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Irvin Corley, Jr.
Executive Policy Manager
Marcell R. Todd, Jr.
Director, City Planning Commission
Janese Chapman
Director, Historic Designation
Advisory Board


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

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TO: COUNCIL MEMBERS
FROM: David Whitaker, Director 
Legislative Policy Division Staff
DATE: May 18, 2022
RE: **3402 Brush St., 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.

The project developer and owner of the property located at **3402 Brush**, was initially listed under the name of the owner Michael DiLorenzo on the original application dated December 24, 2022. However, an amended application (attached) dated March 24, 2022, was submitted to reflect the owner of the property as **3402 Bagley St., LLC**, that is now seeking the approval of a PA 210 certificate.

The property consists of a vacant apartment building with 6,248 square feet on .090 acres of land. The owner plans to rehabilitate the property into a six-unit multi-family building. The former owner of the property leased the six units as an Airbnb.¹ The rehabilitation of the property 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 developer will offer 20%² of the units at 80% AMI. *Ideally, the current owner has no plans to use the property as an Airbnb.*

¹ Airbnb works as a middleman for people that want to rent out their property (hosts) to people that need a room.
² One of the six available units (based on rounding, is specifically 16.7% for one unit, however, two units would be 33.3%)

DEGC Project Evaluation Checklist

3402 Brush Street
Principle: Michael DiLorenzo

Commercial Rehabilitation Act, **PA 210 of 2005 as amended** – Current taxes frozen at pre-rehab construction values, local taxes abated for up to 10 years

DEGC Recommendation	Approval of the Certificate
Request Type	PA 210 Certificate – 10 Year Recommendation
Location	
Address	3402 Brush Street
City Council District	District 5
Neighborhood	Midtown
Building Use	
Total Square Footage	6,248
Residential Square Footage	6,248
Number of Residential Units	Six units
Number of Parking Spaces	Six
Unit Mix	(4) one-bdrm units; (2) two-bdrm units
Affordability	(1) one-bdrm unit affordable at 80% AMI
Project Description	
<p>Mr. DiLorenzo is the owner and developer of 3402 Brush St. The property is currently leased to a single tenant which operates the apartments under the AirBnB program. The lease will expire in February 2022, allowing for the rehabilitation and improvement of the use to customary, long-term rental to six tenants. No relocation will be required.</p> <p>The project scope includes the rehabilitation of the 112-year-old building at the corner of Brush and Erskine to replace plumbing and heating, upgrade kitchens and baths and repair or replace the roof.</p>	
Underwriting	
Internal Rate of Return	8.0% with abatement (6.0% without abatement)
Debt Service Coverage Ratio	1.37x with abatement (1.24x without abatement)
Cash on Cash	5.8% with abatement (3.8% without abatement)
Project Costs	
Total Investment	\$1,153,000
Uses	\$925K Acquisition (80%), \$228K Hard Construction (20%)
Sources	\$840K Senior Debt (73%), \$313K Equity (27%)
Project Benefits (10 years)	
Estimated jobs	0 FTE, 10 Construction
Estimated city benefits before tax abatement	\$244,826
Total nominal value of PA 210	\$110,069
Less cost of services & utility deductions	\$54,749
Net benefit to city	\$80,008

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

	Amount
Real Property Taxes, before abatement	\$155,605
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$0
Municipal Income Taxes - Indirect Workers	\$0
Municipal Income Taxes - Corporate Income	\$0
Municipal Income Taxes - Construction Period	\$2,150
Municipal Income Taxes - New Res. Inhabitants	\$26,640
Utility Revenue	\$54,749
Utility Users' Excise Taxes	\$2,683
State Revenue Sharing - Sales Tax	\$0
Building Permits and Fees	\$3,000
Miscellaneous Taxes & User Fees	\$0
Subtotal Benefits	\$244,826
Cost of Providing Municipal Services	\$0
Cost of Providing Utility Services	(\$54,749)
Subtotal Costs	(\$54,749)
Net Benefits	\$190,078

