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City of Detroit

CITY COUNCIL

LEGISLATIVE POLICY DIVISION
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Detroit, Michigan 48226
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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: October 5, 2022

RE: Application for an **Obsolete Property Rehabilitation Certificate by
1732 Bethune Lofts, LLC & 1800 Bethune Lofts, 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.

1732 Bethune Lofts, LLC & 1800 Bethune Lofts, LLC

The project developer and owner of the property located at 1732 W. Bethune, the first of two buildings included in the project, currently subject to City Council consideration, in the Henry Ford area of Detroit, is 1732 Bethune Lofts, LLC. Built in 1916, this element of the project as proposed, consists of one two-story apartment building¹ with first floor retail space, and 7,370 square feet of building space. The developer proposes to rehabilitate the structure to include 11 apartment units and retail space. The planned improvements include a reconfiguration of the building's layout, the replacement of all the building's major mechanical, HVAC, plumbing and electrical systems, new windows and doors, structural repairs, and facade improvements.

The affiliated developer and owner of the second building in the project, located at 1800 W. Bethune is 1800 Bethune Lofts, LLC.² Built in 1924, this portion of the project consists of one 4-story apartment building with 43,313 square feet. The developer proposes to rehabilitate the

¹ The exterior masonry will require extensive repairs and replacement after a partial veneer collapse. One commercial space will be retained, updated, and white boxed to host a small retail/café space.

² The Assessor's letter lists the owner of the property as 1732 Bethune Lofts, LLC; however, the application for the abatement was requested by 1800 Bethune Lofts, LLC (listed as the owner by the Wayne County Treasurer).

structure with a total of 84 apartment units, which will include reconfiguring the building’s layout, replacement of all the building’s major mechanical, HVAC, plumbing and electrical systems, windows and doors, and facade improvements.

The DEGC is recommending an abatement of **9 years for 1732 W. Bethune**, and a full 12 years for 1800 W. Bethune.³ Nineteen (20%) of the project’s ninety-five overall apartments are planned to be set aside as affordable units.

Building Use Summary

Total Residential Square Footage	50,683
Total Retail Square Footage	2,000
Number of Residential Units	95
Number of Affordable Residential Units	19 units (20%)

DEGC Property Tax Abatement Evaluation

Property Address: 1732 and 1800 W Bethune St.
Developer: 1732 Bethune Lofts LLC. and 1800 Bethune Lofts LLC.
Development Team Principal(s): Martin Herz and Michael Rivait
Prepared By: Kaci Jackson

Description of Incentive: 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 Abatement Term Recommendation	9 years for 1732 Bethune; 12 years for 1800 Bethune
Location	
Address	1732 W Bethune St. and 1800 W Bethune St.
City Council District	5
Neighborhood	Henry Ford
Located in HRD/SNF Targeted Area	NA
Building Use	
Total Residential Square Footage	50,683
Total Retail Square Footage	2,000
Number of Residential Units	95
Number of Affordable Residential Units	19 units
Project Description	
<p>The project involves the renovation of residential units within 1732 Bethune to incorporate new plumbing, electrical, and HVAC equipment and fixtures, appliances, and updates to finishes. The exterior masonry will require extensive repairs and replacement after a partial veneer collapse. One commercial space will be retained, updated, and white boxed to host a small retail/café space. A secondary commercial space will be converted to additional residential units, creating a total of 11 units.</p> <p>As for 1800 Bethune, the building will be internally gutted prior to rehabilitation to allow for an updated layout. The building will contain 84 residential units. Upgrades will include new utilities including electrical and plumbing, new energy efficient heating, cooling and ventilation systems, new energy efficient windows and doors, construction of balconies or patios for certain units, kitchen and bathroom cabinetry, appliances, and fixtures, and repairs to the building structure as needed.</p>	

³ MCL 125.2784 (2) “...Before acting upon the application, the legislative body of the qualified local governmental unit shall hold a public hearing on the *application*...” (The application by the developer included the certificate requests for both 1732 & 1800 Bethune, which allows for a single public hearing.)

