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Executive Policy Manager
Marcell R. Todd, Jr.
Director, City Planning
Commission
Janese Chapman
Director, Historic Designation
Advisory Board

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Megha Bamola
LaKisha Barclift, Esq.
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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 Kelsey 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: October 4, 2023

RE: 2150 Bagley, LLC PA 255 Certificate Request

### Commercial Redevelopment Act, PA 255 of 1978

The Commercial Redevelopment Act, PA 255 of 1978, is a tax incentive to provide for the establishment of commercial redevelopment districts in local governmental units. A Commercial Facilities Exemption Certificate entitles the facility an exemption from ad valorem real property taxes for a term of 1-12 years, as determined by the local governmental unit.

The criteria set forth for issuing commercial facility exemption certificates under PA 255 of 1978, as amended, applies to functionally obsolete properties requiring restoration, meaning changes to obsolete commercial property other than replacement may be required to restore the property, together with all appurtenances, to an economically efficient condition.

**2150 Bagley, LLC**, is the project developer of the requested PA 255 Commercial Redevelopment Act tax abatement for the property located at 2150 Bagley, for the redevelopment of a 24,000 sq. ft. historic warehouse property in Corktown, adjacent to the Michigan Central Station and the Book Depository building.

The current PA 255 certificate request is for the *commercial elements* of this development only. The developer plans to bring locally oriented food and beverage concepts to the area. The developer is proposing a mixed-use project at the site, which includes a residential component to the project, in addition to the planned commercial investment. Earlier this year, the developer sought and has received approval of a

<sup>&</sup>lt;sup>1</sup> Accessories or other items associated with a particular activity or style of living.

NEZ district from the City Council for the *residential elements*<sup>2</sup> of this project exclusively. Our report from April 18, 2023, which details this prior request, can be found in the link here: Letterhead Paper (detroitmi.gov)

#### **DEGC Property Tax Abatement Evaluation**

**Property Address: 2150 Bagley** 

Developer: Piquette Partners, 2150 Bagley LLC

Development Team Principal(s): Don Tappan, Tanner Waterstreet, Tarun Kajeepeta

Prepared By: Kaci Jackson

Incentive:	PA 255 CFE				
DEGC Abatement Term Recommendation	12 years				
Location					
Address	2150 Bagley				
City Council District	6				
Neighborhood	Corktown				
Located in HRD/SNF Targeted Area	N/A				
Building Use					
Total Residential Square Footage	14,010				
Total Retail Square Footage	9,990				
Number of Residential Units	14				
Number of Affordable Residential Units	3				
Unit Breakdown					
Studios	5 units, Avg SF: 574, \$963-\$1,250/mo				
I Bedrooms	6 units, Avg SF: 812, \$1,039-\$2,250/mo				
2 Bedrooms	3 units, Avg SF: 1,148, \$2,400-\$2,600/mo				
Project Description					

2150 Bagley is a \$6.8M investment in the redevelopment of a 24,000 sq. ft. historic warehouse property in Corktown adjacent to Michigan Central Station and the Book Depository building. The local developers, who live in Detroit and have grown up in the metro-Detroit area, are incredibly passionate about contributing positively to the continued revitalization of the city and specifically, the rehabilitation of blighted structures. The development team also are small business operators of Coffee Down Under and Shelby in downtown Detroit.

2150 Bagley will be redeveloped into loft-style housing for the Corktown neighborhood, as well as serve the needs of local residents by bringing locally-oriented food and beverage concepts to the area. The improvements will include new HVAC, electrical and plumbing systems; updated apartments with new kitchen and bathroom; new windows and new commons areas. The end product will bring on 10,000 square feet of retail and 14 residential units, 3 units of which will be affordable at 60%-80% AMI.

Sources and Uses of Capital Summary	
Total Investment	\$6.8M
Sources	Debt: \$5.11M (75.2%); Equity: 816K (12.0%); Grant \$867K (12.8%)
Uses	Hard Costs: \$4.2M (61.8%), Soft Costs: \$1.6M (23.5%), Building: \$1M (14.7%)

<sup>&</sup>lt;sup>2</sup> NEZ (Neighborhood Enterprise Zone Act, PA 147 of 1992) district, with a area that consists of 1 parcel with a total of 0.345 acres of land, located at 2150 Bagley. The planned development is expected to include 14 residential units, of which approximately 20% (3 units) would be affordable at rents at a level of 60% - 80% AMI.

