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Elizabeth Cabot, Esq.  
Tasha Cowen

## City of Detroit CITY COUNCIL

LEGISLATIVE POLICY DIVISION  
208 Coleman A. Young Municipal Center  
Detroit, Michigan 48226  
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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director   
Legislative Policy Division Staff

DATE: June 16, 2021

RE: CRES QOZB, 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.

### CRES QOZB, LLC

CRES QOZB, LLC,<sup>1</sup> the project developer and owner of the property, which consists of three commercial vacant lots on 0.358 acres of land; located at 1000, 1008 Townsend and 7631 E Lafayette in the West Village area in the city of Detroit. If approved by Council for a Commercial Rehabilitation certificate, the developer plans to construct a new 24-unit multifamily building with approximately 10,000 square feet of living space, consisting of a mix of twelve (12) studio units

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<sup>1</sup> The Developer is a qualified opportunity zone business (QOZB), which is a trade or business in that substantially all the tangible property owned by the business is qualified opportunity zone business property. At least 50 percent of the gross income of the QOZB must be derived from the active conduct of a trade or business in qualified opportunity zones. <https://www.occ.gov/publications-and-resources/publications/community-affairs/community-developments-fact-sheets/cd-fact-sheet-opportunity-zones.pdf>

and twelve (12) 1-bedroom units. The building is planned as a in a 2-story building with 25% of the units marketed at or below 80% AMI.<sup>2</sup> It is anticipated that the newly constructed complex will increase commercial activity in the area, prevent the loss of employment, revitalize the area and increase the number of residents in the city.

### **UNIT ALLOCATION**

#### **12 Studio Apartments**

- 1 unit at or below 60% AMI (\$675/month), 2 units at or below 80% AMI (\$875/month), 9 units market rate

#### **12 1-Bedroom Apartments**

- 3 units at or below 80% AMI (\$925-\$1000), 9 units market rate

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

### **DEGC Project Evaluation Checklist**

#### **1000 Townsend**

**Developer:** CRES QOZB, LLC

**Principle:** John Chu

Commercial Rehabilitation Act, <b>PA 210 of 2005 as amended</b> – Current taxes frozen at pre-rehab construction values, local taxes abated for up to 10 years	
<b>DEGC Recommendation</b>	<b>10 Years</b>
<b>Request Type</b>	<b>PA 210 Certificate</b>
<b>Location</b>	
Address	1000-1008 Townsend & 7631 E Lafayette
City Council District	District 5
Neighborhood	Islandview
<b>Building Use</b>	
Total Rentable Square Footage	10,344
Residential Square Footage	10,344
Parking Spaces	15
<b>Project Description</b>	
<p>The project proposes new construction on currently vacant land. The CRES development team, led by John Chu and Brian Hurtienne, have completed the rehabilitation of various single family and small multifamily properties in Detroit. The property was formerly occupied by residences, offices, and retailers. The former structures were demolished by the 2000s and the property has sat vacant and underutilized since that time. The current project proposes new construction of approximately 24 new apartment units in a 2-story building with 25% units are anticipated to be at or below 80% AMI rates.</p> <p>Unit Breakdown</p> <p>12 Studio Apartments</p> <ul style="list-style-type: none"> <li>• 1 unit at or below 60% AMI (\$675/mth), 2 units at or below 80% AMI (\$875/mth), 9 units market rate</li> </ul>	

<sup>2</sup> Detroit-Warren-Livonia Metro Area HUD 2021 Area Median Income (AMI) for one person 80% = \$44,000.

