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City of Detroit CITY COUNCIL

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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
88711 2nd, 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 610 Blaine, is 88711 2nd, LLC,¹ a subsidiary of Greatwater Opportunity Capital.² The project as proposed, consists of the Lee Crest Apartments, a ten-story, 100 unit³ apartment building, with 82,748 sq. ft. of building space, was built in 1926. The developer plans to implement major renovations to the building, including window replacements, a roof replacement, all major mechanical, plumbing and electrical systems replacements, elevator replacement, and environmental remediation. In addition, the developer has plans to upgrade the units with new kitchens with appliances, and improved bathrooms. All 100 units will be offered with affordable rents.⁴

The DEGC has recommended only 10-years of the potential 12-years of OPRA Tax savings.

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

² [Greatwater Opportunity Capital](#)

³ The letter from the developer and the Assessor's both lists 102 units, however, the DEGC indicates 100 units (There are 2 spaces that have been in longstanding state of disrepair and have not operated as units in a very long time. - DEGC).

⁴ **27 Studios:** 6 @ 55%, 7 @ 60%, 14 @ 60-70% AMI (\$879-\$1,050)

64 One bedroom: 12 @ 60%, 22 @ 70%, 29 @ 70-80%, 1 @ 80% AMI (\$1,017 - \$1,350)

9 Two bedroom: 2 @ 65%, 7 @ 70% AMI, (\$1,300 - \$1,400)

Building Use

Total Residential Square Footage	63,520
Total Retail Square Footage	1,600
Parking Spaces	50
Number of Residential Units	100
Number of Affordable Residential Units	100

DEGC Property Tax Abatement Evaluation

Property Address: 610 Blaine | Lee Crest
Developer: Greatwater Opportunity Capital | 88711 2nd LLC
Prepared By: Catherine Frazier

Description of Incentive: OPRA PA 146 District | Certificate

DEGC Abatement Term Recommendation	10 years
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Location

Address	610 Blaine
City Council District	5
Neighborhood	Piety Hill

Building Use

Total Residential Square Footage	63,520
Total Retail Square Footage	1,600
Parking Spaces	50
Number of Residential Units	100
Number of Affordable Residential Units	100

Project Description

The Lee Crest Project investment of approximately \$12.1 million into the rehabilitation of 610 Blaine. The building is intended to be used as apartments, totaling 100 units. Improvements include new kitchens with appliances, improved bathrooms new roof and exterior façade repair including new windows and restoration of historic elements, new elevators, assessment and abatement of all asbestos and lead where required and necessary. All 100 units will be offered as affordable rents including:

27 Studios: 6 @ 55%, 7 @ 60%, 14 @ 60-70% AMI (\$879-\$1,050)
64 One bedroom: 12 @ 60%, 22 @ 70%, 29 @ 70-80%, 1 @ 80% AMI (\$1,017 - \$1,350)
9 Two bedroom: 2 @ 65%, 7 @ 70% AMI, (\$1,300 - \$1,400)

Sources and Uses of Capital Summary

Total Investment	\$12,100,000
Sources	Senior Debt: \$9,680,000, Equity \$2,420,000
Uses	Hard Costs: \$6,681,949, Soft Costs: \$1,687,765

Project Economic Benefits Summary

Estimated Jobs (FTE/Construction)	0 FTE / 34 Construction
Estimated City benefits before tax abatement	\$1,937,101
Total estimated City value of abatement	\$612,557
Less cost of services & utility deductions	\$584,423
Net Benefit to City with abatement	\$740,121

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

	Amount
Real Property Taxes, before abatement	\$616,235
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	\$4,106
Municipal Income Taxes - Construction Period	\$34,336
Municipal Income Taxes - New Res. Inhabitants	\$596,028
Utility Revenue	\$575,725
Utility Users' Excise Taxes	\$28,681
State Revenue Sharing - Sales Tax	\$4,590
Building Permits and Fees	\$71,888
Miscellaneous Taxes & User Fees	\$5,512
Subtotal Benefits	\$1,937,101
Cost of Providing Municipal Services	(\$8,697)
Cost of Providing Utility Services	(\$575,725)
Subtotal Costs	(\$584,423)
Net Benefits	\$1,352,678

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	\$1,937,101	(\$584,423)	(\$612,557)	\$0	\$0	\$740,121
Wayne County	\$148,156	(\$1,138)	(\$146,141)	\$0	\$0	\$877
Detroit Public Schools	\$558,660	(\$10,756)	(\$237,123)	\$0	\$0	\$310,780
State Education	\$110,099	\$0	\$0	\$0	\$0	\$110,099
Wayne RESA	\$100,043	\$0	(\$99,446)	\$0	\$0	\$597
Wayne County Comm. College	\$59,413	\$0	(\$59,058)	\$0	\$0	\$355
Wayne County Zoo	\$1,829	\$0	(\$1,819)	\$0	\$0	\$11
Detroit Institute of Arts	\$3,661	\$0	(\$3,639)	\$0	\$0	\$22
Total	\$2,918,962	(\$596,317)	(\$1,159,784)	\$0	\$0	\$1,162,861

