


David Whitaker, Esq.
 Director
 Irvin Corley, Jr.
 Executive Policy Manager
 Marcell R. Todd, Jr.
 Senior City Planner
 Janese Chapman
 Deputy Director

John Alexander
 LaKisha Barclift, Esq.
 Nur Barre
 M. Rory Bolger, Ph.D., FAICP
 Elizabeth Cabot, Esq.
 Tasha Cowan
 George Etheridge

City of Detroit
CITY COUNCIL
LEGISLATIVE POLICY DIVISION
 208 Coleman A. Young Municipal Center
 Detroit, Michigan 48226
 Phone: (313) 224-4946 Fax: (313) 224-4336

Christopher Gulock, AICP
 Derrick Headd
 Marcel Hurt, Esq.
 Kimani Jeffrey
 Anne Marie Langan
 Jamie Murphy
 Kim Newby
 Analine Powers, Ph.D.
 Jennifer Reinhardt
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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
 Legislative Policy Division Staff

DATE: October 12, 2021

RE: Application for an **Obsolete Property Rehabilitation Certificate** by
THAG Group, LLC 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.

The project developer and owner of the property located at **16311 E Warren** in the Morningside area Detroit is THAG Group, LLC. Constructed in 1941, the property consists of a 2-story mixed use building, with 5,630 square feet of building area on 0.091 acres of land. The completed project will include rehabilitating the structure into a retail bakery space. The building will undergo major renovations including layout reconfiguration, all major mechanical, plumbing and electrical systems replacements, and the installation of new furniture and fixtures.

DEGC Project Evaluation Checklist

16311 E. Warren

Developer: THAG Group, LLC.

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	16311 E. Warren
City Council District	District 5
Neighborhood	Morningside

Located in HRD Targeted Area	E. Warren Cadiuex
Building Use	
Total Rentable Square Foot	5,967
Retail Square Foot	3,767
Residential Square Foot	2,200
Project Description	
<p>The mixed-use development at 16311-16315 E. Warren is planned for the E. Warren Cadiuex commercial corridor.</p> <p>This development will be one of several to catalyze the economic vitality of the area by adding 3,767 SF of retail space that will house tenant, Terri's Cakes, and 2,200 SF of residential space above. Formerly a woodworking shop, the building will undergo structural changes to accommodate its new retail bakery tenant. HVAC systems and electrical systems will be upgraded and repaired. The current layout and design of the building is functionally obsolete for the intended use.</p> <p>To support the investment, the developer has requested an OPRA tax abatement to improve the cashflow to leverage the debt necessary to adequately update, repair and reconfigure the space.</p> <p>Terri's Cakes is a growing Detroit-based business currently operating from the owner's home and private kitchen for nearly 50 years and for the past 8 years under the second generation. Terri's Cakes Detroit has found a home within the East English Village and Morningside communities.</p>	
Sources and Uses	
Total Investment	\$986,031
Sources	\$60K equity (6%); \$923K Invest Detroit debt (94%)
Uses	\$60K Building (6.1%), \$711K Hard Construction (72.3%), \$213K Soft Costs (21.67%)
Project Benefits	
Estimated Jobs	25 FTE; 20 Construction Jobs
Estimated City benefits before tax abatement	\$1,148,554
Total estimated City value of OPRA	\$58,565
Less cost of services & utility deductions	\$329,015
Net Benefit to City	\$760,974

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

	Amount
Real Property Taxes, before abatement	\$72,867
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$376,611
Municipal Income Taxes - Indirect Workers	\$228,264
Municipal Income Taxes - Corporate Income	\$75,443
Municipal Income Taxes - Construction Period	\$7,203
Municipal Income Taxes - New Res. Inhabitants	\$15,064
Utility Revenue	\$61,100
Utility Users' Excise Taxes	\$32,246
State Revenue Sharing - Sales Tax	\$124,169
Building Permits and Fees	\$8,000
Miscellaneous Taxes & User Fees	\$147,587
Subtotal Benefits	<u>\$1,148,554</u>
Cost of Providing Municipal Services	(\$267,915)
Cost of Providing Utility Services	(\$61,100)
Subtotal Costs	<u>(\$329,015)</u>
Net Benefits	\$819,539