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	Utility Users Tax & Corporation Income Tax Exemption	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$244,826	(\$54,749)	(\$110,069)	\$0	\$0	\$80,008
Wayne County	\$37,130	\$0	(\$26,260)	\$0	\$0	\$10,870
Detroit Public Schools	\$138,346	\$0	(\$42,608)	\$0	\$0	\$95,738
State Education	\$27,801	\$0	\$0	\$0	\$0	\$27,801
Wayne RESA	\$25,262	\$0	(\$17,869)	\$0	\$0	\$7,393
Wayne County Comm. College	\$15,002	\$0	(\$10,612)	\$0	\$0	\$4,390
Wayne County Zoo	\$462	\$0	(\$327)	\$0	\$0	\$135
Detroit Institute of Arts	\$924	\$0	(\$654)	\$0	\$0	\$271
Total	\$489,754	(\$54,749)	(\$208,399)	\$0	\$0	\$226,606

Impacted Taxing Units: Incentive Summary over the First 10 Years (With the *Library* breakout from the City)

	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
Jurisdiction						
City of Detroit	\$223,370	(\$54,749)	(\$93,749)	\$0	\$0	\$74,872
Library	\$21,456	\$0	(\$16,320)	\$0	\$0	\$5,136
Wayne County	\$37,130	\$0	(\$26,260)	\$0	\$0	\$10,870
Detroit Public Schools	\$138,346	\$0	(\$42,608)	\$0	\$0	\$95,738
State Education	\$27,801	\$0	\$0	\$0	\$0	\$27,801
Wayne RESA	\$25,262	\$0	(\$17,869)	\$0	\$0	\$7,393
Wayne County Comm. College	\$15,002	\$0	(\$10,612)	\$0	\$0	\$4,390
Wayne County Zoo	\$462	\$0	(\$327)	\$0	\$0	\$135
Detroit Institute of Arts	\$924	\$0	(\$654)	\$0	\$0	\$271
Total	\$489,754	(\$54,749)	(\$208,399)	\$0	\$0	\$226,606

³ Charts courtesy of the DEGC

DEGC Chart of Taxes Before, During & After the Incentive⁴

	Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive(s)
City of Detroit	\$3,647	\$3,706	\$12,545
Library	\$583	\$593	\$2,007
Wayne County	\$1,009	\$1,026	\$3,472
Detroit Public Schools	\$3,761	\$8,969	\$12,938
State Education	\$756	\$2,600	\$2,600
Wayne RESA	\$687	\$698	\$2,362
Wayne County Comm. College	\$408	\$414	\$1,403
Wayne County Zoo	\$13	\$13	\$43
Detroit Institute of Arts	\$25	\$26	\$86
Total	\$10,889	\$18,043	\$37,456

Conclusion

The estimated total capital investment for this project is **\$1.153 million**. It is also estimated that the completed project will create 0 FTEs and 10 temporary construction jobs. The total value of the 10-year Commercial Rehabilitation tax abatement is estimated at **\$208,399**.

Based on the investment and jobs, this project is also estimated to provide the City of Detroit a net benefit of **\$80,008**, and all of the impacted taxing units, a net benefit of **\$226,606** over the 10 years of the Commercial Rehabilitation tax abatement.⁵

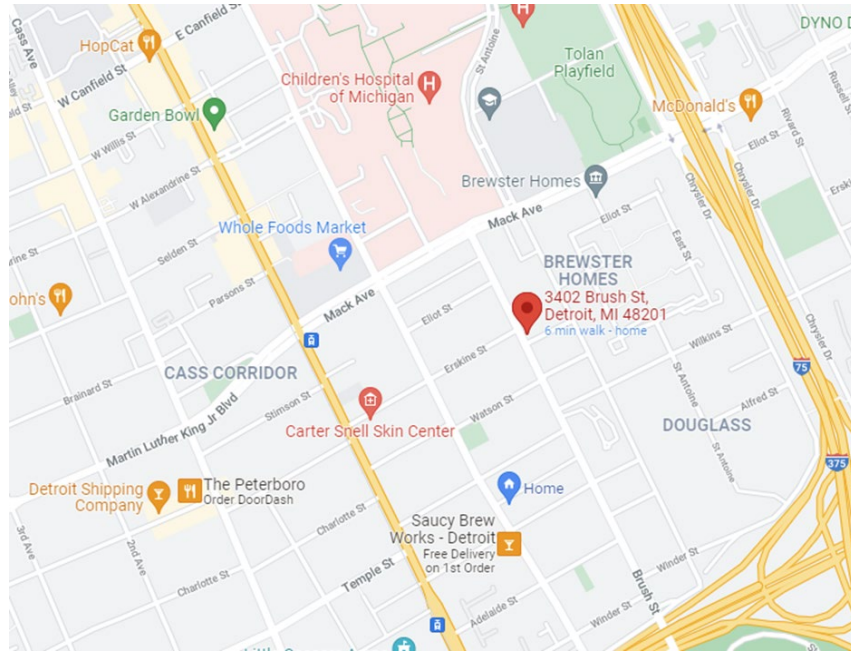
However, if the developer does not proceed in good faith to complete the project, the Act allows the City Council to revoke the certificate: *“The legislative body of the qualified local governmental unit may, by resolution, revoke the commercial rehabilitation exemption certificate of a facility if it finds that the completion of rehabilitation of the qualified facility has not occurred within the time authorized by the legislative body in the exemption certificate, or a duly authorized extension of that time, or that the holder of the commercial rehabilitation exemption certificate has not proceeded in good faith with the operation of the qualified facility in a manner consistent with the purposes of this act and in the absence of circumstances that are beyond the control of the holder of the exemption certificate.”*⁶

