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TO: COUNCIL MEMBERS 
FROM: David Whitaker, Director
Legislative Policy Division Staff
DATE: September 28, 2021
RE: **Book Cadillac Detroit Propco, LLC PA 255 Certificate Request**
***REVISED REPORT¹**

The Commercial Redevelopment Act, PA 255 of 1978, is a tax incentive to provide for the establishment of commercial redevelopment districts in local governmental units. A Commercial Facilities Exemption Certificate entitles the facility an exemption from ad valorem real property taxes for a term of 1-12 years as determined by the local governmental unit.

The criteria set forth for issuing Commercial Rehabilitation certificates under 255 of 1978, as amended, applies to functionally obsolete properties requiring restoration, meaning changes to obsolete commercial property other than replacement may be required to restore the property, together with all appurtenances, to an economically efficient condition.

Book Cadillac Detroit Propco, LLC, the project developer, a subsidiary of Oxford Capital Hotels and Resorts, LLC,² has planned for the major renovation of the Westin Book Cadillac Hotel,³ built in 1925 and located at 1114 Washington Blvd in Detroit's Central Business District, with 506,568 square feet of total floor area on 0.921 acres of land. The purchase of the hotel from the current owners by Oxford is currently pending. The hotel is in need of renovations due to changes in design, construction, and technology, as well as changes necessary to remain

¹ The original report referred to PA 210 in the second paragraph; it now correctly references PA 255.

² <https://ohrllc.com/>

³ Developed by Herbert, Frank and J. Burgess Book Jr., the brothers sought to turn Detroit's Washington Boulevard into the "Fifth Avenue of the West." Louis Kamper, the architect of the Book Building, was hired to design the most extravagant hotel in the city, and the tallest hotel in the world at the time, the 33-story Book-Cadillac Hotel. It broke ground in 1923, and opened Dec. 8, 1924. <https://historicroetroit.org/buildings/book-cadillac-hotel>

competitive and to address market and branding requirements. To cure the obsolescence, the owner proposes to make substantial improvements to the interior and exterior, including modifications to the lobby, hotel restaurant, and guestrooms (which will include new showers, countertops, paint, carpet, plumbing, and electrical improvements), HVAC, millwork, elevator repairs, IT upgrades, facade repair, new central water tanks and boilers. A majority of the investment includes the assumption of \$77 million of debt, which is necessary to prevent the hotel from going into foreclosure.⁴ Per the Law Dept., the hotel has no outstanding debt to the City. The DEGC has recommended a full 12-year Commercial Redevelopment certificate.⁵

DEGC Project Evaluation Checklist

Book Westin

Developer: Oxford Capital Group

Principle: John Rutledge

Commercial Facilities Exemption, PA 255 of 1978 as amended - Current taxes frozen at pre-rehab values / Improvements not taxed, local taxes abated for up to 12 years	
DEGC Recommendation	Approval of 12-yr term
Request Type	PA 255 District & Certificate
Location	
Address	1114 Washington
City Council District	District 6
Neighborhood	Downtown
Building Use	
Hotel Square Footage	605,000
Number of Hotel Rooms	453 Keys
Project Description	
<p>The Book Cadillac, completed in 1924, was named after Detroit's own Book Brothers, who pioneered the development of Washington Boulevard into a posh city center. At the time, it was the tallest hotel in the world at 32 stories, originally with 1,000 guest rooms. Sadly, the building sat vacant for 25 years prior to being purchased and redeveloped at the sum of \$110 million in 2008. The hotel reopened as a four-star Westin hotel with 453 hotel keys as well as 65 new condominium units on the top floors. It won multiple design awards for its historic preservation.</p> <p>During the Covid-19 pandemic, due to a lack of travel, the hotel began running cash flow negative. In May 2020, the hotel was placed under into special servicing as a result of unpaid mortgage obligations. After a number of months of running in the red, the hotel is currently breaking even. The Oxford Capital Group will acquire the building and undergo a substantial renovation to the hotel and maintain the Westin flag.</p>	
Project Costs	
Total Investment	\$108.6M
Uses	\$77.0M Acquisition (71%), \$16.5M Hard Construction (15%), \$15.1M Other (14%)
Sources	\$77.0M Debt (71%), \$31.6M Equity (29%)
Project Benefits (12 years)	
Estimated jobs	60 FTE Developer Jobs (rehiring of employees pre-pandemic)
Estimated city benefits before tax abatement	\$19,343,053
Total nominal value of PA 255	\$10,038,695
Less cost of services & utility deductions	\$1,660,347

⁴ According to the DEGC, the majority of the \$108M (\$77M) as *debt acquisition* is why this is not under the CBO.

