	Amount
Real Property Taxes, before abatement	\$59,946
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$74,163
Municipal Income Taxes - Indirect Workers	\$12,915
Municipal Income Taxes - Corporate Income	\$60,354
Municipal Income Taxes - Construction Period	\$21,146
Utility Revenue	\$31,554
Utility Users' Excise Taxes	\$12,277
State Revenue Sharing - Sales Tax	\$48,203
Building Permits and Fees	\$27,241
Miscellaneous Taxes & User Fees	\$57,296
Subtotal Benefits	\$405,096
Cost of Providing Municipal Services	(\$104,008)
Cost of Providing Utility Services	(\$31,554)
Subtotal Costs	(\$135,562)
Net Benefits	\$269,534

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	\$405,096	(\$135,562)	(\$56,883)	\$0	\$0	\$212,652
Wayne County	\$26,838	(\$12,366)	(\$13,605)	\$0	\$0	\$867
Detroit Public Schools	\$107,589	(\$52,145)	(\$22,020)	\$0	\$0	\$33,424
State Education	\$10,710	\$0	\$0	\$0	\$0	\$10,710
Wayne RESA	\$9,754	\$0	(\$9,255)	\$0	\$0	\$498
Wayne County Comm. College	\$5,785	\$0	(\$5,489)	\$0	\$0	\$296
Wayne County Zoo	\$179	\$0	(\$169)	\$0	\$0	\$9
Detroit Institute of Arts	\$357	\$0	(\$339)	\$0	\$0	\$18
Total	\$566,308	(\$200,073)	(\$107,761)	\$0	\$0	\$258,474

Impacted Taxing 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	Business Personal Property Tax Abatement	Utility Users Tax & Corporation Income Tax Exemption	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$393,365	(\$135,562)	(\$49,039)	\$0	\$0	\$208,764
Library	\$11,731	\$0	(\$7,844)	\$0	\$0	\$3,887
Wayne County	\$26,838	(\$12,366)	(\$13,605)	\$0	\$0	\$867
Detroit Public Schools	\$107,589	(\$52,145)	(\$22,020)	\$0	\$0	\$33,424
State Education	\$10,710	\$0	\$0	\$0	\$0	\$10,710
Wayne RESA	\$9,754	\$0	(\$9,255)	\$0	\$0	\$499
Wayne County Comm. College	\$5,785	\$0	(\$5,489)	\$0	\$0	\$296
Wayne County Zoo	\$179	\$0	(\$169)	\$0	\$0	\$10
Detroit Institute of Arts	\$357	\$0	(\$339)	\$0	\$0	\$18
Total	\$566,308	(\$200,073)	(\$107,761)	\$0	\$0	\$258,474

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⁴ Charts courtesy of the DEGC

Conclusion

The estimated total capital investment for this project is **\$2.97 million**. It is also estimated that completed project will create 10 FTEs and 42 temporary construction jobs. The total value of the 12-year OPRA tax abatement is estimated at **\$107,761**.⁵

Based on the investment and jobs, this project is also estimated to provide the City of Detroit a net benefit of **\$212,652** and all of the impacted taxing units, a net benefit of **\$258,474**⁶ over the 12 years of the OPRA tax abatement.

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



Chase Cantrell and Jason Headen in front of an unfinished 7400 W. McNichols⁷



Rendering of 7400 W. McNichols⁸

⁵ Existing Annual Taxes: \$6,712- New Annual Taxes AFTER Incentive: \$9,583

⁶ Annual Taxes once the Abatement EXPIRES: \$18,375

⁷ Source: <https://live6detroit.org/newbizdevelopment/#7400>

⁸ Detroit is getting its first Black-owned brewery, By Louis Aguilar, April 8, 2021
<https://www.bridgedetroit.com/detroit-is-getting-its-first-black-owned-brewery/>

Attachment: Assessor's Letter, dated April 12, 2021

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



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

April 12, 2021

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 – Speramus Partners LLC**
 Addresses: 7400 W McNichols
 Parcel Number: 16008267.

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 **7400 W McNichols** located in **Bagley** 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 2021 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
16008267.	7400 W McNichols	\$ 42,600	\$ 42,600	\$ 7,200	\$ 7,200

The project as proposed by the **Speramus Partners LLC** consists of a vacant retail space with 7,686 sq.ft, built in 1942, on 0.194 acres of land. The proposed project consists of rehabilitating the vacant structure with two restaurants, retail, and a brewery. The building will undergo major renovations including, but not limited to, window replacement, floor replacement, roof replacement, all major mechanical, plumbing and electrical systems replacement, façade construction, and asbestos abatement.

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
Speramus Partners LLC – 7400 W McNichols
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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 statutory review indicated that the proposed Obsolete Property Rehabilitation Certificate for the property located at **7400 W McNichols** 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
Speramus Partners LLC – 7400 W McNichols
Page 3

Property Address: 7400 W MCNICHOLS
Parcel Number: 16008267.
Property Owner: SPERAMUS PARTNERS LLC
Legal Description: N W MCNICHOLS E 8.95 FT OF 2 3 THRU 4 AND N 10 FT OF VAC MCNICHOLS ROAD ADJ ALSO 5 STAFFORDS INTERCOLLEGE SUB L46 P82 PLATS, W C R 16/333 88 IRREG 8454 SQFT