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DEGC Chart of Taxes Before, During & After the Incentive⁶

	Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive
City of Detroit	\$4,900	\$4,901	\$54,232
Library	\$784	\$784	\$8,674
Wayne County	\$1,356	\$1,356	\$15,008
Detroit Public Schools	\$5,054	\$33,778	\$55,929
State Education	\$1,016	\$11,239	\$11,239
Wayne RESA	\$923	\$923	\$10,213
Wayne County Comm. College	\$548	\$548	\$6,065
Wayne County Zoo	\$17	\$17	\$187
Detroit Institute of Arts	\$34	\$34	\$374
Total	\$14,631	\$53,580	\$161,920

⁵ Charts courtesy of the DEGC

⁶ Existing Annual Taxes: \$14,631 - New Annual Taxes DURING the Incentive: \$53,580 & Taxes after the Incentive EXPIRES: \$161,920

Conclusion

The estimated total capital investment for this project is **\$12 million**. It is also estimated that the completed project will create 0 FTE's and 34 temporary construction jobs. The total value of the 12-year OPRA tax savings is estimated at **\$1,159,784**.

Based on the investment and jobs, this project is estimated to provide the City of Detroit a net benefit of **\$740,121**, and all of the impacted taxing units, a net benefit of **\$1,162,861**, over the 12 years of the OPRA tax abatement.

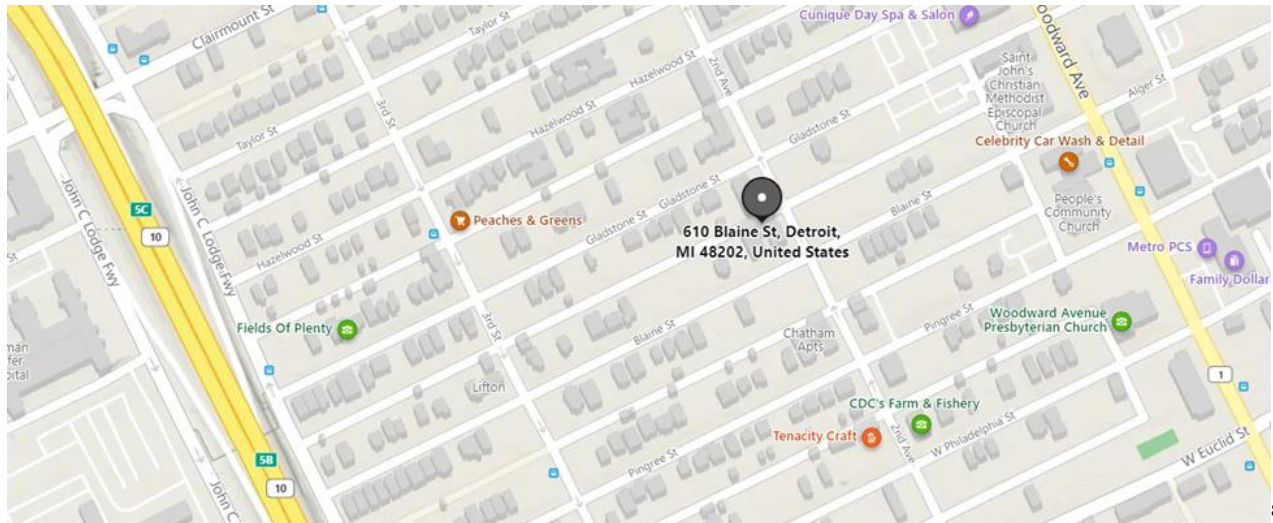
Please contact us if we can be of any further assistance.

Attachment: Assessor's Letter, dated August 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



610 Blaine (Lee Crest Apartments)⁷



⁷ Photo: [Lee Crest Apartments Apartments - 8711 2nd Ave Detroit, MI | Apartments.com](#)

⁸ Site map: 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

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 – 88711 2ND LLC**
 Addresses: 610 Blaine
 Parcel Number: 04002218-9.

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 **610 Blaine** located in the **Piety Hill** 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
04002218-9	610 Baine	\$ 1,961,000	\$ 168,606	\$ 7,600	\$ 653

The district as proposed by the **88711 2nd LLC** consists of the apartments building known as the Lee Crest Apartments, consisting of 102 apartment units, built in 1926 with 82,748 sq.ft. The proposed project consists of rehabilitating the existing structure and will undergo major renovations including window replacement, roof replacement, all major mechanical, plumbing and electrical systems replacement and/or repairs, unit updates, elevator replacement, and environmental remediation.



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

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Obsolete Property Rehabilitation Certificate
88711 2nd LLC
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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 **610 Blaine** 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



Obsolete Property Rehabilitation Certificate
88711 2nd LLC
Page 3

Property Address: 610 BLAINE
Parcel Number: 04002218-9
Property Owner: 88711 2ND LLC
Legal Description: N BLAINE 17 THRU 15 W 20 FT 14 MC LAUGHLIN BROTHERS SUB L14 P21 PLATS, W C R 4/85 170 X 117.5

