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TO: The Honorable Detroit City Council

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: April 11, 2023

RE: Application for an **Obsolete Property Rehabilitation Certificate** by
Bagley Development Group, LLC (at 150 Bagley) 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 150 Bagley, located in the Central Business District area, is Bagley Development Group, LLC.¹ The project consists of the redevelopment of the nearly 100-year-old building at 150 Bagley St., into 148 housing units and retail space. Legendary theater architect C. Howard Crane,² designed the 18-story, 200,000-square-foot United Artist office tower and its adjoining United Artist theater, in the Spanish Gothic³ and Art Deco styles in 1927. The office building opened Jan. 28, 1928, and the theater followed a few days later.⁴ The theater closed its doors in 1971, and in 1974, the office building's last occupant, the American Automobile Club, moved to Dearborn, leaving the office tower and theater vacant for nearly 50 years.

In February 1983, the United Artists joined the National Register of Historic Places as part of the Grand Circus Park Historic District. However, the vacant building had deteriorated to the point that on Nov. 2,

¹ Bagley Development Group is comprised of Emmett Moten, Scott Allen, Larry Brinker Sr., Tom Goss, Richard Hosey, Roy Roberts, and Jim Thrower. [Bagley Development Transforms Artists Building Into Residences @ 150 Bagley | The Michigan Chronicle](#)

² Charles Howard Crane (August 13, 1885 – August 14, 1952) was an American architect who was primarily active in Detroit. He is best known for his more than 250 movie theater architectural designs. Crane's signature design is his Fox Theatre design. There are many Fox Theatres in Michigan, as well as the famous Brooklyn Fox Theatre that he designed. While he was best known for his movie palaces, he also designed Detroit's Olympia Stadium, the former home of the Detroit Red Wings (1927-1987) that sat more than 12,000, as well as the Lafayette Building (1925-2010). [Historic Detroit](#)

³ Spanish Gothic architecture is the style of architecture prevalent in Spain in the Late Medieval period.

⁴ [United Artists Theatre — Historic Detroit](#)

1987, a shower of hundreds of bricks fell from the 13th floor of the UA's tower onto Clifford between Bagley and Middle Street, crushing a 1984 Oldsmobile Cutlass Ciera.

The developer plans to convert the former United Artists Building into the Residences @ 150 Bagley. The project is led by the Detroit-based, African American-led development team of Bagley Development Group.⁵ Once completed, the project will include 30 of the 148 units set aside as affordable housing for those making 80 percent of the area median income (AMI)⁶ or below and will include approximately 10,000 square feet of retail and dining space along Bagley. Unfortunately, the adjoining historic theater was demolished by the current developer, who is reported to have indicated that it had to demolish the movie theater in order to create parking for the tower's residents.⁷ The current OPRA certificate request, if approved by Council, would apply to the commercial elements and related first floor parcel.

In 2019, the Detroit City Council approved a Neighborhood Enterprise Zone for the development's residential elements and parcel (the upper floors), our report dated September 19, 2019 on this incentive can be found by the following link: [NEZ 150 Bagley.pdf \(detroitmi.gov\)](#).

DEGC Project Evaluation Checklist

United Artists Building

Developer: Bagley Development Group, LLC

Principals: Emmet Moten, Richard Hosey

Obsolete Property Rehabilitation Act, PA 146 of 2000 as amended – current taxes frozen at pre-rehab values, local taxes abated for up to 12 years.	
Request Type	Certificate
DEGC Recommendation	12-year OPRA Approval
Location	
Address	150 Bagley
City Council District	District 6
Neighborhood	Downtown
Located in HRD Targeted Area	No
Building Use	
Total Rentable Square Foot	148,415
Retail Square Foot	10,500
Residential Square Foot	137,880
Project Description	
Bagley Development Group, LLC ("Bagley") proposes to renovate the existing 18-storey building that was constructed in 1935, ⁸ commonly known as the United Artists Building, into 148 apartment units (20% affordable) with ground floor retail (the "Project"). The developer of the subject is leasing the building and ground from the owner. The Project will include significant interior renovations including flooring, countertops, cabinetry, appliances and wall coverings. Common areas will be developed, the entrance will be updated, and the existing surface parking lot will be resurfaced. The Project will significantly improve the site and the surrounding areas by replacing an historic vacant building in the heart of the downtown with much needed affordable and market rate residential space and commercial space.	

