David Whitaker, Esq.
Director
Irvin Corley, Jr.
Executive Policy Manager
Marcell R. Todd, Jr.
Director, City Planning
Commission
Janese Chapman
Director, Historic Designation
Advisory Board

John Alexander
Roland Amarteifio
Megha Bamola
LaKisha Barclift, Esq.
Paige Blessman
M. Rory Bolger, Ph.D., FAICP
Eric Fazzini, AICP
Willene Green
Christopher Gulock, AICP

# City of Detroit CITY COUNCIL

LEGISLATIVE POLICY DIVISION 208 Coleman A. Young Municipal Center Detroit, Michigan 48226 Phone: (313) 224-4946 Fax: (313) 224-4336

**Derrick Headd** Marcel Hurt, Esq. Kimani Jeffrey Phillip Keller, Esq. **Edward King Kelsev Maas Jamie Murphy** Analine Powers, Ph.D. W. Akilah Redmond Laurie Anne Sabatini Rebecca Savage Sabrina Shockley **Renee Short** Floyd Stanley Thomas Stephens, Esq. **Timarie Szwed** Theresa Thomas Ashley A. Wilson

TO: COUNCIL MEMBERS

FROM: David Whitaker, Director

Legislative Policy Division Staff

DATE: July 18, 2023

RE: <u>10:05 Public Hearing</u> Avanath North End Parcel Owner l, LLC PA 210 Certificate

**Request (312 Smith)** Petition # 2023-100-D

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.

**Avanath North End Parcel Owner I, LLC**, is the project developer of the properties that covers six (6) parcels, inclusive of **312 Smith,**<sup>1</sup> which are included in the current PA 210 certificate request. The developer intends to redevelop the site, currently consisting of a 2 story single family house & adjacent vacant lots covering a 0.474 acre area, into a multi-family building with 10 apartment units. The building will have 20% of the units available at affordable rental rates at 80% AMI. This is a single element of the larger **North End Landings**<sup>2</sup> project. The developers have also requested approvals of both a Brownfield TIF and Neighborhood Enterprise Zone tax abatement.<sup>3</sup>

<sup>&</sup>lt;sup>1</sup> Property Addresses: 282, 290, 296, 302, 306 & 312 Smith

<sup>&</sup>lt;sup>2</sup> North End Landings: Avanath North End Parcel Owner I, LLC, joined by Civic Tekton North End LLC, each propose to construct residential units on the property. Civic Tekton North End LLC proposes to construct a total of eight (8) affordable for-sale attached townhomes on the property (incentivized via the NEZ). The new development proposed to be constructed on the property is expected to create a total of eight (8) affordable for-sale townhomes and one hundred seventy seven (177) apartments of which ninety five (95) are proposed to be intended for occupancy by senior citizens. Overall, the North End project is expected to create 185 new households. The overall project is expected to create 200 temporary construction job and 4 FTE's The property consists of twenty-five (25) tax parcels.

<sup>&</sup>lt;sup>3</sup> The NEZ is related to the eight (8) affordable for-sale townhomes.

#### **Building Use (Multi-Family)**

Total Residential Square Footage 7,980 SF

**Total Residential Units** 10 units (20% affordable @ 80% AMI)

Studio N/A

1 Bedroom 4 units; 608 avg. SF; \$1,252-\$1,670/mo. rent 2 Bedroom 6 units; 898 avg. SF; \$1,501-\$2,200/mo. rent

#### **DEGC Project Evaluation Checklist**

### **North End Landings**

Developer: Avanath North End Parcel Owner I, LLC & Civic Tekton North End LLC

Principals: Daryl Carter, CEO of Avanath; Everett Stone, Vanguard Community Development; Jason Jones, Tekton

Commercial Rehabilitation Act, PA 210 of 2005 as amended - Current taxes frozen at pre-rehab construction values, local taxes abated for up to 10 years

Request Type	PA 210 Certificate
DEGC Recommendation	10-Year Approval of PA 210 Certificate
Location	
Address	282-312 Smith
City Council District	District 5
Neighborhood	North End
Building Use	
Total Residential Square Footage	7,980 SF
Total Residential Units	10 units (20% affordable @ 80% AMI)
Studio	N/A
1 Bedroom	4 units; 608 avg. SF; \$1,252-\$1,670/mo rent
2 Bedroom	6 units; 898 avg. SF; \$1,501-\$2,200/mo rent

North End Landings (the "Project") is a proposed mixed income (market rate and affordable) multifamily development in the historic North End, which is located just north of Downtown Detroit and near Wayne State University. The full project is new construction that will consist of 177 multifamily units across a scattered site in an area generally bound by John R, E. Bethune, Chandler, and St. Antoine streets, to be delivered starting in September of 2024 with construction expected to be complete in early 2025.

For the purpose of economic impact reporting, the investment and tax incentive have been broken out per site. The overall project investment is \$42.2M; total acquisition \$1.7M, total hard costs \$33.5M, total soft costs \$7M. The total value of the PA 210 abatement from the city is estimated at \$1,881,671. The total net benefit to the city is estimated at \$1,491,737 over the life of the abatement.