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

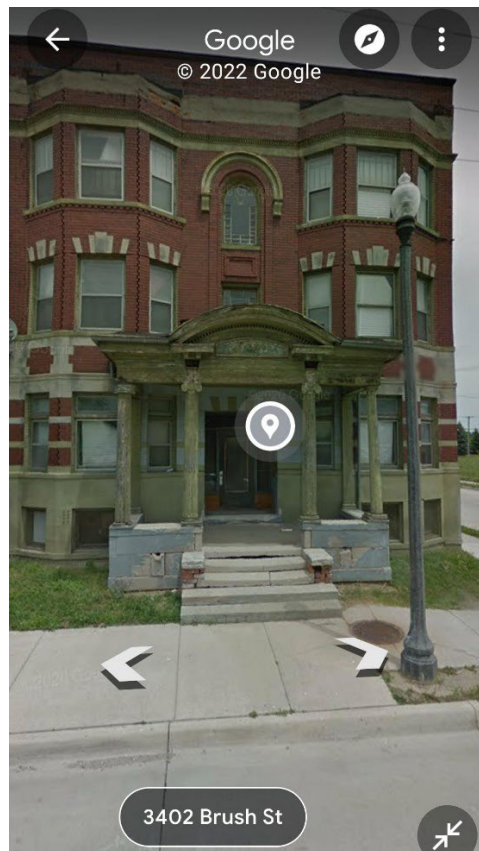
⁴ Existing Annual Taxes: \$10,889 - New Annual Taxes DURING the Incentive: \$18,043 & Taxes after the Incentive EXPIRES: \$37,456

⁵ According to the amended application, the commencement date of the project is April 2022, and the date of completion is December 2022.

⁶ COMMERCIAL REHABILITATION ACT (Act 210) MCL. 207.852(1)



Area Map⁷



Streetview of 3402 Brush⁸

⁷ Area map courtesy of DEGC

⁸ Source :Google Maps

Attachments: **Assessor's Letter** dated March 17, 2022
Amended Application dated March 24, 2022

cc: Auditor General's Office
Donald Rencher, Chief of Services and Infrastructure
Antoine Bryant, Planning and Development Department
Julie Schneider, HRD
Veronica Farley, HRD
Charles Ericson, Office of the CFO/Office of the Assessors
Stephanie Grimes Washington, Mayor's Office
Gail Fulton, 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

March 17, 2022

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 – **Michael DiLorenzo**
 Property Address: 3402 Brush
 Parcels Number: 01003829.001

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 **3402 Brush** in the **Brush Park** 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 vacant apartment building with 6,248 square feet on .090 acres of land. The owner plans to rehabilitate the property into a six-unit multi-family building. The rehabilitation of the property 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
01003829.001	3402 Brush	\$ 257,300	\$ 24,672	\$ 101,300	\$ 9,714

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 **3402 Brush** is eligible as it pertains to the Commercial Rehabilitation certificate criteria under P.A. 210 of 2005, as amended.

Sincerely,

Charles Ericson, MMAO
 Assessor



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
Michael DiLorenzo
Page 2

Property Owner: MICHAEL DILORENZO
Property Address: 3402 BRUSH
Parcel Number: 01003829.001
Legal Description: E BRUSH S 43.38 FT LOT 1 BLK J BRUSH SUB OF PT PARK LOTS 15,16&17 L3 P24 PLATS W C R 1/48 43.38 X 90.66

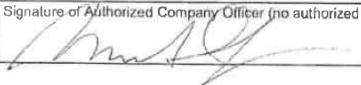


AMENDED
**Application for Commercial
Rehabilitation Exemption Certificate**

Issued under authority of Public Act 210 of 2005, as amended.