⁵ This area meets the criteria set forth under PA 255 of 1978, as amended. It applies to functionally obsolete properties requiring restoration meaning changes to obsolete commercial property other than replacement as may be required to restore the property, together with all appurtenances, to an economically efficient condition. *Assessor's letter dated September 27, 2021*

Net benefit to city

\$7,644,011

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

	Amount
Real Property Taxes, before abatement	\$14,389,791
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$1,517,391
Municipal Income Taxes - Indirect Workers	\$350,517
Municipal Income Taxes - Corporate Income	\$511,940
Municipal Income Taxes - Construction Period	\$78,497
Utility Revenue	\$281,430
Utility Users' Excise Taxes	\$208,647
State Revenue Sharing - Sales Tax	\$813,007
Building Permits and Fees	\$50,000
Miscellaneous Taxes & User Fees	\$1,141,832
<u>Subtotal Benefits</u>	<u>\$19,343,053</u>
Cost of Providing Municipal Services	(\$1,378,917)
Cost of Providing Utility Services	(\$281,430)
<u>Subtotal Costs</u>	<u>(\$1,660,347)</u>
Net Benefits	\$17,682,706

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	\$19,343,053	(\$1,660,347)	(\$10,038,695)	\$0	\$0	\$7,644,011
Wayne County	\$3,729,304	(\$247,294)	(\$2,401,082)	\$0	\$0	\$1,080,928
Detroit Public Schools	\$14,323,016	(\$793,461)	(\$9,266,662)	\$0	\$0	\$4,262,893
State Education	\$2,609,785	\$0	(\$1,793,548)	\$0	\$0	\$816,237
Downtown Dev. Authority	\$410,410	\$0	(\$277,551)	\$0	\$0	\$132,859
Wayne RESA	\$2,159,295	\$0	(\$1,633,414)	\$0	\$0	\$525,881
Wayne County Comm. College	\$1,409,632	\$0	(\$968,755)	\$0	\$0	\$440,877
Wayne County Zoo	\$43,496	\$0	(\$29,892)	\$0	\$0	\$13,604
Detroit Institute of Arts	\$86,993	\$0	(\$59,785)	\$0	\$0	\$27,208
Total	\$44,114,985	(\$2,701,102)	(\$26,469,383)	\$0	\$0	\$14,944,499

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	\$17,358,853	(\$1,660,347)	(\$8,654,465)	\$0	\$0	\$7,044,041
Library	\$1,984,200	\$0	(\$1,384,230)	\$0	\$0	\$599,970
Wayne County	\$3,729,304	(\$247,294)	(\$2,401,082)	\$0	\$0	\$1,080,928
Detroit Public Schools	\$14,323,016	(\$793,461)	(\$9,266,662)	\$0	\$0	\$4,262,893
State Education	\$2,609,785	\$0	(\$1,793,548)	\$0	\$0	\$816,237
Downtown Dev. Authority	\$410,410	\$0	(\$277,551)	\$0	\$0	\$132,859
Wayne RESA	\$2,159,295	\$0	(\$1,633,414)	\$0	\$0	\$525,881
Wayne County Comm. College	\$1,409,632	\$0	(\$968,755)	\$0	\$0	\$440,877
Wayne County Zoo	\$43,496	\$0	(\$29,892)	\$0	\$0	\$13,604
Detroit Institute of Arts	\$86,993	\$0	(\$59,785)	\$0	\$0	\$27,208
Total	\$44,114,985	(\$2,701,102)	(\$26,469,383)	\$0	\$0	\$14,944,499

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⁶ Charts courtesy of the DEGC

Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive	
City of Detroit	\$239,933	\$274,353	\$788,352
Library	\$38,376	\$43,881	\$126,092
Wayne County	\$66,567	\$76,115	\$218,719
Detroit Public Schools	\$256,906	\$293,761	\$844,118
State Education	\$49,724	\$56,857	\$163,378
Downtown Dev. Authority	\$7,695	\$8,799	\$25,283
Wayne RESA	\$45,285	\$51,781	\$148,791
Wayne County Comm. College	\$26,857	\$30,711	\$88,246
Wayne County Zoo	\$829	\$948	\$2,723
Detroit Institute of Arts	\$1,657	\$1,895	\$5,446
Total	\$733,829	\$839,101	\$2,411,148

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Conclusion

The estimated total capital investment for this project is **\$108.6 million**.⁸ It is also estimated that completed project will create 70 FTE Developer Jobs⁹ (rehiring of employees pre-pandemic) and 100 temporary construction jobs. The total value of the 12-year Commercial Redevelopment tax abatement is estimated at **\$26,469,383**.¹⁰

Based on the investment and jobs, this project is also estimated to provide the City of Detroit a net benefit of **\$7,644,011** and all of the impacted taxing units, a net benefit of **\$14,944,499** over the 12 years of the Commercial Redevelopment tax abatement.

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

Attachment: Assessor's Letter, dated September 27, 2021

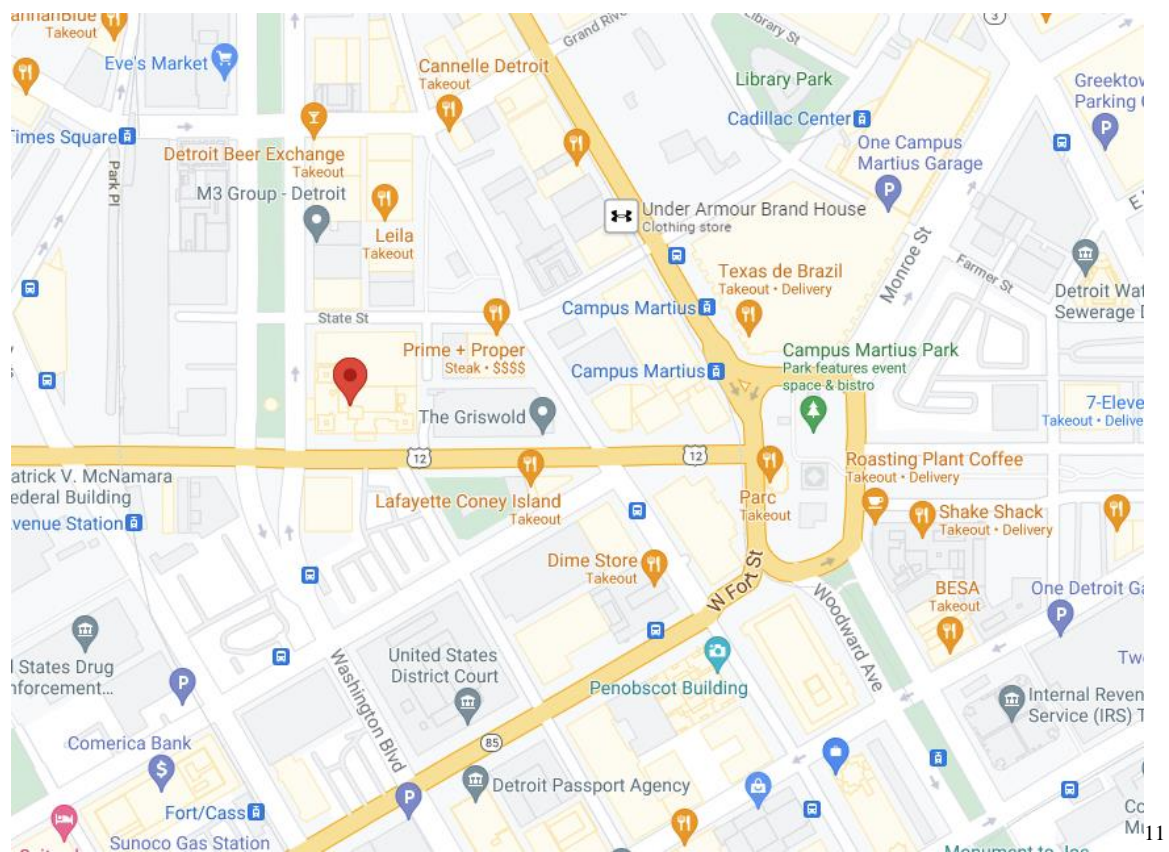
cc: Auditor General's Office
Donald Rencher, Chief of Services and Infrastructure
Katy Trudeau, Planning and Development Department
Julie Schneider, HRD
Veronica Farley, HRD
Stephanie Grimes Washington, Mayor's Office
Avery Peebles, Mayor's Office
Malinda Jensen, DEGC
Kenyetta Bridges, DEGC
Jennifer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