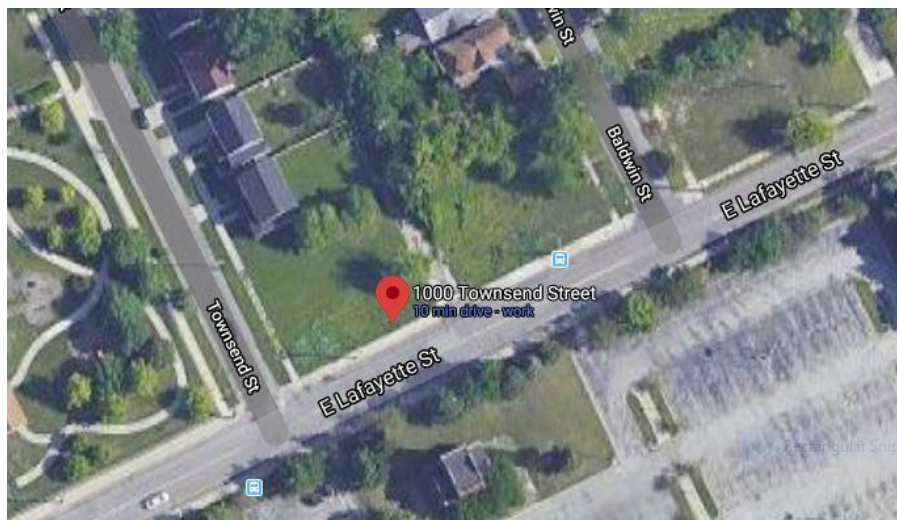
### 12 1-Bedroom Apartments

- 3 units at or below 80% AMI (\$925-\$1000), 9 units market rate

The Developer is finalizing the project design and working to secure funding commitments from various financing partners. Construction is targeted for Summer 2021.

Rental Breakdown	
Total Units	24 Units (\$1.80/sf)
Studio	12 units, 376sf, \$676/mo rent
1 Bedroom	12 units, 486sf, \$874/mo rent
Underwriting	
Project Costs	
Total Investment	\$3.9M
Uses	\$0.15M Acquisition (4%), \$3.1M Hard Construction (79%), \$0.67M Soft Costs (17%)
Project Benefits (12 years)	
Estimated jobs	1 FTE, 20 construction jobs
Estimated city benefits before tax abatement	<b>\$299,465</b>
Total nominal value of PA 210	<b>\$133,215</b>
Less cost of services & utility deductions	<b>\$21,389</b>
Net benefit to city	<b>\$144,861</b>

### Property Map



<sup>3</sup> Property map courtesy of the DEGC

## Rendering



1 SOUTH PERSPECTIVE  
ORIGINAL EXHIBIT SCALE: 1/8"



2 NORTH PERSPECTIVE  
ORIGINAL EXHIBIT SCALE: 1/8"



4

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

	Amount
Real Property Taxes, before abatement	\$135,274
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$4,612
Municipal Income Taxes - Indirect Workers	\$1,710
Municipal Income Taxes - Corporate Income	\$2,464
Municipal Income Taxes - Construction Period	\$25,389
Municipal Income Taxes - New Res. Inhabitants	\$78,237
Utility Revenue	\$14,575
Utility Users' Excise Taxes	\$1,044
State Revenue Sharing - Sales Tax	\$4,017
Building Permits and Fees	\$26,500
Miscellaneous Taxes & User Fees	\$5,642
<b>Subtotal Benefits</b>	<b>\$299,465</b>
Cost of Providing Municipal Services	(\$6,814)
Cost of Providing Utility Services	(\$14,575)
<b>Subtotal Costs</b>	<b>(\$21,389)</b>
<b>Net Benefits</b>	<b>\$278,076</b>

<sup>4</sup> Rendering courtesy of the DEGC

### 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	\$299,465	(\$21,389)	(\$133,215)	\$0	\$0	\$144,861
Wayne County	\$33,601	(\$1,310)	(\$31,863)	\$0	\$0	\$429
Detroit Public Schools	\$134,967	(\$9,546)	(\$51,568)	\$0	\$0	\$73,852
State Education	\$24,169	\$0	\$0	\$0	\$0	\$24,169
Wayne RESA	\$22,011	\$0	(\$21,676)	\$0	\$0	\$335
Wayne County Comm. College	\$13,054	\$0	(\$12,856)	\$0	\$0	\$199
Wayne County Zoo	\$403	\$0	(\$397)	\$0	\$0	\$6
Detroit Institute of Arts	\$806	\$0	(\$793)	\$0	\$0	\$12
Total	\$528,475	(\$32,245)	(\$252,367)	\$0	\$0	\$243,863