⁵ [Bagley Development Group begins \\$75M transformation of historic United Artists Building into the Residences @ 150 Bagley | City of Detroit \(detroitmi.gov\)](#)

⁶ 80% AMI is equivalent to approximately \$50,240 in the Detroit-Warren-Livonia metropolitan area (\$1,250 per month rent)

⁷ The demolition of the United Artists Theatre began Sept. 28, 2022, as wreckers from Homrich Inc. tore into its northern facade. The UA's ornate Gothic auditorium was seen for the first time since its closure in 1972. The last of the theater came down on Nov. 30, 2022. [United Artists Theatre — Historic Detroit](#)

⁸ According to the attached Assessor's letter, the building was constructed in 1927.

Housing Breakdown	
Total Units	148 units (20% affordable)
1 Bedroom (Market)	78 units, 823 avg SF, \$1,778-\$2,475/month
1 Bedroom (50% AMI)	5 units, 465 avg SF, \$774/month
1 Bedroom (80% AMI)	17 units, 465 avg SF, \$1,343/month
2 Bedroom (Market)	40 units, 1,351 avg SF, \$2,599-\$3,369/month rent
2 Bedroom (80% AMI)	8 units, 1,249 avg SF, \$1,612/month rent
Sources and Uses	
Total Investment	\$75.2M
Sources	\$42.3M HUD 221D4 Loan (56.25%); \$7.1M DDA Loan (9.44%); \$7M MSF Loan (9.31%); \$3M CDBG (3.99%); \$4.06M Owner Equity (5.4%); \$10.3 HTC Equity (13.47%); \$1.17M Ground Lease – Non-Cash (1.56%) \$439K Accrued Interest (0.58%)
Uses	\$ 1.17M Acquisition (1.56%) \$59.26M Hard Construction (78.79%), \$14.79M Soft Costs (19.66%)
Project Benefits (OPRA Only)	
Estimated Jobs	30 FTE / 28 Construction
Estimated City benefits before tax abatement	\$1,453,606
Total estimated City value of OPRA abatement	\$331,054
Less cost of services & utility deductions	\$497,766
Net Benefit to City	\$624,785

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

	Amount
Real Property Taxes, before abatement	\$331,054
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$168,596
Municipal Income Taxes - Indirect Workers	\$73,120
Municipal Income Taxes - Corporate Income	\$87,157
Municipal Income Taxes - Construction Period	\$33,088
Utility Revenue	\$294,475
Utility Users' Excise Taxes	\$21,927
State Revenue Sharing - Sales Tax	\$160,931
Building Permits and Fees	\$90,000
Miscellaneous Taxes & User Fees	\$193,258
<u>Subtotal Benefits</u>	<u>\$1,453,606</u>
Cost of Providing Municipal Services	(\$203,291)
Cost of Providing Utility Services	(\$294,475)
<u>Subtotal Costs</u>	<u>(\$497,766)</u>
Net Benefits	\$955,839 ⁹

⁹ Chart courtesy of the DEGC

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	\$1,453,606	(\$497,766)	(\$331,054)	\$0	\$0	\$624,785
Wayne County	\$117,452	(\$38,788)	(\$78,664)	\$0	\$0	\$0
Detroit Public Schools	\$474,037	(\$177,574)	(\$128,153)	\$0	\$0	\$168,310
State Education	\$59,147	\$0	\$0	\$0	\$0	\$59,147
Downtown Dev. Authority	\$9,153	\$0	(\$9,153)	\$0	\$0	\$0
Wayne RESA	\$53,504	\$0	(\$53,504)	\$0	\$0	\$0
Wayne County Comm. College	\$31,744	\$0	(\$31,744)	\$0	\$0	\$0
Wayne County Zoo	\$978	\$0	(\$978)	\$0	\$0	\$0
Detroit Institute of Arts	\$1,958	\$0	(\$1,958)	\$0	\$0	\$0
Total	\$2,201,579	(\$714,129)	(\$635,208)	\$0	\$0	\$852,243

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Conclusion

The estimated total capital investment for this project is **\$75.2 million**.¹¹ It is also estimated that the completed project will create 30 FTE’s and 28 temporary construction jobs. The total value of the 12-year OPRA tax savings is estimated at **\$635,208**.