Sources and Uses of Capital Summary	
Total Investment	\$12.4M
Sources	\$3.78M Equity (30.5%); \$8.612M Loan (69.5%)
Uses	\$8.861M Hard Costs (71.4%) \$3.538M Soft Costs (28.6%)
Project Economic Benefits Summary	
Estimated Jobs (FTE/Construction)	2 FTE, 50 Temporary Construction Jobs
Estimated City benefits before tax abatement	\$2,249,917
Total estimated City value of OPRA abatement	\$556,453
Less cost of services & utility deductions	\$1,088,580
Net Benefit to City with OPRA abatement	\$604,884

1732 W. Bethune

City of Detroit: Benefits, Costs, and Net Benefits over the Next 9 Years

	Amount
Real Property Taxes, before abatement	\$72,236
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$9,481
Municipal Income Taxes - Indirect Workers	\$2,673
Municipal Income Taxes - Corporate Income	\$7,316
Municipal Income Taxes - Construction Period	\$6,236
Municipal Income Taxes - New Res. Inhabitants	\$43,264
Utility Revenue	\$96,171
Utility Users' Excise Taxes	\$2,090
State Revenue Sharing - Sales Tax	\$4,089
Building Permits and Fees	\$5,400
Miscellaneous Taxes & User Fees	\$4,910
<u>Subtotal Benefits</u>	<u>\$253,867</u>
Cost of Providing Municipal Services	(\$5,165)
Cost of Providing Utility Services	(\$96,171)
<u>Subtotal Costs</u>	<u>(\$101,336)</u>
Net Benefits	\$152,531 ⁴

⁴ Chart courtesy of the DEGC

1732 W. Bethune

Impacted Taxing Units: Incentive Summary over the First 9 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	\$253,867	(\$101,336)	(\$72,236)	\$0	\$0	\$80,295
Wayne County	\$18,247	(\$1,014)	(\$17,234)	\$0	\$0	\$0
Detroit Public Schools	\$73,822	(\$9,582)	(\$27,963)	\$0	\$0	\$36,277
State Education	\$12,906	\$0	\$0	\$0	\$0	\$12,906
Wayne RESA	\$11,727	\$0	(\$11,727)	\$0	\$0	\$0
Wayne County Comm. College	\$6,964	\$0	(\$6,964)	\$0	\$0	\$0
Wayne County Zoo	\$214	\$0	(\$214)	\$0	\$0	\$0
Detroit Institute of Arts	\$429	\$0	(\$429)	\$0	\$0	\$0
Total	\$378,178	(\$111,932)	(\$136,767)	\$0	\$0	\$129,478

1800 W. Bethune

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

	Amount
Real Property Taxes, before abatement	\$484,217
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$13,037
Municipal Income Taxes - Indirect Workers	\$3,675
Municipal Income Taxes - Corporate Income	\$10,059
Municipal Income Taxes - Construction Period	\$52,984
Municipal Income Taxes - New Res. Inhabitants	\$372,462
Utility Revenue	\$980,142
Utility Users' Excise Taxes	\$22,101
State Revenue Sharing - Sales Tax	\$5,622
Building Permits and Fees	\$45,000
Miscellaneous Taxes & User Fees	\$6,752
<u>Subtotal Benefits</u>	<u>\$1,996,050</u>
Cost of Providing Municipal Services	(\$7,102)
Cost of Providing Utility Services	(\$980,142)
<u>Subtotal Costs</u>	<u>(\$987,244)</u>
Net Benefits	\$1,008,806 ⁵