Project Economic Benefits Summary	PA 255 - CFE			
Estimated Jobs (FTE/Construction)	4 FTE / 40 Construction			
Estimated City benefits before tax abatement	\$294,619			
Total estimated City value of PA 255	\$117,430			
Less cost of services & utility deductions	\$51,535			
Net Benefit to City with PA 255	\$125,655			

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

	Amount
Real Property Taxes, before abatement	\$117,430
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$29,550
Municipal Income Taxes - Indirect Workers	\$8,126
Municipal Income Taxes - Corporate Income	\$28,165
Municipal Income Taxes - Construction Period	\$20,079
Utility Revenue	\$23,126
Utility Users' Excise Taxes	\$5,118
State Revenue Sharing - Sales Tax	\$22,489
Building Permits and Fees	\$13,530
Miscellaneous Taxes & User Fees	\$27,007
<u>Subtotal Benefits</u>	<u>\$294,619</u>
Cost of Providing Municipal Services	(\$28,409)
Cost of Providing Utility Services	(\$23,126)
<u>Subtotal Costs</u>	<u>(\$51.535)</u>
Net Benefits	\$243,085

Impacted Taxing Units: Incentive Summary over the First 12 Years <sup>3</sup>

	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	Abatement	Exemption	& Incentives
City of Detroit	\$294,619	(\$51,535)	(\$117,430)	\$0	\$0	\$125,655
Wayne County	\$33,023	(\$5,119)	(\$27,903)	\$0	\$0	\$0
Detroit Public Schools	\$131,448	(\$26,350)	(\$105,053)	\$0	\$0	\$45
State Education	\$20,980	\$0	(\$20,980)	\$0	\$0	\$0
Wayne RESA	\$18,979	\$0	(\$18,979)	\$0	\$0	\$0
Wayne County Comm. College	\$11,260	\$0	(\$11,260)	\$0	\$0	\$0
Wayne County Zoo	\$347	\$0	(\$347)	\$0	\$0	\$0
Detroit Institute of Arts	\$694	\$0	(\$694)	\$0	\$0	\$0
Total	\$511,350	(\$83,004)	(\$302,646)	\$0	\$0	\$125,700

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<sup>&</sup>lt;sup>3</sup> Charts courtesy of the DEGC

#### **DEGC Chart of Taxes Before, During & After the Incentive**<sup>4</sup>

	Existing	New Taxes With	New Taxes Without		
	Taxes	Incentive	Incentive		
City of Detroit	\$2,027	\$2,056	\$9,755		
Library	\$324	\$329	\$1,560		
Wayne County	\$559	\$567	\$2,689		
Detroit Public Schools	\$2,103	\$2,133	\$10,122		
State Education	\$420	\$426	\$2,022		
Wayne RESA	\$380	\$385	\$1,829		
Wayne County Comm. College	\$225	\$229	\$1,085		
Wayne County Zoo	\$7	\$7	\$33		
Detroit Institute of Arts	\$14	\$14	\$67		
Total	\$6,060	\$6,145	\$29,162		

#### Conclusion

The estimated total capital investment for this project is \$6.8 million. It is also estimated that the completed project will create 4 FTE's<sup>5</sup> and 40 temporary construction jobs. The total value of the 12-year Commercial Redevelopment tax savings is estimated at \$302,646.

Based on the investment and jobs, this project is estimated to provide the City of Detroit a net benefit of \$125,655, and all of the impacted taxing units, a net benefit of \$125,700 over the 12 years of the Commercial Redevelopment tax abatement.

However, if the developer does not proceed in good faith to complete the project, pursuant to the Act, the City Council may revoke the certificate: "The legislative body of the local governmental unit may revoke the exemption if it finds that the completion of the facility has not occurred within 2 years after the effective date of the exemption certificate or a greater time as authorized by the legislative body for good cause, or that the holder of the exemption has not proceeded in good faith with the replacement, restoration, or construction and operation of the facility in good faith in a manner consistent with the purposes of this act and in 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:** June 21, 2023 - Letter from Finance Assessors June 12, 2023 - CRIO<sup>7</sup> 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

