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Director, City Planning
Commission
Janese Chapman
Director Historic Designation

Director, Historic Designation Advisory Board

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Megha Bamola
LaKisha Barclift, Esq.
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M. Rory Bolger, Ph.D., FAICP
Eric Fazzini, AICP
Christopher Gulock, AICP
Derrick Headd

City of Metroit
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 \not

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, a subsidiary of Greatwater Opportunity Capital. 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." The developer plans to implement major renovations to the building, including a layout reconfiguration to ensure requirements with egress codes, new windows, new bathrooms and kitchens with new appliances, plumbing and electrical systems replacements, structural repairs, contamination abatement, and façade improvements.

¹ Principals: Justin Golden & Jed Howbert Team — Greatwater Opportunity Capital

² Greatwater Opportunity Capital

³ 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)

⁴ 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.⁵

DEGC Property Tax Abatement Evaluation

Property Address: 1001 E Jefferson

Developer: 81001 E Jefferson LLC | Greatwater Opportunity Capital

Prepared By: Catherine Frazier

Description of Incentive: OPRA PA 146					
DEGC Abatement Term Recommendation	12 years				
Location					
Address	1001 E Jefferson				
City Council District	5				
Neighborhood	E Riverfront				
Building Use					
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				

Project Description

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.

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.

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)

 Sources and Uses of Capital Summary

 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

⁵ **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**)

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

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
<u>Subtotal Benefits</u>	<u>\$4,453,975</u>
Cost of Providing Municipal Services	(\$501,823)
Cost of Providing Utility Services	(\$1,336,666)
<u>Subtotal Costs</u>	(\$1,838,490)
Net Benefits	\$2,615,485

Impacted Taxing Units: Incentive Summary over the First 12 Years

impacted rusing cinest incentive summary over the rist 12 rears								
	Additional			Business	Utility Users Tax	Net Benefits		
	Benefits		Real	Personal	& Corporation	After Tax		
	Before Tax	Additional	Property Tax	Property Tax	Income Tax	Abatements		
	Abatements	Costs	Abatement	Abatement	Exemption	& 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		
Total	\$6,611,059	(\$2,179,653)	(\$2,177,432)	\$0	\$0	\$2,253,974		

⁶ Charts courtesy of the DEGC

DEGC Chart of Taxes Before, During & After the Incentive⁷

	Existing	New Taxes AFTER	New Taxes Without		
	Taxes	Incentive(s)	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

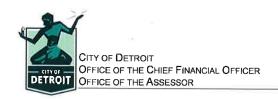
Gail Fulton, Mayor's Office Malinda Jensen, DEGC Kenyetta Bridges, DEGC Jennifer Kanalos, DEGC Brian Vosburg, DEGC

⁷ 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)⁸

⁸ Photo: Chatham Apartments Apartments - 600 Pingree St Detroit, MI | Apartments.com 5



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:

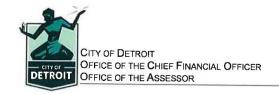
The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed Obsolete Property Rehabilitation Certificate for the property located at **1001 E Jefferson** located in the **East Riverfront** area of the City of Detroit.

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 Building Value (SEV) 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.



COLEMAN A. YOUNG MUNICIPAL CENTER 2 WOODWARD AVE., SUITE 824

DETROIT, MI 48226 PHONE: 313•224•3011 FAX: 313•224•9400

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

