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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: July 13, 2021

RE: **7303 West McNichols, 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.

7303 West McNichols, LLC

7303 West McNichols, LLC is the project developer and owner of the property located at 7303, 7329 and 7355 West McNichols. The development group comprised of the development firms URGE Development Group LLC, led by Roderick Hardamon; N'Namdi Holdings, led by LLC George N'Namdi and Hosey Development LLC, led by Richard Hosey, plan to construct a 38,000 square foot mixed-use development on three parcels. The project, which is, will include the demolition of the existing structures and the construction of a new mixed-use development, with approximately 6,100 square feet of first-floor retail space and approximately 38 residential units on the floors above. The Commercial Rehabilitation Certificate (PA 210) tax abatement that the developer is currently requesting, is an incentive that applies to the commercial element of this project, which is located in the Fitzgerald area of Detroit.

The development will offer studios, one- and two- bedroom housing units, priced for residents within the 60-80% area median income¹ (AMI). On March 9, 2021, the developer received approval of a Brownfield TIF.² In addition, on June 1, 2021, the developer received approval of a NEZ and the developer is also seeking a MCRP³ loan.

The entire project's cost is estimated at **\$9,745,297**.

The DEGC has recommended a full term 10-year Commercial Rehabilitation certificate.

DEGC Project Evaluation Checklist

7303 W. McNichols

Developer: URGE Development, LLC; N'namdi Holdings, LLC; Hosey Development, LLC

Commercial Rehabilitation Act, PA 210 of 2005 – incentive for rehabilitation or new construction of commercial space. Lasts up to 10 years.	
DEGC Recommendation	10 years PA 210
Location	
Address	7303 W. McNichols
City Council District	District 2
Neighborhood	Liv 6
Located in HRD Targeted Area	Liv 6
Building Use – THIS REQUEST IS ONLY FOR PA 210 CERTIFICATE	
Total Rentable Square Foot	5,967
Retail Square Foot	2,200
Residential Square Foot	3,767
Project Description	
<p>The mixed-use development at 7303 W McNichols is planned for the southern block of W McNichols between Prairie St. and Monica St. in the Bagley/Fitzgerald neighborhood.</p> <p>This development will be one of several to catalyze the economic vitality of the area by adding 38 new residential units (studios, 1 bedroom and 2-bedroom units) and a unique commercial offering that will offer decreased rental rates to help spur commercial activity in the corridor. Residential rents will be affordable at 80% AMI and below on all units. The development will not only create new housing units for the area but will also create roughly 5,800 sf of commercial space. The McNichols corridor benefits from a walkable, dense built environment. This corridor is anticipated to see a total of roughly \$13M in private investment the next 12 to 18 months.</p> <p>The abatement is a necessary component to the project financing. Without both the NEZ abatement and the PA 210 this project would not be feasible.</p>	

¹ Detroit-Warren-Livonia Metro Area HUD 2021 AMI for one person 60%-80% = \$33,000 - \$44,000 (estimated monthly rents of approx. \$825 - \$1,100 (studio rents may differ))

² The Developer requested \$1,155,452 in TIF (Tax increment financing) reimbursements (for environ. remediation), however only \$1,115,686 in TIF is projected to be captured during the life of the Plan, a difference of \$39,766.

³ The Michigan Community Revitalization Program (MCRP) is an incentive program to promote private investment in Michigan communities. Administered by the Michigan Economic Development Corporation (MEDC) on behalf of the Michigan Strategic Fund (MSF).

Sources and Uses	
Total Investment	\$9.7M
Sources	\$730K equity (7.53%); \$4.35M Capital Impact Partners debt (44.88%); \$4.6M New Market Tax Credit (47.59%)
Uses	\$145K Building (1.45%), \$7.5M Hard Construction (78%), \$2.13M Soft Costs (20.55%)
Project Benefits – THIS REQUEST IS ONLY FOR PA 210 CERTIFICATE & ONLY SHOWS THOSE NUMBERS	
Estimated Jobs	25 FTE, 100 Construction
Estimated City benefits before tax abatement	\$710,804
Total estimated City value of PA 210	\$62,925
Less cost of services & utility deductions	\$214,102
Brownfield TIF Capture	\$541
Net Benefit to City	\$433,236

City of Detroit: Benefits, Costs, and Net Benefits over the Next 10 Years

	Amount
Real Property Taxes, before abatement	\$74,087
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$192,168
Municipal Income Taxes - Indirect Workers	\$48,944
Municipal Income Taxes - Corporate Income	\$61,592
Municipal Income Taxes - Construction Period	\$14,357
Utility Revenue	\$46,423
Utility Users' Excise Taxes	\$25,454
State Revenue Sharing - Sales Tax	\$98,863
Building Permits and Fees	\$10,068
Miscellaneous Taxes & User Fees	\$138,849
Subtotal Benefits	\$710,804
Cost of Providing Municipal Services	(\$167,680)
Cost of Providing Utility Services	(\$46,423)
Subtotal Costs	(\$214,102)
Net Benefits	\$496,702

