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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: September 7, 2022

RE: **Marrow Eastern Market, LLC PA 255 Certificate Request**

The Commercial Redevelopment Act, PA 255 of 1978

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,¹ to an economically efficient condition.

Marrow Eastern Market, LLC

Marrow Eastern Market, LLC,² is the project developer of the property located at 2442 Riopelle. The project as proposed consists of a former meat processing property with approximately 14,196 square feet on 0.200 acres of land. The owner proposes to convert the property into meat processing, retail butcher, and tasting room/restaurant/bar space. The restoration requires extensive reconfiguration, including mechanical upgrades. This PA 255 certificate request is solely for the **non-industrial/processing portion of the property**. The DEGC has

¹ Accessories or other items associated with a particular activity or style of living.

² Development Team Principal(s): Jon Updyke and Ping Ho

recommended a full 12-year Commercial Redevelopment certificate. In addition, the developer is also seeking the approval of a PA 198 certificate, which covers solely *the industrial/processing portion of the property*.

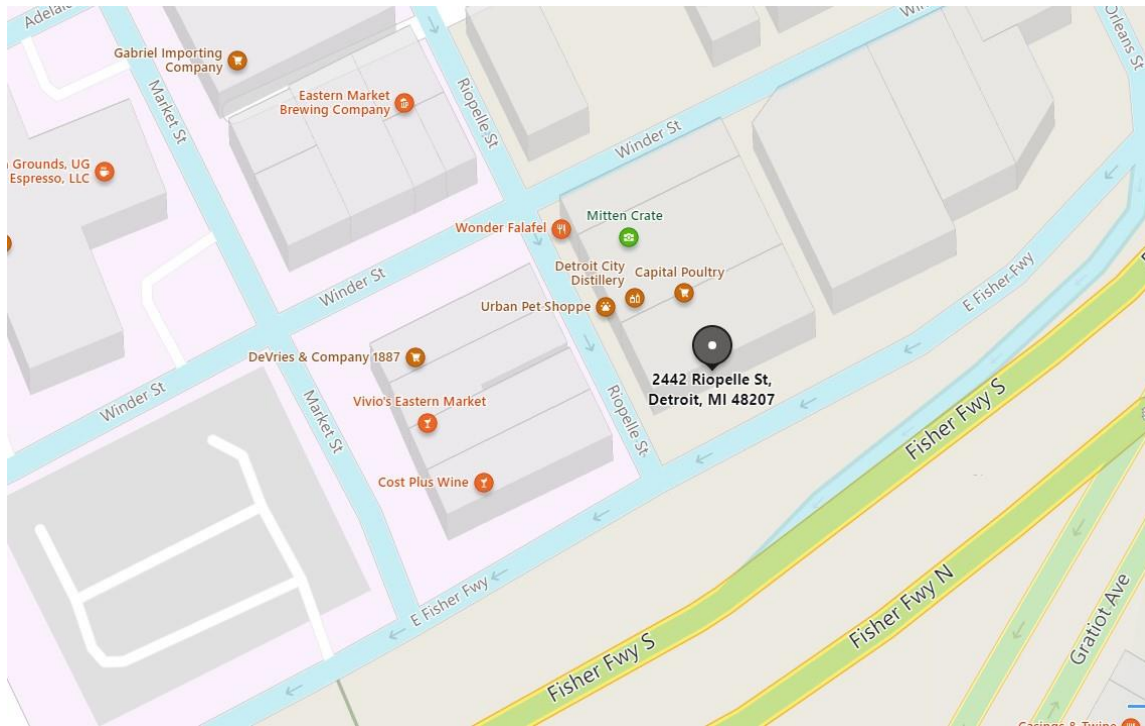
DEGC Property Tax Abatement Evaluation

Property Address: 2442 Riopelle
Developer: 2442 Riopelle LLC
Development Team Principal(s): Jon Updyke and Ping Ho
Prepared By: Catherine Frazier

