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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: October 24, 2022

RE: Application for an **Obsolete Property Rehabilitation Certificate** by  
**81001 Jefferson, 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 of the property located at 1001 E. Jefferson, is 81001 Jefferson, LLC,<sup>1</sup> a subsidiary of Greatwater Opportunity Capital.<sup>2</sup> The project as proposed, consists of the Palms Apartments, a historic six-story, 61 unit apartment building, with 44,814 sq. ft. of building space. “Built between 1901 and 1903 at a cost of about \$80,000, the architectural firm of Mason & Kahn designed this building to use reinforced concrete as one of its major construction materials, one of the first buildings in the U. S. to do so.”<sup>3</sup> The developer plans to implement major renovations to the building, including a layout reconfiguration to ensure requirements with egress codes,<sup>4</sup> new windows, new bathrooms and kitchens with new appliances, plumbing and electrical systems replacements, structural repairs, contamination abatement, and façade improvements.

<sup>1</sup> Principals: Justin Golden & Jed Howbert [Team — Greatwater Opportunity Capital](#)

<sup>2</sup> [Greatwater Opportunity Capital](#)

<sup>3</sup> This method wasn’t fully developed until Julius Kahn, brother of Albert Kahn, developed the “Kahn System” of reinforcing the concrete and formed the Trussed Concrete Steel Company in Detroit to produce the steel bar that was developed for this system. In 1905, Building No. 10 of the Packard Plant was built using the new Kahn System. [Wayback Machine \(archive.org\)](#)

<sup>4</sup> Egress codes are requirements to provide the ability to exit or be rescued from a structure in the case of a fire or emergency.

The developer has a plan with HRD is in place to assist the building's current residents, and to preserve affordable housing for the Palms' low-income residents. All current residents will be allowed to move back to the Palms Apartments after construction. The building's low-income residents will be allowed to return at their respective rental rates, with no more than a 2% annual increases. The developer plans to offer 31 (50.8%) of the 61 existing units at an affordable rate.<sup>5</sup>

**DEGC Property Tax Abatement Evaluation**

**Property Address:** 1001 E Jefferson  
**Developer:** 81001 E Jefferson LLC | Greatwater Opportunity Capital  
**Prepared By:** Catherine Frazier

<b>Description of Incentive: OPRA PA 146</b>	
<b>DEGC Abatement Term Recommendation</b>	<b>12 years</b>
<b>Location</b>	
Address	1001 E Jefferson
City Council District	5
Neighborhood	E Riverfront
<b>Building Use</b>	
Total Residential Square Footage	34,095
Total Retail Square Footage	2000
Parking Spaces	20
Number of Residential Units	61
Number of Affordable Residential Units	31
<b>Project Description</b>	
<p>1001 E Jefferson, the Palms Apartments Project, is the rehabilitation of a mixed-use residential structure. Once 12 luxury residential units, the building has since been modified into 61 residential units. These modifications created several unsafe living conditions including closed emergency exits, unsafe wiring that is a fire hazard, and serious deferred maintenance including windows and plumbing. The necessary repairs to the building cannot be performed safely with residents in the building which is why a plan with HRD is in place to assist current residents and preserve affordable housing for low-income residents. 2,000 SF of retail will be opened on the first floor.</p> <p>The Palms Project is working with the City of Detroit's Housing and Revitalization Department (HRD) on a temporary relocation plan to provide all current residents of the Palms Apartment relocation assistance during the construction process. All residents will be provided moving expenses, security deposits, application fees. Low Income residents will be provided additional assistance in the form of 1st month's rent, rent differential payments to their temporary housing, and moving expenses to return to the Palms. The Palms Project has also hired a local service provider Central City Integrated Health (CCIH) to provide assistance to the residents and manage the relocation process as well as advocate on behalf of residents throughout the relocation process. All current residents will be allowed to move back to the Palms Apartments after construction. Low-income residents will be allowed to return at the current rental rate with no more than 2% annual increases.</p> <p>Studios: 23 @ 70% AMI (\$1,100/month)            One bedroom: 3 @ 45% AMI, 4 @ 50-70% AMI, 1 @ 80% AMI, 27 @ Market (\$683-\$1,260, \$1,735)            Two bedroom: 1 @ 60-70% AMI, 2 @ Market (\$1,275 - \$2,050)</p>	
<b>Sources and Uses of Capital Summary</b>	
Total Investment	\$11,989,832
Sources	\$5,994,832 Equity, \$5,995,000 HUD debt
Uses	Hard Costs \$6,280,265 / Soft Cost: \$1,509,567 / Acquisition: \$4,200,000

<sup>5</sup> **Studios: 23 @ 70% AMI (\$1,100/month), One bedroom: 3 @ 45% AMI, 4 @ 50-70% AMI, 1 @ 80% AMI, 27 @ Market (\$683-\$1,260, \$1,735) Two bedroom: 1 @ 60-70% AMI, 2 @ Market (\$1,275 - \$2,050) (affordable units in bold)**

