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City of Detroit
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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: May 17, 2023

RE: **2115 Cass Avenue Ground Lessee LLC PA 210 Certificate Request**

The Commercial Rehabilitation Act, PA 210 of 2005, is a tax incentive for the rehabilitation of commercial property for the primary purpose and use of a commercial business or a multi-family residential facility. The property must be located within an established Commercial Rehabilitation District. Exemptions are approved for a term of 1-10 years, as determined by the local unit of government. The property taxes are based upon the prior year's taxable value.

The project developer of the property located at **2115 Cass** is **2115 Cass Avenue Ground Lessee LLC**, an affiliate of Olympia Development of Michigan (ODM), is seeking the approval of a PA 210 certificate. The property consists of the adaptive reuse of the vacant 41,519 sq. ft. Moose Lodge, a former entertainment space, into a four-story business incubator. The developer plans to construct an additional 52,681 sq. ft. into 10,753 sq. ft. of ground-floor retail space and 33,447 sq. ft. of office space. Currently, the parcels include the vacant Moose Lodge and parking on approximately 2.555 acres. The planned development is one of ten elements associated with ten (10) mixed-use development projects¹ within Detroit's DDA Development Area,² which proposed together, encompasses Olympia Development's Transformational Brownfield Plan (TBP),³ commonly referred to as District Detroit, with a total estimated investment cost of \$1.532 billion. The TBP was approved by Council and subsequently by the Michigan Strategic Fund.⁴

¹ The 10 listed sites include 4 mixed-income residential buildings, 4 commercial office buildings and 2 hotels, along with additional open public and green space. [District Detroit | City of Detroit \(detroitmi.gov\)](https://www.detroitmi.gov/district-detroit)

² The "DDA Act," Public Act 197 of 1975, enacted on August 13, 1975, authorized the use of Tax Increment Finance (TIF) to correct and prevent the deterioration of downtown areas in the State of Michigan.

³ A Transformational Brownfield Plan must be for mixed-use development and must meet a minimum investment threshold, which is set at \$500 million for a city, village or township with a population of at least 600,000 (i.e., Detroit).

⁴ The Michigan Strategic Fund (MSF) was created by P.A. 270 of 1984 and has broad authority to promote economic development and create jobs. [Michigan Strategic Fund | About MEDC | Michigan Business](https://www.michigan.gov/msf)

The property is currently owned by Moose Building LLC & Olympia Development of Michigan (ODM). The State Tax Commission (STC) has determined that applicants may proceed with obtaining local approval of the issuance of the certificate prior to acquiring title to the property, but that the certificate would be held in abeyance by the STC pending submission of proof of ownership.⁵ The DEGC has recommended a full term 10-year Commercial Rehabilitation Certificate for the developer. In addition to the currently requested PA 210 tax abatement, the developer received the approval of a \$28.4 million TBP TIF⁶ reimbursement.

DEGC Property Tax Abatement Evaluation

Project: Olympia Development Project
Developer: Related Olympia Predevelopment Company, LLC

Description of Incentive: PA 210 – CRA Certificate	
DEGC Abatement Term Recommendation	10 Years
Location	
Address	2115 Cass
City Council District	District 6
Neighborhood	Downtown
Building Use	
Residential Square Footage	N/A
Total Retail Square Footage	10,753
Total Office Square Footage	83,447
Total Hotel Square Footage	N/A
Parking Spaces	N/A
Number of Residential Units	N/A
Number of Affordable Residential Units	N/A
Residential Unit Breakdown	
Studio	N/A
1-Bedroom	N/A
2-Bedroom	N/A
3-Bedroom	N/A
Project Description	
<p>The DCI Incubator Project is planned for 2115 Cass. A world-class research and education center anchored by the University of Michigan. The project will be adaptive reuse and rehabilitation of the former Moose Lodge building at the location and will include new construction. The building is projected to contain approximately 94,200 GSF, yielding 10,753 GSF of retail space and 83,447 GSF of office space.</p>	
Sources and Uses of Capital Summary	
Total Investment	\$59,747,000
Uses	Hard Costs: \$30,405,000 / Soft Costs: \$29,342,000
Sources	Equity: \$33.55M; Debt: \$24.84M; \$1.36M TBP Exemption

⁵ Assessor’s Letter of April 27, 2023 (Attached)

⁶ Tax Increment Financing (TIF) subsidizes an entity by refunding or diverting a portion of their taxes to help finance development in an area or on a project site.