Description of Incentive: PA 198 Industrial Development District AND PA 255 Commercial Redevelopment - Restoration	
DEGC Abatement Term Recommendation	12 years
Location	
Address	2442 Riopelle
City Council District	5
Neighborhood	Eastern Market
Located in HRD/SNF Targeted Area	NA
Building Use	
Total Industrial Square Footage	6,968
Total Retail Square Footage	13,017
Total Square Feet	19,985
Parking Spaces	77
Project Description	
<p>This development is seeking the establishment of two different abatement districts for portions of the building. The district will apply to the full parcel boundary. At the future time of the certificate application, separate certificates will be requested for designated use square footage as appropriate.</p> <p>The \$5.4M rehabilitation of the approximately 19,000 SF building will house Marrow Detroit Provisions (MDP), a USDA meat processing facility for ethically and sustainably sourced meat, focusing on a variety of premium raw and processed beef and pork products. Complementing the meat processing facility will be a retail butcher shop and tasting room/restaurant/bar. The concept is similar to a winery or distillery where consumers can see the products being made, as well as sample and buy the products under a single roof. MDP is inspired by Marrow (partly owned by project investors), which is a highly successful restaurant and butcher shop in Detroit’s West Village.</p> <p>The restaurant and tasting room will highlight the products of MDP, which customers can then purchase at the retail butcher shop. The restaurant will have a first-floor bar, second floor dining room and rooftop seating with a more extensive menu featuring MDP meats. The kitchen will be overseen by Marrow’s acclaimed Executive Chef, Sarah Welch, who is James Beard nominated and is a contestant on the 2022 season of Top Chef. The upstairs and rooftop will be rented out for events on selected days. All in all, we expect the businesses will be significant new employers in the market, creating new jobs in management, meat processing, logistics, marketing, restaurant food preparation, restaurant service, and retail service. Anticipated employee hiring will start with 20 employees and grow to 35 or more employees.</p>	
Sources and Uses of Capital Summary	
Total Investment	\$5,430,692
Sources	Member Loan \$3M, Equity \$1M, Tenant TI Contributions, \$1,430,692
Uses	Acquisition \$1.7M, Hard Costs \$3,158,692, Soft Costs \$572K

Project Economic Benefits Summary		
Estimated Jobs (FTE/Construction)	35 FTE / 35 Construction	
	PA 255	PA 198
Estimated City benefits before tax abatement	\$668,166	\$725,763
Total estimated City value of abatement	(\$179,522)	(\$96,666)
Less cost of services & utility deductions	(\$118,890)	(\$157,517)
Net Benefit to City with abatement	\$369,754	\$471,580

Site Plan



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

	Amount
Real Property Taxes, before abatement	\$185,061
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$162,199
Municipal Income Taxes - Indirect Workers	\$34,764
Municipal Income Taxes - Corporate Income	\$42,745
Municipal Income Taxes - Construction Period	\$23,221
Utility Revenue	\$37,894
Utility Users' Excise Taxes	\$17,367
State Revenue Sharing - Sales Tax	\$68,222
Building Permits and Fees	\$15,600
Miscellaneous Taxes & User Fees	\$81,092
Subtotal Benefits	\$668,166
Cost of Providing Municipal Services	(\$80,996)
Cost of Providing Utility Services	(\$37,894)
Subtotal Costs	(\$118,890)
Net Benefits	\$549,276

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	\$668,166	(\$118,890)	(\$179,522)	\$0	\$0	\$369,754
Wayne County	\$61,713	(\$17,372)	(\$42,830)	\$0	\$0	\$1,511
Detroit Public Schools	\$259,105	(\$94,374)	(\$159,611)	\$0	\$0	\$5,120
State Education	\$33,064	\$0	(\$32,074)	\$0	\$0	\$990
Wayne RESA	\$30,044	\$0	(\$29,145)	\$0	\$0	\$899
Wayne County Comm. College	\$17,842	\$0	(\$17,308)	\$0	\$0	\$534
Wayne County Zoo	\$549	\$0	(\$533)	\$0	\$0	\$16
Detroit Institute of Arts	\$1,099	\$0	(\$1,066)	\$0	\$0	\$33
Total	\$1,071,582	(\$230,637)	(\$462,089)	\$0	\$0	\$378,857

	Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive
City of Detroit	\$3,413	\$3,424	\$21,129
Library	\$546	\$548	\$3,380
Wayne County	\$945	\$948	\$5,847
Detroit Public Schools	\$3,520	\$3,531	\$21,791
State Education	\$707	\$710	\$4,379
Wayne RESA	\$643	\$645	\$3,979
Wayne County Comm. College	\$382	\$383	\$2,363
Wayne County Zoo	\$12	\$12	\$73
Detroit Institute of Arts	\$24	\$24	\$146
Total	\$10,191	\$10,223	\$63,086

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Conclusion

The estimated total capital investment for this project is **\$5,430,692**. It is also estimated that completed project will create 15 FTE jobs⁴ and 35 temporary construction jobs. The total value of the 12-year Commercial Redevelopment tax abatement is estimated at **\$462,089**.

Based on the investment and jobs, this project is also estimated to provide the City of Detroit a net benefit of **\$369,754** and all of the impacted taxing units, a net benefit of **\$378,857** over the 12 years of the Commercial Redevelopment tax abatement.

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

Attachments: **Assessor's Letter dated, June 21, 2022**
Support Letters

³ Existing Annual Taxes: \$10,191 - New Annual Taxes AFTER (During) Incentive: \$10,223 New taxes Without Incentive (after the incentive expires): \$63,086

⁴ The letter from the developer indicates that 15 jobs will be created as part of the non-commercial portion of the project, which is consistent with the application.