<b>Project Economic Benefits Summary</b>	
Estimated Jobs (FTE/Construction)	0 FTE / 30 Construction
Estimated City benefits before tax abatement	<b>\$1,184,089</b>
Total estimated City value of abatement	<b>\$424,332</b>
Less cost of services & utility deductions	<b>\$608,551</b>
Net Benefit to City with abatement	<b>\$151,205</b>

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

	Amount
Real Property Taxes, before abatement	\$1,133,492
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$418,352
Municipal Income Taxes - Indirect Workers	\$99,615
Municipal Income Taxes - Corporate Income	\$484,203
Municipal Income Taxes - Construction Period	\$90,019
Utility Revenue	\$1,336,666
Utility Users' Excise Taxes	\$133,760
State Revenue Sharing - Sales Tax	\$264,832
Building Permits and Fees	\$175,000
Miscellaneous Taxes & User Fees	\$318,035
<b>Subtotal Benefits</b>	<b>\$4,453,975</b>
Cost of Providing Municipal Services	(\$501,823)
Cost of Providing Utility Services	(\$1,336,666)
<b>Subtotal Costs</b>	<b>(\$1,838,490)</b>
Net Benefits	\$2,615,485

**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	\$4,453,975	(\$1,838,490)	(\$1,133,492)	\$0	\$0	\$1,481,993
Wayne County	\$332,541	(\$62,117)	(\$270,423)	\$0	\$0	\$0
Detroit Public Schools	\$1,287,292	(\$279,046)	(\$438,779)	\$0	\$0	\$569,467
State Education	\$202,514	\$0	\$0	\$0	\$0	\$202,514
Downtown Dev. Authority	\$31,339	\$0	(\$31,339)	\$0	\$0	\$0
Wayne RESA	\$184,017	\$0	(\$184,017)	\$0	\$0	\$0
Wayne County Comm. College	\$109,283	\$0	(\$109,283)	\$0	\$0	\$0
Wayne County Zoo	\$3,365	\$0	(\$3,365)	\$0	\$0	\$0
Detroit Institute of Arts	\$6,734	\$0	(\$6,734)	\$0	\$0	\$0
<b>Total</b>	<b>\$6,611,059</b>	<b>(\$2,179,653)</b>	<b>(\$2,177,432)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,253,974</b>

<sup>6</sup> Charts courtesy of the DEGC

### **DEGC Chart of Taxes Before, During & After the Incentive<sup>7</sup>**

	Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive
City of Detroit	\$4,705	\$4,705	\$79,039
Library	\$753	\$753	\$12,642
Wayne County	\$1,302	\$1,302	\$21,873
Detroit Public Schools	\$4,852	\$48,135	\$81,512
State Education	\$975	\$16,380	\$16,380
Wayne RESA	\$886	\$886	\$14,884
Wayne County Comm. College	\$526	\$526	\$8,839
Wayne County Zoo	\$16	\$16	\$272
Detroit Institute of Arts	\$32	\$32	\$545
Total	\$14,047	\$72,735	\$235,986

### **Conclusion**

The estimated total capital investment for this project is **\$11,989,832**. It is also estimated that the completed project will create 50 FTE's and 90 temporary construction jobs. The total value of the 12-year OPRA tax savings is estimated at **\$2,177,432**.

Based on the investment and jobs, this project is estimated to provide the City of Detroit a net benefit of **\$1,481,993**, and all of the impacted taxing units, a net benefit of **\$2,253,974**, over the 12 years of the OPRA tax abatement.

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

**Attachment: Assessor's Letter, dated August 23, 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

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<sup>7</sup> Existing Annual Taxes: \$14,047 - New Annual Taxes DURING the Incentive: \$72,735 & Taxes after the Incentive EXPIRES: \$235,986



**1001 E. Jefferson (Palms Apartments)<sup>8</sup>**

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<sup>8</sup> Photo: [Chatham Apartments Apartments - 600 Pingree St Detroit, MI | Apartments.com](#)



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 23, 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 – 81001 Jefferson LLC**  
 Addresses: 1001 E Jefferson  
 Parcel Number: 05000077.

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 **1001 E Jefferson** located in the **East Riverfront** 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
05000077.	1001 E Jefferson	\$ 2,037,800	\$ 340,398	\$ 156,100	\$ 26,075

The project as proposed by the **81001 Jefferson LLC** consists of one six-story historic apartment building known as The Palms, consisting of 44,814 square feet and built in 1910, with 61 units. The building will undergo major renovations including layout reconfiguration to ensure compliance with egress codes, plumbing and electrical systems replacement, new windows, new kitchens and bathrooms with new appliances, structural repairs, contamination abatement, and façade improvements.





Obsolete Property Rehabilitation Certificate  
81001 Jefferson LLC  
Page 3

Property Address: 1001 E JEFFERSON  
Parcel Number: 05000077.  
Property Owner: 81001 JEFFERSON LLC  
Legal Description: N E JEFFERSON 4-5 REAR 11-10 PLAT OF PT OF P C 181 ANTOINE RIVARD L12 P348-51 CITY RECORDS, W C R 5/8 92 X 200.48