LOCAL GOVERNMENT UNIT USE ONLY	
Application No.	Date Received
STATE USE ONLY	
Application No.	Date Received

Read the instructions page before completing the form. **This application should be filed after the commercial rehabilitation district is established.** The applicant must complete Parts 1, 2 and 3 and file the application form (with required attachments) with the clerk of the local governmental unit (LGU). Attach the legal description of property on a separate sheet. This project will not receive tax benefits until approved by the State Tax Commission (STC). Applications received after October 31 may not be acted upon in the current year. This application is subject to audit by the STC.

PART 1: OWNER / APPLICANT INFORMATION (applicant must complete all fields)			
Applicant (Company) Name (applicant must be the owner of the facility) 3402 Brush St. LLC (original applicant name was Michael DiLorenzo)		NAICS or SIC Code 531110	
Facility's Street Address 3402 Brush	City Detroit	State MI	ZIP Code 48201
Name of City, Township or Village (taxing authority) City of Detroit		County Wayne	School District Where Facility is Located Detroit P.S. Community
<input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village			
Date of Rehabilitation Commencement (mm/dd/yyyy) 04/01/2022		Planned Date of Rehabilitation Completion (mm/dd/yyyy) 12/31/2022	
Estimated Cost of Rehabilitation \$228,000		Number of Years Exemption Requested (1-10) 10	
Expected Project Outcomes (check all that apply)			
<input checked="" type="checkbox"/> Increase Commercial Activity <input type="checkbox"/> Retain Employment <input checked="" type="checkbox"/> Revitalize Urban Areas <input type="checkbox"/> Create Employment <input type="checkbox"/> Prevent Loss of Employment <input checked="" type="checkbox"/> Increase Number of Residents in Facility's Community			
No. of jobs to be created due to facility's rehabilitation 0	No. of jobs to be retained due to facility's rehabilitation 0	No. of construction jobs to be created during rehabilitation 10	
PART 2: APPLICATION DOCUMENTS			
Prepare and attach the following items:			
<input checked="" type="checkbox"/> General description of the facility (year built, original use, most recent use, number of stories, square footage)		<input checked="" type="checkbox"/> Statement of the economic advantages expected from the exemption	
<input checked="" type="checkbox"/> Description of the qualified facility's proposed use		<input checked="" type="checkbox"/> Legal description	
<input checked="" type="checkbox"/> Description of the general nature and extent of the rehabilitation to be undertaken		<input type="checkbox"/> Description of the "underserved area" (Qualified Retail Food Establishments only)	
<input checked="" type="checkbox"/> Descriptive list of the fixed building equipment that will be a part of the qualified facility		<input type="checkbox"/> Commercial Rehabilitation Exemption Certificate for Qualified Retail Food Establishments (Form 4753) (Qualified Retail Food Establishments only)	
<input checked="" type="checkbox"/> Time schedule for undertaking and completing the facility's rehabilitation			
PART 3: APPLICANT CERTIFICATION			
Name of Authorized Company Officer (no authorized agents) Michael DiLorenzo		Telephone Number (917) 846-2796	
Fax Number (313) 465-7309		E-mail Address rbarr@honigman.com	
Street Address c/o Richard Barr, Honigman, 660 Woodward, Ste. 2290		City Detroit	State MI
		ZIP Code 48226	
<p><i>I certify that, to the best of my knowledge, the information contained herein and in the attachments is truly descriptive of the property for which this application is being submitted. Further, I am familiar with the provisions of Public Act 210 of 2005, as amended, and to the best of my knowledge the company has complied or will be able to comply with all of the requirements thereof which are prerequisite to the approval of the application by the local governmental unit and the issuance of a Commercial Rehabilitation Exemption Certificate by the State Tax Commission.</i></p> <p><i>I further certify that this rehabilitation program, when completed, will constitute a rehabilitated facility, as defined by Public Act 210 of 2005, as amended, and that the rehabilitation of this facility would not have been undertaken without my receipt of the exemption certificate.</i></p>			
Signature of Authorized Company Officer (no authorized agents) 		Title Manager	Date March 24, 2022