⁷ Existing Annual Taxes: \$733,829 - New Annual Taxes AFTER (During) Incentive: \$839,101 New taxes Without Incentive (after the incentive expires): \$2,411,148

⁸ The construction budget is estimated at \$16.5 million of which approximately \$9 million is for hard construction costs and is eligible for the abatement (\$77.0M Acquisition (71%), \$16.5M Hard Construction (15%), \$15.1M Other (14%)).

⁹ The developer's application indicates 70 jobs, while the DEGC has indicated 60 jobs.

¹⁰ The primary source of the abatement is as a result of the freezing of the taxes under the term of the abatement, which would have significantly increased due to the uncapping of the property taxes under new ownership.



¹¹ *Photo and Map Courtesy of 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

September 27, 2021

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

RE: Commercial Redevelopment Certificate – **Westin Book Cadillac Hotel**
Property Address: 1114 Washington Blvd
Parcels Number: 02000259.001

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the Commercial Redevelopment certificate application for the property located at **1114 Washington Blvd** in the **Central Business District** in the City of Detroit.

The rationale for issuing Commercial Redevelopment certificates under PA 255 of 1978, as amended, is based on the anticipation of increased market value upon completion of new construction and/or significant restoration of commercial and former industrial property where the primary purpose and use of which is the operation of a commercial business enterprise and shall include office, engineering, research and development, warehousing parts distribution, retail sales, hotel or motel development, and other commercial facilities. Commercial business enterprise also includes a business that owns or operates a transit-oriented development or a transit-oriented facility. Normal repair and maintenance are not assessed and do not necessarily generate additional market value.

The property consists of the Westin Book Cadillac Hotel with 506,568 square feet of total floor area built in 1925 on 0.921 acres of land. The building is impaired due to changes in design, construction, and technology, as well as changes necessary to remain competitive and address market and branding requirements. To cure the obsolescence, the owner proposes to make substantial improvements to the interior and exterior, including modifications to the lobby, hotel restaurant, and guestrooms (which will include new showers, countertops, paint, carpet, plumbing, and electrical improvements), HVAC, millwork, elevator repairs, IT upgrades, façade repairs, new central water tanks and boilers.

The 2021 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
02000259.001	1114 Washington Blvd	\$ 25,020,200	\$ 7,767,140	\$ 1,675,500	\$ 520,133

This area meets the criteria set forth under PA 255 of 1978, as amended. It applies to functionally obsolete properties requiring restoration meaning changes to obsolete commercial property other than replacement as may be required to restore the property, together with all appurtenances, to an economically efficient condition.



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Commercial Redevelopment Certificate
Cadillac Funding Associates LLC
Page 2

A review of the general plans, along with the criteria set forth under the Commercial Redevelopment Act, indicated that the proposed project located at **1114 Washington Blvd** is eligible as it pertains to the Commercial Redevelopment certificate criteria under P.A. 255 of 1978, as amended.

Sincerely,

Charles Ericson, MMAO
Assessor, Board of Assessors

Parcel Number: 02000259.001
Property Address: 1114 WASHINGTON BLVD, UNIT 1
Property Owner: CADILLAC DEVELOPMENT CO LLC
Legal Description: N MICHIGAN UNIT 1 WAYNE COUNTY CONDOMINIUM PLAN NO. 918; "BOOK CADILLAC CONDOMINIUM"
L44899 P51-151 DEEDS, WCR FIRST AMENDMENT RECORDED L45591 P213-273 DEEDS, WCR 2/201 82.50%