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	\$1,148,554	(\$329,015)	(\$58,565)	\$0	\$0	\$760,974
Wayne County	\$53,190	(\$35,427)	(\$14,008)	\$0	\$0	\$3,756
Detroit Public Schools	\$237,087	(\$169,472)	(\$22,671)	\$0	\$0	\$44,944
State Education	\$13,019	\$0	\$0	\$0	\$0	\$13,019
Wayne RESA	\$11,104	\$0	(\$9,529)	\$0	\$0	\$1,575
Wayne County Comm. College	\$7,032	\$0	(\$5,652)	\$0	\$0	\$1,380
Wayne County Zoo	\$217	\$0	(\$174)	\$0	\$0	\$43
Detroit Institute of Arts	\$434	\$0	(\$349)	\$0	\$0	\$85
Total	\$1,470,636	(\$533,914)	(\$110,948)	\$0	\$0	\$825,775

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	\$1,138,507	(\$329,015)	(\$50,490)	\$0	\$0	\$759,002
Library	\$10,047	\$0	(\$8,075)	\$0	\$0	\$1,972
Wayne County	\$53,190	(\$35,427)	(\$14,008)	\$0	\$0	\$3,756
Detroit Public Schools	\$237,087	(\$169,472)	(\$22,671)	\$0	\$0	\$44,944
State Education	\$13,019	\$0	\$0	\$0	\$0	\$13,019
Wayne RESA	\$11,104	\$0	(\$9,529)	\$0	\$0	\$1,575
Wayne County Comm. College	\$7,032	\$0	(\$5,652)	\$0	\$0	\$1,380
Wayne County Zoo	\$217	\$0	(\$174)	\$0	\$0	\$43
Detroit Institute of Arts	\$434	\$0	(\$349)	\$0	\$0	\$85
Total	\$1,470,636	(\$533,914)	(\$110,948)	\$0	\$0	\$825,775

¹ Charts courtesy of the DEGC

DEGC Chart of Taxes Before, During & After the Incentive²

Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive	
City of Detroit	\$908	\$908	\$4,672
Library	\$145	\$145	\$747
Wayne County	\$252	\$252	\$1,596
Detroit Public Schools	\$972	\$3,312	\$5,002
State Education	\$188	\$968	\$968
Wayne RESA	\$171	\$171	\$882
Wayne County Comm. College	\$102	\$102	\$524
Wayne County Zoo	\$3	\$3	\$16
Detroit Institute of Arts	\$6	\$6	\$32
Total	\$2,747	\$5,867	\$14,439

Conclusion

The estimated total capital investment for this project is **\$986,031**. It is also estimated that the completed project will create 25 FTEs and 20 temporary construction Jobs. The total value of the 12-year OPRA tax abatement is estimated at **\$110,948**.

Based on the investment and jobs, this project is also estimated to provide the City of Detroit a net benefit of **\$760,974**, and all of the impacted taxing units, a net benefit of **\$825,775** over the 12 years of the OPRA tax abatement.

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



Area Map



16311 E. Warren³

² Existing Annual Taxes: \$2,747 - New Annual Taxes DURING the Incentive: \$5,867 & Taxes after the Incentive EXPIRES: \$14,439

Attachment: Assessor's Letter, dated September 24, 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
Gail Fulton, Mayor's Office
Malinda Jensen, DEGC
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC

³ *Area map and Photo 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 24, 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 – THAG Group LLC**
 Addresses: 16311 E Warren
 Parcel Number: 21002877.

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 **16311 E Warren** located in the **Morningside** 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
21002877.	16311 E Warren	\$ 41,500	\$ 32,634	\$ 3,700	\$ 2,909

The project as proposed by the **THAG Group LLC** consists of a 2-story mixed use building with 5,630 square feet of building, built in 1941, on 0.091 acres of land. The proposed project consists of rehabilitating the structure into a retail bakery space. The building will undergo major renovations including layout reconfiguration, all major mechanical, plumbing and electrical systems replacement, and installation of new furniture and fixtures.

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



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER
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2 WOODWARD AVE., SUITE 824
DETROIT, MI 48226
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FAX: 313•224•9400

Obsolete Property Rehabilitation Certificate
THAG Group LLC
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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 **16311 E Warren** 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



Obsolete Property Rehabilitation Certificate
THAG Group LLC
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Property Address: 16311 E WARREN
Parcel Number: 21002877.
Property Owner: THAG GROUP LLC
Legal Description: N WARREN E 369&368 HENRY RUSSELLS THREE MILE DRIVE SUB NO 1 L46 P20 PLATS, W CR 21/699
40 X 100