PART 4: ASSESSOR RECOMMENDATIONS (assessor of LGU must complete Part 4)			
Provide the Taxable Value and State Equalized Value of Commercial Property, as provided in Public Act 210 of 2005, as amended, for the tax year immediately preceding the effective date of the certificate (December 31 of the year approved by the STC).			
	Taxable Value	State Equalized Value (SEV)	
Land			
Building(s)			
The property to be covered by this exemption may not be included on any other specific tax roll while receiving the Commercial Rehabilitation Exemption. For example, property on the Eligible Tax Reverted Property (Land Bank) specific tax roll cannot be granted a Commercial Rehabilitation Exemption that would also put the same property on the Commercial Rehabilitation specific tax roll.			
<input checked="" type="checkbox"/> By checking this box I certify that, if approved, the property to be covered by this exemption will be on the Commercial Rehabilitation Exemption specific tax roll and not on any other specific tax roll.			
Name of Local Government Body City of Detroit			
Name of Assessor (first and last name) Charles Ericson		Telephone Number (313) 224-4832	
Fax Number (313) 224-9400		E-mail Address EricsonC@detroitmi.gov	
I certify that, to the best of my knowledge, the information contained in Part 4 of this application is complete and accurate.			
Assessor's Signature			Date
PART 5: LOCAL GOVERNMENT ACTION (clerk of LGU must complete Part 5)			
Action Taken By LGU (attach a certified copy of the resolution):			
<input checked="" type="checkbox"/> Exemption approved for _____ years, ending December 30, _____ (not to exceed 10 years)			
<input type="checkbox"/> Exemption Denied			
Date District Established (attach resolution for district) 6/4/16	Local Unit Classification Identification (LUCI) Code 82205	School Code 82010	
PART 6: LOCAL GOVERNMENT CLERK CERTIFICATION (clerk of LGU must complete Part 6)			
Clerk's Name (first and last) Janice M. Winfrey		Telephone Number (313) 224-3262	
Fax Number (313) 224-2075		E-mail Address	
Mailing Address 2 Woodward Avenue, Ste. 200	City Detroit	State MI	ZIP Code 48226
LGU Contact Person for Additional Information Andre Gilbert	LGU Contact Person Telephone Number (313) 224-3262	Fax Number (313) 224-2075	
I certify that, to the best of my knowledge, the information contained in this application and attachments is complete and accurate and hereby request the State Tax Commission issue a Commercial Rehabilitation Exemption Certificate, as provided by Public Act 210 of 2005, as amended.			
Clerk's Signature			Date

For faster service, the LGU should email the completed application and required documents to PTE@michigan.gov.

An additional submission option is to mail the completed application and required documents to:

Michigan Department of Treasury, State Tax Commission
P.O. Box 30471
Lansing, MI 48909

Attachment to Amended Act 210 Commercial Rehabilitation Exemption Certificate Application
3402 Brush Rehabilitation
3402 Brush St. LLC, Owner
March 24, 2022

1. General Description of Facility and Description of the Qualified Facility's Proposed Use.

3402 Brush St. LLC, the owner of 3402 Brush, Detroit, Michigan ("Owner"), intends to rehabilitate the six-unit apartment building at 3402 Brush. The building, constructed in 1910, has approximately 6,248 square feet of interior space and is located on approximately 0.09 acres of land in the Brush Park area. The building will be vacant as of February, 2022, when the current lease to a single tenant will expire. Upon completion of the renovation work, the building will have six updated one-bedroom apartments with approximately 1,000 square feet each, 20% (1 unit) of which will be reserved for qualified residents who will pay rent not greater than the affordable rent for residents whose household income is 80% of the area median income in the Detroit-Warren-Livonia HUD MSA.

The property is identified as tax parcel 01003829.001. The legal description of the land is indicated below.

2. Description of the General Nature and Extent of the Rehabilitation to be Undertaken.

The proposed rehabilitation includes new boilers and air conditioning for all apartments, installation of energy efficient insulation, a new roof, kitchen and bathroom updates, renovation of the basement level for common area use, repainting the entire building interior and exterior, and repair of all stairways.

3. Descriptive List of the Fixed Building Equipment That Will Be Part of the Qualified Facility.

HVAC, dishwashers, oven/stoves and refrigerators.

4. Time Schedule for Undertaking and Completing the Facility's Rehabilitation.

The project is expected to commence in April, 2022 and to be completed by December, 2022.

5. Statement of the Economic Advantages Expected from the Exemption.

The exemption will temporarily mitigate the very high real property tax rates in the City of Detroit (approx. 86.4416 mills). Temporary construction jobs will be created. New city income taxes will be generated from new residents of the apartments as well as from temporary construction jobs created by the proposed investment.

