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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 19, 2022

RE: **Orange Construction, LLC Public Act 198 Certificate Request**

Public Act 198 of 1974, as amended, is the primary tool local units of government use as an incentive to renovate and expand manufacturing plants or to build new plants. The local legislative body grants the abatement, which reduces local property taxes by roughly 50% on new plants. In the case of a rehabilitation project, the obsolete State Equalized Value (SEV) is frozen and the investment on improvements is 100% exempt from property taxes. Abatements cover both real and personal property and can run from 1 to 12 years at the option of the local unit of government.

The developer of the property located at 1200 Oakman, is Orange Construction, LLC,¹ a subsidiary of Endless West,² a San Francisco startup using scientific methods to develop unique wines and spirits.³ The owner proposes to renovate a former Focus Hope food distribution center with 124,979 sq. ft. into a production facility for alcoholic beverages. The renovations to the facility would include the instillation of new storage tanks, new drains, additional loading docks, and the investment in new equipment. The DEGC has recommended a full 12-year PA 198 certificate.

¹ Development Principal: Alec Lee [Alec Lee — Food's Future Global \(foods-future.com\)](http://aleclee.com)

² Endless West founded in 2015 by Alec Lee and Mardonn Chua, is a beverage technology startup that uses innovative methods in molecular science to create its own blend of spirits. [Endless West | LinkedIn](#)

³ Its first product, Glyph, is the first spirit of its kind to be created using pure flavor and aroma molecules extracted from more efficient sources in nature. Unlike conventional whiskeys, Glyph is made without any barrel aging - which means significantly less wood, water, land and CO2 emissions are used in its production process. [Endless West | LinkedIn](#)

DEGC Property Tax Abatement Evaluation

Property Address: 1200 Oakman
Company: Endless West
CEO: Alec Lee

Description of Incentive: Project will seek the Industrial Facilities Exemption, PA 198 of 1974 as amended – Industrial Development District – millage rate is reduced by 50% for up to 12 years	
DEGC Abatement Term Recommendation	12 years
Location	
Address	1200 Oakman
City Council District	2
Neighborhood	Oakman Blvd. Community
Located in HRD/SNF Targeted Area	N/A
Building Use	
Total Industrial Square Footage	128,000
Project Description	
<p>Endless West is a beverage technology company founded in 2015 and based in San Francisco, California. The company specializes in the distilling of whiskey and other spirits using a process they developed to speed up the aging process. Endless West is looking to expand their operations and establish an HQ2 at 1200 Oakman in the City of Detroit with plans to invest over \$11 million in building upgrades and equipment. This facility will be used as a new production facility for alcoholic beverages. Endless West will be producing, packaging, and distributing whiskies, gins, brandies, and ready-to-drink cocktails to restaurants, retailers, and distributors throughout Michigan and beyond.</p>	
Project Investment	
Total Investment	\$12,189,000
Acquisition	\$3,500,000
Real Property	\$2,600,000
Personal Property	\$6,089,000
Project Economic Benefits Summary	
Estimated Jobs (FTE/Construction)	33 FTE / 27 Construction
Estimated City benefits before tax abatement	\$2,182,426
Total estimated City value of PA 198	\$417,408
Less cost of services & utility deductions	\$395,864
Net Benefit to City with PA 198 abatement	\$1,369,154

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

	Amount
Real Property Taxes, before abatement	\$834,815
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$299,661
Municipal Income Taxes - Indirect Workers	\$121,075
Municipal Income Taxes - Corporate Income	\$321,449
Municipal Income Taxes - Construction Period	\$27,011
Utility Revenue	\$65,089
Utility Users' Excise Taxes	\$39,134
State Revenue Sharing - Sales Tax	\$174,561
Building Permits and Fees	\$90,000
Miscellaneous Taxes & User Fees	\$209,631
Subtotal Benefits	\$2,182,426
Cost of Providing Municipal Services	(\$330,775)
Cost of Providing Utility Services	(\$65,089)
Subtotal Costs	(\$395,864)
Net Benefits	\$1,786,562

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	\$2,182,426	(\$395,864)	(\$417,408)	\$0	\$0	\$1,369,154
Wayne County	\$240,173	(\$41,007)	(\$99,583)	\$0	\$0	\$99,583
Detroit Public Schools	\$921,083	(\$178,557)	(\$371,111)	\$0	\$0	\$371,415
State Education	\$149,151	\$0	\$0	\$0	\$0	\$149,151
Wayne RESA	\$135,528	\$0	(\$67,764)	\$0	\$0	\$67,764
Wayne County Comm. College	\$80,487	\$0	(\$40,243)	\$0	\$0	\$40,243
Wayne County Zoo	\$2,478	\$0	(\$1,239)	\$0	\$0	\$1,239
Detroit Institute of Arts	\$4,959	\$0	(\$2,480)	\$0	\$0	\$2,480
Total	\$3,716,286	(\$615,428)	(\$999,828)	\$0	\$0	\$2,101,030

	Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive
City of Detroit	\$0	\$27,367	\$54,734
Library	\$0	\$4,377	\$8,754
Wayne County	\$0	\$7,574	\$15,147
Detroit Public Schools	\$0	\$28,223	\$56,447
State Education	\$0	\$11,343	\$11,343
Wayne RESA	\$0	\$5,154	\$10,307
Wayne County Comm. College	\$0	\$3,061	\$6,121
Wayne County Zoo	\$0	\$94	\$188
Detroit Institute of Arts	\$0	\$189	\$377
Total	\$0	\$87,382	\$163,418

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Charts courtesy of the DEGC

⁴ Existing Annual Taxes: \$0 New Annual Taxes AFTER (During) Incentive: \$87,382 New taxes Without Incentive (after the incentive expires): \$163,418

Conclusion

The estimated total investment is approximately **\$12,189,000**. The developer has committed to create 33 FTE positions⁵ and 27 temporary construction jobs. The total value of the twelve-year PA 198 tax savings is estimated at **\$999,828**.

Based on the investment and jobs, the new industrial operation is projected to provide the City of Detroit a net benefit of **\$1,369,154** and all of the impacted taxing units, a net benefit of **\$2,101,030** over the 12 years of the PA 198 abatement, which is inclusive of a net benefit of **\$371,415** to the Detroit Public Schools (DPS old).

The City's IFEC tax abatement contract with Orange Construction, LLC, based on the provisions in PA 198, allow for revocation and or clawback,⁶ if the written promises made by Orange Construction, LLC, the recipient of the abatement, are not met. The current proposed project, subject to Council approval, is bound by the provisions of PA 198 (MCL 207.572 (1)).

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

Attachment: Assessor's Letter dated October 3, 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
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

⁵ The certificate application lists 33 employees in the first two years.

⁶ The term **clawback** refers to any money or benefits that have been given out, but the money or benefits are required to be returned due to special circumstances or events, or where there is a clawback provision in a contract.



Location Map of 1200 Oakman⁷



1200 Oakman⁸

⁷ Source: DEGC

⁸ Source: [Office for Lease - 1200 Oakman Blvd - A Building, Detroit MI \(cimls.com\)](https://www.cimls.com/office-for-lease-1200-oakman-blvd-a-building-detroit-mi)



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

October 3, 2022

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

Re: Industrial Facilities Exemption Certificate Request - **Orange Construction LLC**
Property Address: 1200 Oakman
Parcel Number: 08005017.003

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the request from **Orange Construction LLC** for an Industrial Facilities Exemption certificate for the property located at **1200 Oakman** in the City of Detroit.

The rationale for creating Industrial Facilities Exemptions under PA 198 of 1974, as amended, is based upon the anticipation that granting the exemption is a benefit to the city and that expansion, retention, or location of an eligible business will not occur without this exemption. PA 198 of 1974, as amended, also provides a tax incentive to manufacturers in order to enable renovation and expansion of aging facilities, building of new facilities, and to promote establishment of high tech facilities.

Orange Construction LLC is proposing to renovate a former food distribution center with 124,979 sq.ft. into a production facility for alcoholic beverages. Renovation would consist of new storage tanks, drain installation, additional loading docks, and new equipment investment. The estimated total cost of the project is \$2,600,000 for the real property and \$6,089,000 for the personal property. The new development is expected to create 33 new jobs. The request is for twelve (12) years from project completion.

A review of the project details and relevant statutes indicated that the proposed project located at **1200 Oakman** is eligible as outlined under PA 198 of 1974, as amended.

Sincerely,

Charles Ericson, MMAO
Assessor, Board of Assessors



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

Industrial Facilities Exemption Certificate
Orange Construction LLC
Page 2

Property Address: 1200 OAKMAN
Parcel Number: 08005017.003

Property Owner: ORANGE CONSTRUCTION LLC

Legal Description: N OAKMAN BLVD ALL THAT PT OF NW ¼ SEC 7 TTAT DESC AS FOLS BEG AT INT NLY LN OAKMAN BLVD (120 FT WD) AND WLY LN ROSA PARKS BLVD (66 FT WD) TH S 64D 0M 20S W 839.52 FT TO POB; TH S 64D 0M 20S W 73.31 FT TH N 26D 10M 40S W 200 FT TH S 64D 0M 20S W 380.57 FT TH S 26D 10M 40S E 117.5 FT TH S 64D 0M 20S W 47.35 FT TH N 26D 10M 40S W 90.5 FT TH S 64D 0M 20S W 206.28 FT TH N 26D 10M 40S W 284.41 FT TH ON A CUR TO L 254.98 FT RAD 1465.69 FT CEN ANG 9D 58M 4S CHD BRG N 68D 59M 22S E 254.66 FT TH N 64D 0M 20S E 615.23 FT TH S 25D 59M 40S E 97.71 FT TH S 63D 57M 42S W 91.2 FT TH S 37D 34M 3S W 22.84 FT TH S 26D 2M 52S E 117.19 FT TH S 17D 49M 29S W 70.76 FT TH S 26D 12M 17S E 159.1 FT TO POB 216,720 SQFT (4.98 AC)