Impacted 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	Brownfield TIF Capture	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$710,804	(\$214,102)	(\$62,925)	\$0	(\$541)	\$433,236
Wayne County	\$47,651	(\$31,294)	(\$15,051)	\$0	(\$177)	\$1,130
Detroit Public Schools	\$180,051	(\$105,008)	(\$24,358)	\$0	(\$19,980)	\$30,704
State Education	\$13,355	\$0	\$0	\$0	(\$11,374)	\$1,980
Wayne RESA	\$9,138	\$0	(\$7,902)	\$0	(\$93)	\$1,143
Wayne County Comm. College	\$7,213	\$0	(\$6,072)	\$0	(\$71)	\$1,070
Wayne County Zoo	\$223	\$0	(\$187)	\$0	\$0	\$35
Detroit Institute of Arts	\$445	\$0	(\$375)	\$0	\$0	\$70
Total	\$968,880	(\$350,405)	(\$116,870)	\$0	(\$32,236)	\$469,368

Impacted Taxing Units: Incentive Summary over the First 10 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	Brownfield TIF Capture	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$700,588	(\$214,102)	(\$54,248)	\$0	(\$439)	\$431,799
Library	\$10,216	\$0	(\$8,677)	\$0	(\$102)	\$1,437
Wayne County	\$47,651	(\$31,294)	(\$15,051)	\$0	(\$177)	\$1,129
Detroit Public Schools	\$180,051	(\$105,008)	(\$24,358)	\$0	(\$19,980)	\$30,705
State Education	\$13,355	\$0	\$0	\$0	(\$11,374)	\$1,981
Wayne RESA	\$9,138	\$0	(\$7,902)	\$0	(\$93)	\$1,143
Wayne County Comm. College	\$7,213	\$0	(\$6,072)	\$0	(\$71)	\$1,070
Wayne County Zoo	\$223	\$0	(\$187)	\$0	\$0	\$36
Detroit Institute of Arts	\$445	\$0	(\$375)	\$0	\$0	\$70
Total	\$968,880	(\$350,405)	(\$116,870)	\$0	(\$32,236)	\$469,368

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Conclusion

The estimated total capital investment for this project is **\$9.7 million**. It is also estimated that completed project will create 25 new FTE positions and 100 temporary construction jobs. The total value of the 10-year Commercial Rehabilitation tax abatement to the developer is an estimated tax savings of **\$116,870**.⁵

Based on the investment and jobs, this project is estimated to provide the City of Detroit a net benefit of **\$433,236** and all of the impacted taxing units, a net benefit of **\$469,368** over the 10 years of the Commercial Rehabilitation tax abatement.

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

Attachment: Assessor's letter dated June 29, 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
Cora Capler, DEGC

⁴ Charts courtesy of the DEGC

⁵ **Existing Annual Taxes: \$2,759 - New Annual Taxes AFTER Incentive: \$4,095 - Annual Taxes once the Abatement EXPIRES: \$17,930**



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 29, 2021

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 – **7303 West McNichols LLC**
Property Address: 7303/7329/7355 West McNichols
Parcels Number: 16007950-4/16007955-6/16007957-8

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 **7303/7329/7355 W McNichols** in the **Fitzgerald** 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 a retail structure with 9,750 sq.ft., built in 1946, a 2-story mixed use property with 4,600 sq.ft., built in 1936, and a former auto repair garage with 898 sq.ft., built in 1952, on a total of 0.551 acres of land. The developer plans to demolish the existing structures and construct a 38-unit multi-family building with approximately 38,000 square feet, including 6,200 sq.ft. of commercial space. 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:

16009750-4	7303 W McNichols	\$	106,400	\$	106,400	\$	8,300	\$	8,300
16007955-6	7329 W McNichols	\$	37,500	\$	37,500	\$	5,400	\$	5,400
16007957-8	7355 W McNichols	\$	21,100	\$	21,100	\$	6,900	\$	6,900

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 **7303/7329/7355 W McNichols** 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
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PHONE: 313•224•3011
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Commercial Rehabilitation Certificate
7303 W McNichols LLC
Page 2

Parcel Number: 16007950-4
Property Address: 7303 W MCNICHOLS
Property Owner: 7303 W MCNICHOLS LLC
Legal Description: S--W MC NICHOLS RD 18 THRU 14 MARSHALL MICHAELSON & KOHN SUB L33 P46 PLATS, W C R 16/293 100 X 100

Parcel Number: 16007955-6
Property Address: 7329 W MCNICHOLS
Property Owner: 7303 W MCNICHOLS LLC
Legal Description: S-W MC NICHOLS 13 THRU 11 MARSHALL MICHAELSON & KOHN SUB L33 P46 PLATS, W C R 16/293 60 X 100

Parcel Number: 16007957-8
Property Address: 7355 W MCNICHOLS
Property Owner: 7303 W MCNICHOLS LLC
Legal Description: S--W MC NICHOLS RD 10 THRU 7 MARSHALL MICHAELSON & KOHN SUB L33 P46 PLATS, W C R 16/293 80 X 100