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



Current street view of 2442 Riopelle ⁵

⁵ Source: 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

June 21, 2022

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

RE: Commercial Facilities Tax Exemption Certificate – Marrow Eastern Market LLC
 Property Address: 2442 Riopelle
 Parcels Number: 07001964.

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the application for a Commercial Facilities Tax Exemption Certificate submitted by **Marrow Eastern Market LLC** (lessee) for the property located at **2442 Riopelle** in the **Eastern Market** area in the City of Detroit.

The rationale for 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 project as proposed by **Marrow Eastern Market LLC** consists of a former meat processing property with approximately 14,196 square feet on 0.200 acres of land. The lessee proposes to convert the property into meat processing, retail butcher, and tasting room/restaurant/bar space. The restoration requires extensive reconfiguration, including mechanical upgrades. **This CFT request is solely for the non-industrial/processing portion of the property.**

The 2021 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
07001964	2442 Riopelle	\$ 97,000	\$ 39,090	\$ 18,500	\$ 7,455

The project 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.



June 9, 2022

Detroit City Council
Coleman A. Young Municipal Center
Two Woodward Avenue
Detroit, Michigan 48226

Re: Rehabilitation and Reopening of 2442 Riopelle Street

Honorable City Council:

I am writing to voice my wholehearted support of the new Marrow project led by Detroit-based restaurateur Ping Ho at 2442 Riopelle Street in Eastern Market and its request for property tax abatements. I own Bea's Detroit at 1533 Winder Street nearby in the district.

This area of Eastern Market has grown in vibrancy over the past few years and I expect the Marrow group to add several new and welcomed dimensions to the activity:

- The restaurant and bar will add a quality dining option to the area, in particular given the esteemed culinary reputation of the flagship Marrow restaurant in the West Village. A successful restaurant serving both lunch and dinner will help attract and keep visitors in the area on weekdays and weekends, creating a cross-benefit to other businesses in the area like mine.
- The retail butcher shop will be a welcome addition as it will attract new visitors to this area of the market, especially during the day and on weekdays when the street tends to be quiet. Marrow's butcher shop is in line with Eastern Market's legacy and mission to be a destination for local and specialty food vendors.
- I believe the Marrow Detroit Provisions meat processing operation adds to the rich history and authenticity of the market as a food production area. Plus, more daytime employees in the area mean more patrons of businesses in the market like mine.

Ping, her business partners and team have also demonstrated a true desire to be good neighbors and do the right things to help make Eastern Market an even better place than it is today. I am excited for their operations to commence.

If you have any questions, please free to contact me.

Sincerely,

Eli Wolnerman, Co-Owner Bea's Detroit



April 29, 2022

Jayda Philson
Zoning Manager
Buildings, Safety Engineering and Environmental Department
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 407
Detroit, MI 48226

Re: Letter of Support for project at 2442 Riopelle St.

Dear Ms. Philson

The Eastern Market Partnership strongly supports the proposed project by Ping Ho and associates at 2442 Riopelle Street.

Since 2007, Eastern Market Partnership has been the non-profit corporation that promotes and manages Eastern Market on behalf of the City of Detroit and serves as the official business support organization of the Eastern Market District.

Over the past five years we have been working to retain and enhance the authenticity of Eastern Market as a working food district. This project is exactly the kind of new investment we seek in that it combines a USDA licensed food production facility along with restaurant uses.

Our support for this project includes providing parking in Lots 1, 2, and 3 all located within two blocks of the property.

We thank you in advance for your thoughtful and careful review of their plans along and urge your support for this exciting project.

Sincerely,

Daniel Carmody
Chief Executive Officer



Detroit City Council
Coleman A. Young Municipal Center
Two Woodward Avenue
Detroit, Michigan 48226

Re: Rehabilitation and Reopening of 2442 Riopelle Street

Honorable City Council:

We support the new Marrow project led by Detroit-based restaurateur Ping Ho at 2442 Riopelle Street in Eastern Market and its request for property tax abatements. We operate Detroit City Distillery next door. We believe this important redevelopment project will increase the vibrancy of our block and Eastern Market overall. This project will have a positive impact on our business as well as our neighbors.

- The restaurant and bar will add a quality dining option to the area that fills an unmet demand in Eastern Market. A successful restaurant serving both lunch and dinner will help attract and keep visitors in the area on weekdays and weekends, creating a cross-benefit to other businesses.
- The retail butcher shop elevates Eastern Market's legacy and mission as a destination for food producers and manufacturers. It's a perfect fit for the Market and the addition of a new butcher shop demonstrates that this essential use can continue to thrive in the future.

Ping, her business partners and team have been good neighbors and want to make Eastern Market an even better place than it is today. If you have any questions, please free to contact me.

Sincerely,

Michael Forsyth, Owner

Detroit City Distillery
2462 Riopelle, Detroit, MI 48207
(o) 313.338.3760 (c) 313.610.0655
forsyth@detroitcitydistillery.com