Sources and Uses	
Total Investment	\$3.1M
Sources	\$3.1M Equity (100%)
Uses	\$128K Acquisition (4%); \$2.5M Hard Costs (79%); \$516K Soft Costs (17%)

Project Benefits	
Estimated Jobs	4 FTE (Overall Project) / 15 Construction
Estimated City benefits before tax abatement	\$295,624
Total estimated City value of PA 210 abatement	\$138,561
Less cost of services & utility deductions	\$57,637
Net Benefit to City	\$99,426

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

	Amount
Real Property Taxes, before abatement	\$152,381
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$2,661
Municipal Income Taxes - Indirect Workers	\$702
Municipal Income Taxes - Corporate Income	\$1,232
Municipal Income Taxes - Construction Period	\$14,984
Municipal Income Taxes - New Res. Inhabitants	\$49,619
Utility Revenue	\$56,884
Utility Users' Excise Taxes	\$5,102
State Revenue Sharing - Sales Tax	\$298
Building Permits and Fees	\$11,046
Miscellaneous Taxes & User Fees	\$716
<u>Subtotal Benefits</u>	<u>\$295,624</u>
Cost of Providing Municipal Services	(\$753)
Cost of Providing Utility Services	(\$56,884)
<u>Subtotal Costs</u>	(\$57,637)
Net Benefits	\$237,987

Impacted Taxing Units: Incentive Summary over the First 10 Years <sup>4</sup>

Impacte	impacted raxing clies, incentive building over the rise to 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	<b>Abatement</b>	Exemption	& Incentives	
City of Detroit	\$295,624	(\$57,637)	(\$138,561)	\$0	\$0	\$99,426	
Wayne County	\$36,438	(\$230)	(\$32,924)	\$0	\$0	\$3,284	
Detroit Public Schools	\$136,320	\$0	(\$53,638)	\$0	\$0	\$82,682	
State Education	\$27,225	\$0	\$0	\$0	\$0	\$27,225	
Wayne RESA	\$24,627	\$0	(\$22,394)	\$0	\$0	\$2,233	
Wayne County Comm. College	\$14,612	\$0	(\$13,286)	\$0	\$0	\$1,325	
Wayne County Zoo	\$450	\$0	(\$409)	\$0	\$0	\$41	
Detroit Institute of Arts	\$901	\$0	(\$819)	\$0	\$0	\$82	
Total	\$536,197	(\$57,867)	(\$262,032)	\$0	\$0	\$216,298	

# **<u>DEGC Chart of Taxes Before, During & After the Incentive</u><sup>5</sup>**

	Existing	New Taxes With	New Taxes Without	
	Taxes	Incentive(s)	Incentive	
City of Detroit	\$379	\$2,568	\$13,536	
Library	\$61	\$411	\$2,165	
Wayne County	\$105	\$708	\$3,731	
Detroit Public Schools	\$394	\$394 \$9,121		
State Education	<b>\$7</b> 9	\$2,805	\$2,805	
Wayne RESA	\$71	\$481	\$2,538	
Wayne County Comm. College	\$42	\$286	\$1,506	
Wayne County Zoo	\$1	\$9	\$46	
Detroit Institute of Arts	\$3	\$18	\$93	
Total	\$1,134	\$16,406	\$40,466	

Charts courtesy of the DEGC
 Existing Annual Taxes: \$1,134 - New Annual Taxes DURING the Incentive: \$16,406 & Taxes after the Incentive EXPIRES: \$40,466

#### Conclusion

The estimated total capital investment for this project is \$3.1 million. It is also estimated that the completed project will create 15 temporary construction jobs. The total value of the 10-year Commercial Rehabilitation tax savings is estimated at \$262,032.

Based on the investment and jobs, this project is estimated to provide the City of Detroit a net benefit of \$99,426, and all of the impacted taxing units, a net benefit of \$216,298 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."

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

**Attachments:** May 10, 2023 - Letter from Finance Assessors March 23, 2023 - CRIO<sup>8</sup> Employment Clearance

cc: Auditor General's Office

Donald Rencher, Chief of Services and Infrastructure Antoine Bryant, Planning and Development Department Julie Schneider, HRD

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

4

<sup>&</sup>lt;sup>6</sup> 4 FTE's (Overall Project)

<sup>&</sup>lt;sup>7</sup> COMMERCIAL REHABILITATION ACT (Act 210) MCL. 207.852(1)

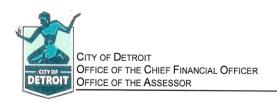
<sup>&</sup>lt;sup>8</sup> **CRIO**- Civil Rights, Inclusion & Opportunity Department



**Rendering of North End Landings** 



<sup>&</sup>lt;sup>9</sup> Rendering of North End Landings & Location Map courtesy of DEGC



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

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

May 10, 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 - Avanath North End Parcel Owner I, LLC

Property Address: 282, 290, 296, 302, 306 & 312 Smith

Parcel Number: 01002170, 01002171, 01002172, 01002173, 01002174, 01002175

#### 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 282, 290, 296, 302, 306 & 312 Smith in the North End 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.