⁵ Charts courtesy of the DEGC

1800 W. Bethune

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	\$1,996,050	(\$987,244)	(\$484,217)	\$0	\$0	\$524,589
Wayne County	\$116,916	(\$1,394)	(\$115,522)	\$0	\$0	\$0
Detroit Public Schools	\$443,708	(\$13,175)	(\$187,442)	\$0	\$0	\$243,091
State Education	\$86,512	\$0	\$0	\$0	\$0	\$86,512
Wayne RESA	\$78,610	\$0	(\$78,610)	\$0	\$0	\$0
Wayne County Comm. College	\$46,685	\$0	(\$46,685)	\$0	\$0	\$0
Wayne County Zoo	\$1,438	\$0	(\$1,438)	\$0	\$0	\$0
Detroit Institute of Arts	\$2,877	\$0	(\$2,877)	\$0	\$0	\$0
Total	\$2,772,795	(\$1,001,813)	(\$916,791)	\$0	\$0	\$854,192

1732 W. Bethune

DEGC Chart of Taxes Before, During & After the Incentive⁶

	Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive
City of Detroit	\$4,543	\$4,544	\$11,055
Library	\$727	\$727	\$1,768
Wayne County	\$1,260	\$1,261	\$3,067
Detroit Public Schools	\$4,864	\$8,914	\$11,837
State Education	\$941	\$2,291	\$2,291
Wayne RESA	\$857	\$858	\$2,087
Wayne County Comm. College	\$508	\$509	\$1,238
Wayne County Zoo	\$16	\$16	\$38
Detroit Institute of Arts	\$31	\$31	\$76
Total	\$13,748	\$19,149	\$33,458

1800 W. Bethune

DEGC Chart of Taxes Before, During & After the Incentive⁷

	Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive
City of Detroit	\$376	\$380	\$32,123
Library	\$60	\$61	\$5,138
Wayne County	\$104	\$105	\$8,912
Detroit Public Schools	\$403	\$20,142	\$34,395
State Education	\$78	\$6,657	\$6,657
Wayne RESA	\$71	\$72	\$6,063
Wayne County Comm. College	\$42	\$42	\$3,596
Wayne County Zoo	\$1	\$1	\$111
Detroit Institute of Arts	\$3	\$3	\$222
Total	\$1,138	\$27,463	\$97,216

⁶ **1732 W. Bethune** - Existing Annual Taxes: \$13,748 - New Annual Taxes DURING the Incentive: \$19,149 & Taxes after the Incentive EXPIRES: \$33,458

⁷ **1800 W. Bethune** - Existing Annual Taxes: \$1,138 - New Annual Taxes DURING the Incentive: \$27,463 & Taxes after the Incentive EXPIRES: \$97,216

LPD Summary Data⁸

PROJECT	PROJECT INVESTMENT	TAXING UNIT	GROSS BENEFIT	COST OF SERVICES	PA 146 VALUE	NET BENEFIT
1732 Bethune		Detroit	\$253,867	(\$101,336)	(\$72,236)	\$80,295
		All Taxing Units*	\$378,178	(\$111,932)	(\$136,767)	\$129,479
1800 Bethune		Detroit	\$1,996,050	(\$987,244)	(\$484,217)	\$524,589
		All Taxing Units*	\$2,772,795	(\$1,001,813)	(\$916,791)	\$854,191
PROJECT TOTALS	\$12.4 Million	Detroit	<u>\$2,249,917</u>	<u>(\$1,088,580)</u>	<u>(\$556,453)</u>	<u>\$604,884</u>
		All Taxing Units*	<u>\$3,150,973</u>	<u>(\$1,001,813)</u>	<u>(\$1,053,558)</u>	<u>\$1,095,602</u>
*All Taxing Units is inclusive of Detroit						

Conclusion

The estimated total capital investment for this project is **\$12.4 million**. It is also estimated that the completed project will create 2 FTE's and 50 temporary construction jobs, in addition to 94 new housing units. The total value of the 12-year OPRA tax savings to the developer is estimated at **\$1,053,558**.⁹

Based on the investment and jobs, this project is estimated to provide the City of Detroit a net benefit of **\$604,884**, and all of the impacted taxing units, a net benefit of **\$1,095,602**, over the **9 years** for the 1732 W. Bethune OPRA tax abatement, and the 12 years of the 1800 W. Bethune OPRA tax abatement.