Project Economic Benefits Summary	
Estimated Jobs (FTE/Construction)	388 FTE Tenant Jobs / 420 Construction
Estimated City benefits before tax abatement	\$11,824,712
Total estimated City value of abatement	\$261,928
Less cost of services & utility deductions	\$1,693,090
Net Benefit to City with abatement	\$9,869,694

City of Detroit: Benefits, Costs, and Net Benefits over the Next 10 Years

	Amount
Real Property Taxes, before abatement	\$261,928
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$5,801,150
Municipal Income Taxes - Indirect Workers	\$2,100,792
Municipal Income Taxes - Corporate Income	\$646,086
Municipal Income Taxes - Construction Period	\$390,102
Municipal Income Taxes - New Residents	\$0
Utility Revenue	\$444,721
Utility Users' Excise Taxes	\$349,912
State Revenue Sharing - Sales Tax	\$9,701
Building Permits and Fees	\$0
Miscellaneous Taxes & User Fees	\$1,820,321
Subtotal Benefits	\$11,824,712
Cost of Providing Municipal Services	(\$1,248,369)
Cost of Providing Utility Services	(\$444,721)
Subtotal Costs	(\$1,693,090)
Net Benefits	\$10,131,622

Impacted Taxing Units: Incentive Summary over the First 10 Years

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Brownfield Capture	Net Benefits After Tax Abatements & Incentives
City of Detroit*	\$11,824,712	(\$1,693,090)	(\$261,928)	\$0	\$9,869,694
Wayne County*	\$219,380	(\$59,684)	(\$142,194)	(\$15,863)	\$1,639
Detroit Public Schools*	\$1,499,808	(\$244,235)	(\$13,064)	(\$1,229,213)	\$13,296
State Education	\$441,879	\$0	(\$4,599)	(\$432,745)	\$4,534
Downtown Dev. Authority	\$3,447,525	\$0	(\$3,447,525)	\$0	(\$0)
Wayne RESA	\$400,887	\$0	(\$356,953)	(\$39,821)	\$4,114
Wayne County Comm. College*	\$0	\$0	\$0	\$0	\$0
Wayne County Zoo	\$7,365	\$0	(\$6,558)	\$0	\$807
Detroit Institute of Arts	\$14,729	\$0	(\$13,115)	\$0	\$1,614
Total	\$17,856,286	(\$1,997,010)	(\$4,245,935)	(\$1,717,642)	\$9,895,699

⁷ Charts courtesy of the DEGC

Conclusion

The estimated total capital investment for this project is **\$59,747,000**. It is also estimated that the completed project will create 2 direct jobs, 388 tenant positions⁸ and 420 temporary construction jobs. The total value of the 10-year Commercial Rehabilitation tax savings is estimated at **\$4,245,935**.⁹

Based on the investment and jobs, this project is estimated to provide the City of Detroit a net benefit of **\$9,869,694**, and all of the impacted taxing units, a net benefit of **\$9,895,699** over the 10 years of the Commercial Rehabilitation tax abatement.

However, if the developer does not proceed in good faith to complete the project, pursuant to Act, the City Council may revoke the certificate: *“The legislative body of the qualified local governmental unit may, by resolution, revoke the commercial rehabilitation exemption certificate of a facility if it finds that the completion of rehabilitation of the qualified 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 commercial rehabilitation exemption certificate has not proceeded in good faith with the operation of the qualified 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.”*¹⁰

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

Attachments: April 27, 2023 - Letter from Finance Assessors
March 23, 2023 - CRIO¹¹ Employment Clearance

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
Malik Washington, Mayor’s Office
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC

⁸ The abatement application indicates 348 tenant positions and 2 developer FTE’s.