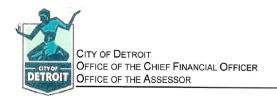
The developer intends to redevelop the site, currently consisting of a 2 story single family house & adjacent vacant lots covering together a 0.474 acre area, into a multi-family building, made up of 10 apartment units, including 20% of the units available at affordable rental rates.

The 2023 values are as follows:

Parcel #	Address	<b>Building</b> Assessed	Building	Land Assessed	Land
		Value (SEV)	Taxable Value	Value (SEV)	Taxable Value
01002170	312 Smith	\$0	\$0	\$24,600	\$24,600
01002171	306 Smith	\$0	\$0	\$24,600	\$24,600
01002172	302 Smith	\$0	\$0	\$300	\$300
01002173	296 Smith	\$26,200	\$12,546	\$300	\$144
01002174	290 Smith	\$0	\$0	\$300	\$114
01002175	282 Smith	\$0	\$0	\$24,600	\$24,600

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 Avanath North End Parcel Owner I, 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.



COLEMAN A. YOUNG MUNICIPAL CENTER 2 WOODWARD AVE., SUITE 824 DETROIT, MI 48226

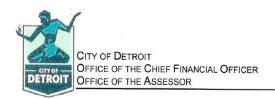
PHONE: 313•224•3011 FAX: 313•224•9400

Commercial Rehabilitation Certificate Avanath North End Parcel Owner I, LLC Page 2

A review of the general plans, along with the criteria set forth under the Commercial Rehabilitation Act, indicated that the proposed project located at **282**, **290**, **296**, **302**, **306** & **312** Smith is eligible as it pertains to the Commercial Rehabilitation certificate criteria under P.A. 210 of 2005, as amended. Please note that while the project is eligible, the State tax Commission will hold this certificate in abeyance until the Detroit Land Bank Authority issues the 5/50 waiver for these properties.

Sincerely,

Charles Ericson, MMAO Assessor, Board of Assessors



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

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

Commercial Rehabilitation Certificate Avanath North End Parcel Owner I, LLC Page 3

Parcel: 01002170

Owner: Avanath North End Landing Parcel Owner I, LLC

Property Address: 312 Smith

Legal Description: S SMITH 126 WM Y HAMLIN & S J BROWNS L8, P72, PLATS, W C R 1/103 30 X 115

Parcel: 01002171

Owner: Avanath North End Landing Parcel Owner I, LLC

Property Address: 306 Smith

Legal Description: S SMITH 127 WM Y HAMLIN & S J BROWNS L8, P72, PLATS, W C R 1/103 30 X 115

Parcel: 01002172

Owner: Avanath North End Landing Parcel Owner I, LLC

Property Address: 302 Smith

Legal Description: S SMITH 128 WM Y HAMLIN & S J BROWNS L8, P72, PLATS, W C R 1/103 30 X 115

Parcel: 01002173

Owner: Avanath North End Landing Parcel Owner I, LLC

Property Address: 296 Smith

Legal Description: S SMITH 129 WM Y HAMLIN & S J BROWNS L8, P72, PLATS, W C R 1/103 30 X 115

Parcel: 01002174

Owner: Avanath North End Landing Parcel Owner I, LLC

Property Address: 290 Smith

Legal Description: S SMITH 130 WM Y HAMLIN & S J BROWNS L8, P72, PLATS, W C R 1/103 30 X 115

Parcel: 01002175

Owner: Avanath North End Landing Parcel Owner I, LLC

Property Address: 282 Smith

Legal Description: S SMITH 131 WM Y HAMLIN & S J BROWNS L8, P72, PLATS, W C R 1/103 30 X 115

COLEMAN A. YOUNG MUNICIPAL CENTER 2 WOODWARD AVE., SUITE 824 DETROIT, MI 48226

PHONE: 313•224•3011 FAX: 313•224•9400

Commercial Rehabilitation Certificate Avanath North End Parcel Owner I, LLC Page 4





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: May 23, 2023

Tax Abatement Type: PA 210

New 🖂 Renewal  $\square$ 

**Duration of Abatement:** 10 years

Development Name: North End Landing

**Development:** A total of 177 new apartments in multiple buildings on adjacent or nearby vacant

parcels on several blocks in the North End Neighborhood

Parcel/Facility Address: 36 parcels in area of 202 - 325 Smith, 309-331 and 501-561 E. Bethune

Applicant/Recipient: Richard Barr

Applicant Contact: rbarr@honigman.com 248-465-7308

#### 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: 4**

#### 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**

DocuSigned by: Tenika R. Griggs, Esq. Tenika R. Griggs, Esq.

5/24/2023

CRIO Deputy Director Name

CRIO Deputy Director Signature

Date