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

Attachments: Assessor's Letter for 1732 W. Bethune, dated August 22, 2022
Assessor's Letter for 1800 W. Bethune, dated August 22, 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
Stephanie Grimes Washington, Mayor's Office
Gail Fulton, Mayor's Office
Malinda Jensen, DEGC
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC

⁸ Figures are subject to rounding.

⁹ The proposed tax savings period for 1732 W. Bethune is for 9 years and the proposed tax savings period for 1800 W. Bethune is 12 years.



Site of the project.¹⁰



1732 W. Bethune¹¹

¹⁰ Site map: courtesy of the DEGC

¹¹ Source: [1732 W Bethune St, Detroit, MI 48206 - LaSalle Gardens Retail/Restaurant Opportunity | LoopNet](#)



1800 W. Bethune¹²

¹² Source: [1800 w bethune detroit - Bing images](#)



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

August 22, 2022

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 – 1732 Bethune Lofts LLC**
 Addresses: 1732 W Bethune
 Parcel Number: 08005730.

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 **1732 W Bethune** located in the **Henry Ford** 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 2022 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
08005730.	1732 W Bethune	\$ 154,700	\$ 154,700	\$ 2,200	\$ 2,200

The project as proposed by the **1732 Bethune Lofts LLC** consists of one two-story apartment building with first floor retail space, consisting of 7,370 square feet and built in 1916. The developer proposes to rehabilitate the structure with 11 apartment units and retail space. The building will undergo major renovations including layout reconfiguration, all major mechanical, HVAC, plumbing and electrical systems replacement, new windows and doors, structural repairs, and façade improvements.



CITY OF DETROIT
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Obsolete Property Rehabilitation Certificate
1732 Bethune Lofts LLC
Page 2

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 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 review of the project plan and related statutes indicated that the proposed Obsolete Property Rehabilitation Certificate for the property located at **1732 W Bethune** 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



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER
OFFICE OF THE ASSESSOR

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Obsolete Property Rehabilitation Certificate
1732 Bethune Lofts LLC
Page 3

Property Address: 1732 W BETHUNE
Parcel Number: 08005730.
Property Owner: 1732 BETHUNE LOFTS LLC
Legal Description: E CHURCHILL 12 BLK 15 IRVING PL SUB L11 P5 PLATS, W C R 8/84 40 X 120





CITY OF DETROIT
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August 22, 2022

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 – 1800 Bethune Lofts LLC**
 Address: 1800 W Bethune
 Parcel Number: 08005733.

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 **1800 W Bethune** located in the **Henry Ford** 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 2022 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
08005733.	1800 W Bethune	\$ 729,300	\$ 12,869	\$ 6,500	\$ 115

The district as proposed by the **1800 Bethune Lofts LLC** consists of one 4-story apartment building with 43,313 square feet, built in 1924. The developer proposes to rehabilitate the structure with a total of 84 apartment units. The building will undergo major renovations including layout reconfiguration, all major mechanical, HVAC, plumbing and electrical systems replacement, new windows and doors, structural repairs, and façade improvements.



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Obsolete Property Rehabilitation Certificate
1800 Bethune Lofts LLC
Page 2

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 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 review of the project plan and related statutes indicated that the proposed Obsolete Property Rehabilitation Certificate for the property located at **1800 W Bethune** 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



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Obsolete Property Rehabilitation Certificate
1800 Bethune Lofts LLC
Page 3

Property Address: 1800 W BETHUNE
Parcel Number: 08005733.
Property Owner: 1732 BETHUNE LOFTS LLC
Legal Description: W CHURCHILL 3 THRU 1 AND VAC ALLEY ADJ BLK 16 IRVING PLACE SUB L11 P5 PLATS, W C R 8/84
120 X 142.42A