⁹ Primarily, the real property tax abatement savings impacts the DDA, while the impact to the City of Detroit is minimum.

¹⁰ COMMERCIAL REHABILITATION ACT (Act 210) MCL. 207.852(1)

¹¹ **CRIO**- Civil Rights, Inclusion & Opportunity Department

A HOME FOR DETROIT-BASED ENTREPRENEURS

DCI INCUBATOR

BY THE NUMBERS

ADAPTIVE REUSE HISTORIC BUILDING

420 CONSTRUCTION JOBS

350 PERMANENT JOBS

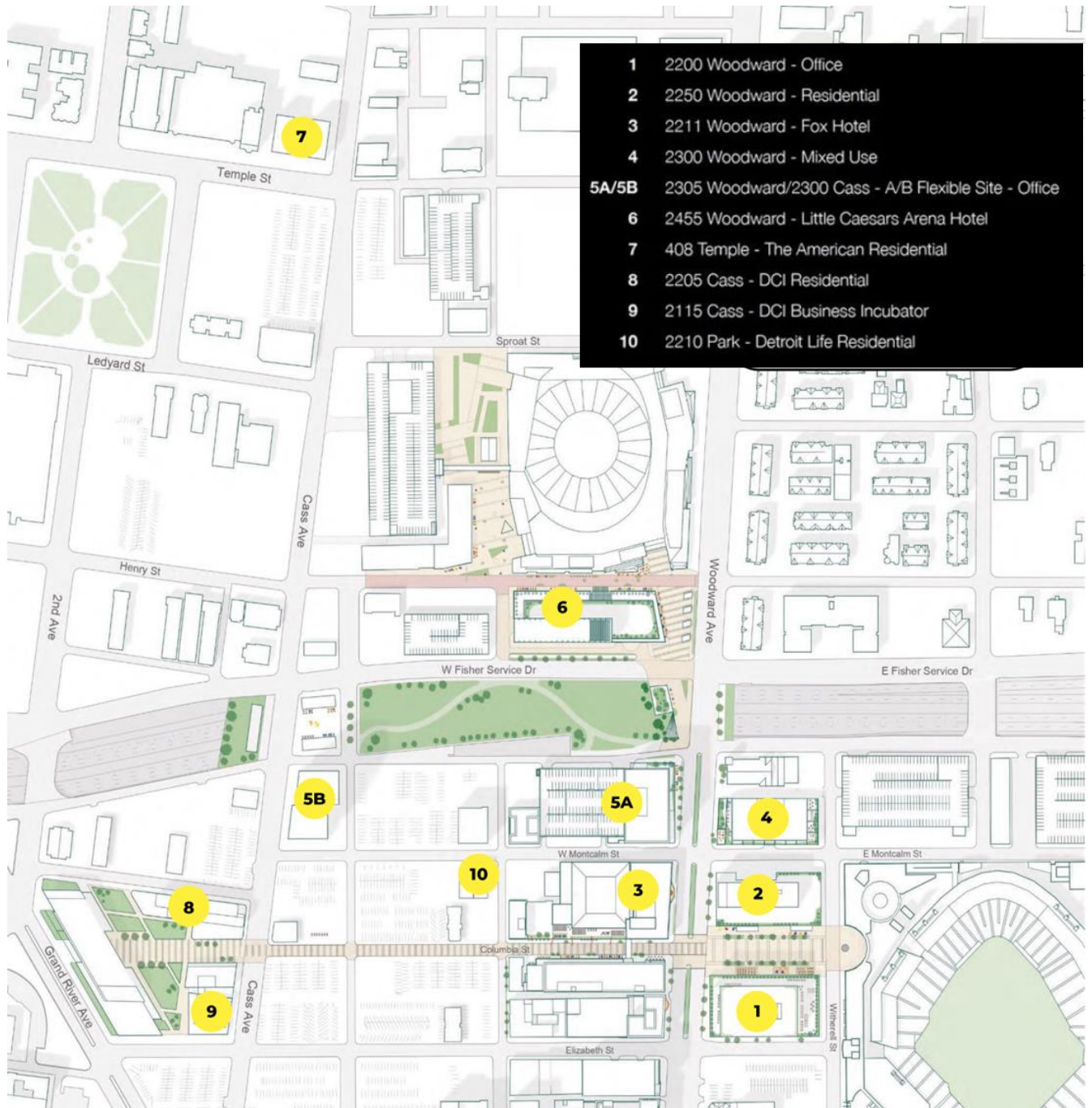
83K SF OFFICE SPACE

11K SF SHOPS AND DINING



2115 Cass

Map of District Detroit TBP





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

April 27, 2023

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

RE: Commercial Rehabilitation Certificate – **2115 Cass Avenue Ground Lessee LLC AMENDED**
 Property Address: 2115 Cass/2121 Cass/426 W Elizabeth
 Parcel Number: 02002290/portion of 02000353-6/02000402

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the Commercial Rehabilitation certificate application for the properties located at **2115 Cass/2121 Cass/426 W Elizabeth** in the **Central Business District** area in the City of Detroit.

The rationale for issuing Commercial Rehabilitation certificates under PA 210 of 2005, 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 developer intends to rehabilitate the Loyal Moose Lodge, a vacant 41,519 sq.ft. former entertainment space, and construct an additional 52,681 sq.ft. into 10,753 sq.ft. of retail space and 83,447 sq.ft. of office space. Currently, the parcels include the vacant Moose Lodge and parking on approximately 2.555 acres.

The 2023 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
02002290	2115 Cass	\$ 754,800	\$ 63,718	\$ 601,000	\$ 50,734
02000353-6 (part)	2121 Cass	\$ -	\$ -	\$ 3,486,500	\$ 526,580
02000402.	426 W Elizabeth	\$ -	\$ -	\$ 193,600	\$ 18,795

This property meets the criteria set forth under PA 210 of 2005, as amended. It applies to a building or a group of contiguous buildings, a portion of a building or group of contiguous buildings previously used for commercial or industrial purposes, obsolete industrial property, and vacant property which, within the immediately preceding 15 years, was operating as a commercial business enterprise.

The property is currently owned by Moose Building LLC & Olympia Development of MI LLC. The State Tax Commission (STC) has determined that applicants may proceed with obtaining local approval of the issuance of the certificate prior to acquiring title to the property, but that the certificate would be held in abeyance by the STC pending submission of proof of ownership.

A review of the general plans, along with the criteria set forth under the Commercial Rehabilitation Act, indicated that the proposed project located at **2115 Cass/2121 Cass/426 W Elizabeth** is eligible as it pertains to the Commercial Rehabilitation certificate criteria under P.A. 210 of 2005, as amended.