Based on the investment and jobs, this project is estimated to provide the City of Detroit a net benefit of **\$624,785**, and all of the impacted taxing units, a net benefit of **\$852,243**, over the 12 years of the OPRA tax abatement. *Given that the budget for this project is now in excess of the CBO threshold of \$75 million,¹² the Council may want to inquire why this project is not subject to the CBO process.*

The legislative body of the qualified local governmental unit may, by resolution, revoke the obsolete property rehabilitation exemption certificate of a facility if it finds that the completion of rehabilitation of the facility has not occurred within the time authorized by the legislative body in the exemption certificate or a duly authorized extension of that time, or that the holder of the obsolete property exemption certificate has not proceeded in good faith with the operation of the rehabilitated facility in a manner consistent with the purposes of this act and in the absence of circumstances that are beyond the control of the holder of the exemption certificate.¹³

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

Attachments: Assessor’s Letter, dated February 14, 2023
CRIO¹⁴ Employment Clearance, dated January 13, 2023

cc: Auditor General’s Office
 Donald Rencher, Chief of Services and Infrastructure
 Antoine Bryant, Planning and Development Department
 Julie Schneider, HRD
 Justus Cook, HRD
 Stephanie Grimes Washington, Mayor’s Office
 Malik Washington, Mayor’s Office
 Kenyetta Bridges, DEGC
 Jennifer Kanalos, DEGC
 Brian Vosburg, DEGC

¹⁰ Chars courtesy of the DEGC

¹¹ The cost for the renovation increased from \$56 million in 2019, to \$75 million by the time of the groundbreaking on March 31, 2022.

¹² Tier 1 Development Project means a development project in the City that is expected to incur the investment of \$75,000,000.00 or more. [Ordinance No. 2021-4 Community Benefits Ordinance.pdf \(detroitmi.gov\)](#)

¹³ MCL 125.2792 (1) [Michigan Legislature - Section 125.2792](#)

¹⁴ Civil Rights, Inclusion & Opportunity (CRIO)



Rendering of Residences @ 150 Bagley¹⁵



Another Rendering of Residences @ 150 Bagley¹⁶

¹⁵ Source: [Residences @ 150 Bagley | Detroit, MI | Welcome Home \(150bagleydetroit.com\)](https://www.150bagleydetroit.com/)

¹⁶ Source: [Detroit's former United Artists Building headed for \\$75M redevelopment into mixed-income housing \(detroitnews.com\)](https://www.detroitnews.com/story/news/local/detroit-city/2018/07/11/detroit-former-united-artists-building-headed-for-775m-redevelopment-into-mixed-income-housing/1070000001/)



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

February 14, 2023

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 – Bagley Development Group LLC**
 Addresses: 150 Bagley
 Parcel Number: 02000327

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 **150 Bagley** located in **Central Business District** 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
02000327	150 Bagley (first floor)	\$ 796,800	\$ 12,696	\$ 57,500	\$ 987

Olympia Development of Michigan LLC intends to rehabilitate and repurpose the 18-story building, formerly known as the United Artists Building, into 148 one and two bedroom units at market rate (20% of which will be affordable) on floors 2 to 18 and 10,500 square feet of commercial, retail and restaurant on the first ground floor. **The developer is requesting an Obsolete Property Rehabilitation certificate for the ground floor and basement only.** The 18 story United Artist theater/office building, currently vacant and in needed of significant repair, contains 226,008 square feet of building area and was built in 1927 on .690 acres of land. Rehabilitation will include interior renovations, new mechanical systems, windows, flooring and will meet all requirements for restoring historical structures.