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

Jursidiction	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	\$280,812	(\$21,389)	(\$114,846)	\$0	\$0	\$144,577
Library	\$18,653	\$0	(\$18,369)	\$0	\$0	\$284
Wayne County	\$33,601	(\$1,310)	(\$31,863)	\$0	\$0	\$428
Detroit Public Schools	\$134,967	(\$9,546)	(\$51,568)	\$0	\$0	\$73,853
State Education	\$24,169	\$0	\$0	\$0	\$0	\$24,169
Wayne RESA	\$22,011	\$0	(\$21,676)	\$0	\$0	\$335
Wayne County Comm. College	\$13,054	\$0	(\$12,856)	\$0	\$0	\$198
Wayne County Zoo	\$403	\$0	(\$397)	\$0	\$0	\$6
Detroit Institute of Arts	\$806	\$0	(\$793)	\$0	\$0	\$13
Total	\$528,475	(\$32,245)	(\$252,367)	\$0	\$0	\$243,863

5

### Conclusion

The estimated total capital investment for this project is **\$3.9 million**. It is also estimated that completed project will create one (1) FTE, 20 construction jobs and 24 new housing units in the city of Detroit. The total value of the 12-year Commercial Rehabilitation tax abatement to the developer, is an estimated tax savings of **\$252,367**.<sup>6</sup>

Based on the investment and jobs, this project is also estimated to provide the City of Detroit a net benefit of **\$144,861** and all of the impacted taxing units, a net benefit of **\$243,863**<sup>7</sup> over the 12 years of the Commercial Rehabilitation tax abatement.

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

<sup>5</sup> Charts courtesy of the DEGC

<sup>6</sup> Existing Annual Taxes: \$491 - New Annual Taxes AFTER Incentive: \$9,185

<sup>7</sup> Annual Taxes once the Abatement EXPIRES: \$32,724





**7631 Lafayette<sup>8</sup>**

**Attachment:** Assessor's letter dated September 21, 2020

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 Peeples, Mayor's Office  
Malinda Jensen, DEGC  
Kenyetta Bridges, DEGC  
Jennifer Kanalos, DEGC  
Brian Vosburg, DEGC  
Cora Capler, DEGC

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<sup>8</sup> <https://www.redfin.com/MI/Detroit/7631-E-Lafayette-St-48214/home/145903969>



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 21, 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 – **CRES QOZB LLC**  
Property Address: 1000 Townsend/1008 Townsend/7631 E Lafayette  
Parcels Number: 17011820/17011821/17011763-5

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 **1000/1008 Townsend/7631 E Lafayette** in the **West Village** 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 three commercial vacant lots on 0.358 acres of land. The developer plans to construct a 24-unit multi-family building with approximately 10,000 square feet having a mix of (12) studio units and (12) 1-bedroom units. 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
17011820.	1000 Townsend	\$ -	\$ -	\$ 1,100	\$ 1,100
17011821.	1008 Townsend			\$ 1,500	\$ 1,500
17011763-5	7631 E Lafayette			\$ 3,000	\$ 3,000

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 **1000/1008 Townsend/7631 E Lafayette** 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



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

Commercial Rehabilitation Certificate  
CRES QOZB LLC  
Page 2

Property Owner: CRES QOZB LLC  
Property Address: 1000 TOWNSEND  
Parcel Number: 17011820.  
Legal Description: E TOWNSEND 85 MOSES W FIELDS SUB L8 P37 PLATS, W C R 17/40 30 X 100

Property Owner: CRES QOZB LLC  
Property Address: 1008 TOWNSEND  
Parcel Number: 17011821.  
Legal Description: E TOWNSEND 86 MOSES W FIELDS SUB L8 P37 PLATS, W C R 17/40 30 X 100

Property Owner: CRES QOZB LLC  
Property Address: 7631 E LAFAYETTE  
Parcel Number: 17011763-5  
Legal Description: W BALDWIN 124 THRU 126 MOSES W FIELDS SUB L8 P37 PLATS, W C R 17/40 90 X 107