Sincerely,

Charles Ericson, MMAO
 Assessor, Board of Assessors

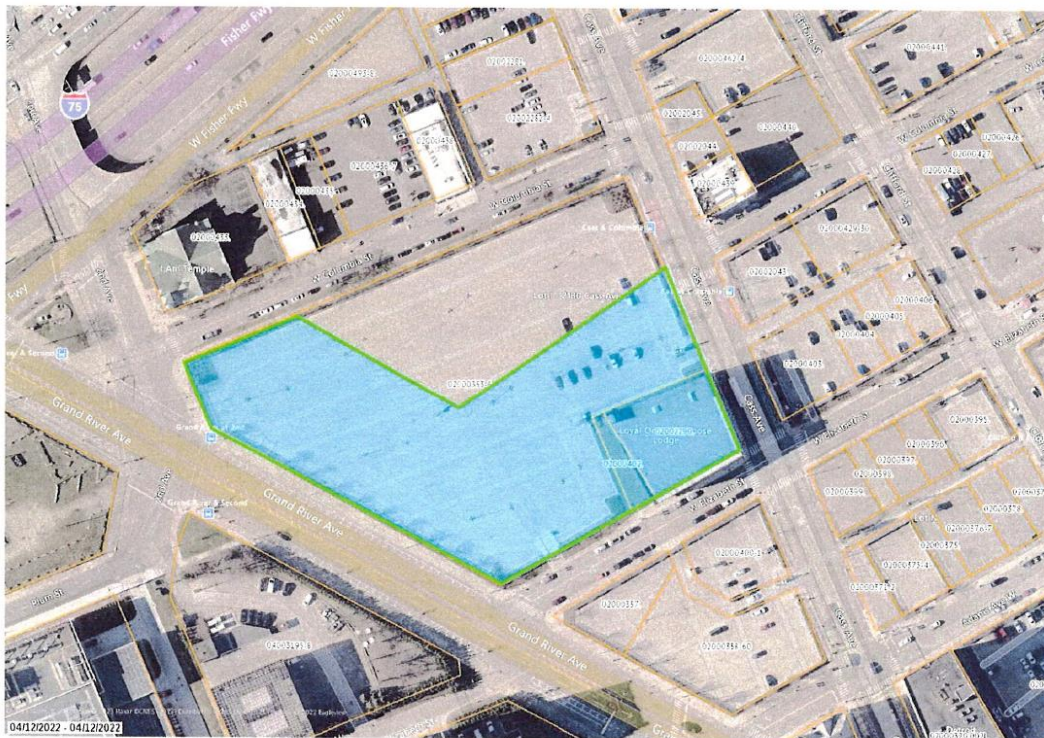


Commercial Rehabilitation Certificate
2115 Cass Avenue Ground Lessee LLC
Page 2

Parcel: 02002290.
Owner: MOOSE BUILDING LLC
Property Address: 2115 CASS
Legal Description: W CASS 1-4 & PRIVATE ALLEY N OF & ADJ SUB PT CASS FARM L1 P135 PLATS, W C R 2/96 103.57 IRREG

Parcel: 02000353-6 (portion: 2.169 acres)
Owner: OLYMPIA DEVELOPMENT OF MI LLC
Property Address: 2121 CASS
Legal Description: W CASS 3 THRU 25 INCLUDING ALL OF VAC ALLEY ADJ TO SAID LOTS BLK 74--SUB PT CASS FARM L1 P74 PLATS,
W C R 396.58 IRREG

Parcel: 02000402
Owner: MOOSE BUILDING LLC
Property Address: 426 W ELIZABETH
Legal Description: N ELIZABETH 5 & PRIVATE ALLEY IN REAR SUB PT CASS FARM L1 P135 PLATS, W C R 2/96 34.14 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 Full-time Employees

Date: March 23, 2023

Tax Abatement Type: PA 210

New Renewal

Duration of Abatement: 10 years

Development: The DCI Incubator Project is planned for this address. A world-class research and education center anchored by the University of Michigan. The project will be adaptive reuse and rehabilitation of the former Moose Lodge building at the location and will include new construction. The building is projected to contain approximately 94,200 GSF, yielding 10,753 GSF of retail space and 83,447 GSF of office space.

Parcel/Facility Address: 426 W Elizabeth, 2115 Cass, 2122 Cass Detroit, MI 48201

Applicant/Recipient: Jacob Austermann

Applicant Contact: jake.austermann@plantemorán.com 248-225-7085

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: 2

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) to do the following;
 - a. **Post all Detroit job openings through the DAW website;**
 - b. **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

The Applicant/Recipient has provided the Civil Rights, Inclusion and Opportunity Department (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.



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 Full-time Employees**

Tenika R. Griggs, Esq. _____

CRIO Deputy Director Name

DocuSigned by:
Tenika R. Griggs, Esq.
FF584CDB98F341A

CRIO Deputy Director Signature

Date