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



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Obsolete Property Rehabilitation Certificate
Bagley Development Group
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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 field investigation indicated that the proposed Obsolete Property Rehabilitation Certificate for the property located at **150 Bagley** 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
Bagley Development Group
Page 3

Property Address: 150 BAGLEY
Parcel Number: 02000327.
Property Owner: BAGLEY DEVELOPMENT GROUP LLC
Legal Description: N BAGLEY 27 THRU 25 67 AND VAC ALLEY ADJ EXC THAT PT DEEDED FOR ALLEY AND CLIFFORD
AVE AS WD PLAT OF SEC 12 GOVERNOR & JUDGES PLAN L34 P555 DEEDS, W C R 2/4 181.34 IRREG





COLEMAN A. YOUNG MUNICIPAL CENTER
2 WOODWARD AVENUE, SUITE 1240
DETROIT, MICHIGAN 48226
PHONE: 313.224.4950
FAX: 313.224.3434

Decision Regarding Employment Clearance for Tax Abatement Employment Commitment 5-50 Full-time Employees

Date: January 13, 2023

Tax Abatement Type: PA 146

New Renewal

Duration of Abatement: 12 years

Development: The proposed mixed-use project includes the conversion of a vacant historic building into approximately 217,000 reactivated sq ft. The ground and basement level will be used for commercial office/retail/restaurant space. Floors 2-18 will house a mix of one- and two-bedroom market rate apartments. 20% will be affordable. The abatement will be for the ground and basement floors only.

Parcel/Facility Address: 150 Bagley

Applicant/Recipient: Jared T. Belka

Applicant Contact: 248-444-7522

Post-Construction Employment Commitments

If Developer Occupied is selected, the Developer will be responsible for both Developer and Tenant requirements listed below.

Developer Occupied Tenant Occupied

Total Employment: 30

Developer commits to

- 1) Report to CRIO annually;
 - a. Developer's efforts regarding tenants
 - b. Tenant's compliance with commitments stated below (3)
 - c. Total number of employees at the facility
 - d. Number of employees at the facility who are Detroit residents
- 2) Provide Detroit at Work (DAW) information to any/all tenant(s) for life of abatement
- 3) Work with Commercial Tenant(s) with 5-50 full-time employees to do the following;
 - a. **Use DAW as the company's priority staffing partner** for all openings in Detroit for the life of the local incentive;
 - b. **Develop and implement a DAW Staffing Plan** in partnership with the company's DAW Staffing Consultant to include a regular meeting schedule of at least every 30 days and agreed-upon data-sharing related to program criteria and candidate submissions;
 - c. **Post all Detroit job openings through the DAW website;**
 - d. **Ban the Box:** To the extent possible according to law and job requirements, commits to removing the felony and/or misdemeanor question from the employment application, and agrees to using a background-friendly approach to hiring new employees in Detroit; and,
 - e. **Modify pre-employment screening and testing** so that an applicant who tests positive for a legalized substance in the State of Michigan are not disqualified from the



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Decision Regarding Employment Clearance for Tax Abatement Employment Commitment 5-50 Full-time Employees

hiring process, to the extent permissible under applicable laws, regulations, and other legal requirements.

- f. **Commit to one consultation with DAW staffing consultant** on strategies for upskilling of new employees, including offerings in adult basic education, State-provided training funds and incentives, apprenticeship programs development, and post-secondary educational attainment.
- g. **Commit to attending a New Employer Introduction meeting for Grow Detroit's Young Talent (GDYT)**, Detroit's summer youth employment program, in the first 90 days following approval;
- h. **Report to Developer annually;**
 - i. Tenant's compliance with requirements
 - ii. The number of individuals employed by Tenant
 - iii. The number of employees who are Detroit residents

4) Work with Commercial Tenant(s) who have **less than 5 full-time employees** to do 3-c and 3-h

The Applicant/Recipient has provided CRIO required information in accordance with specific current and future employment data and commitments as part of a tax abatement agreement with the City of Detroit.

Therefore my signature below grants **Approval** of the above tax abatement application/renewal based upon annual reports to and appraisals by this agency of the recipient's employment measures projected and achieved for the duration of the abatement.

Tenika R. Griggs, Esq. _____

CRIO Deputy Director Name

DocuSigned by:
Tenika Griggs
FF584CDB98E341A...

CRIO Deputy Director Signature

2/14/2023

Date