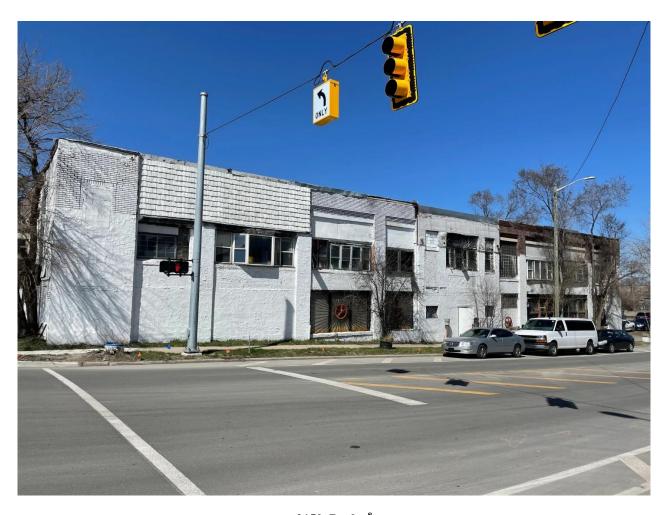
4

<sup>&</sup>lt;sup>4</sup> Existing Annual Taxes: \$6,060- New Annual Taxes DURING the Incentive: \$6,145 & Taxes after the Incentive EXPIRES: \$29,162

<sup>&</sup>lt;sup>5</sup> FTE, or full-time equivalent, is a unit of measurement that represents the number of full-time hours an organization's employees work. What Is Full-Time Equivalent (FTE)? Plus How To Calculate It | Indeed.com

<sup>&</sup>lt;sup>6</sup> COMMERCIAL REDEVELOPMENT ACT (Act 255) MCL. 207.664

<sup>&</sup>lt;sup>7</sup> **CRIO**- Civil Rights, Inclusion & Opportunity Department



2150 Bagley<sup>8</sup>

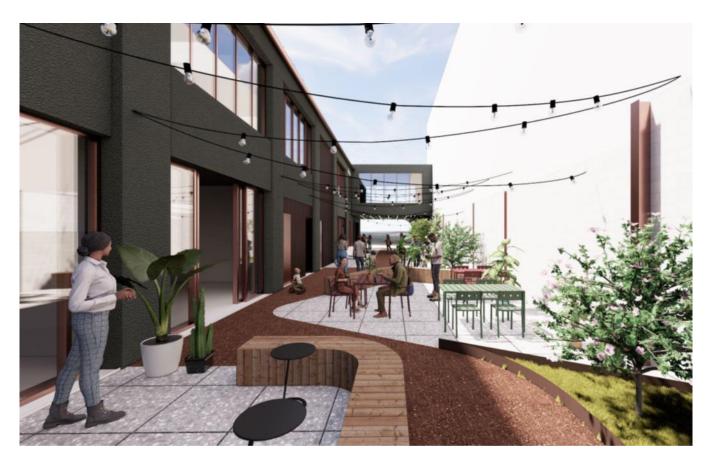
<sup>&</sup>lt;sup>8</sup> Source: <u>2150 Bagley St, Detroit, MI 48216 | LoopNet</u>





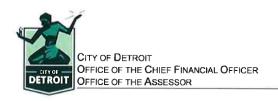
Renderings9

<sup>&</sup>lt;sup>9</sup> Renderings courtesy of DEGC



Rendering<sup>10</sup>

<sup>&</sup>lt;sup>10</sup> Rendering courtesy of DEGC



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

PHONE: 313•224•3011 Fax: 313•224•9400

June 21, 2023

Mr. Antoine Bryant, Director Planning & Development Department Coleman A. Young Municipal Center 2 Woodward Ave, Suite 808 Detroit, MI 48226

RE: Commercial Facilities Tax Exemption Certificate - 2150 Bagley LLC

Property Address: 2150 Bagley Parcels Number: 10004862.

Dear Mr. Bryant:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the application for a Commercial Facilities Tax Exemption Certificate for the property located at **2150 Bagley** in the **Corktown** area in the City of Detroit.

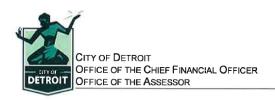
The rationale for creating Commercial Redevelopment Districts under PA 255 of 1978, as amended, is based on the anticipation of increased market value upon completion of new construction and/or significant restoration of commercial and former industrial property where the primary purpose and use of which is the operation of a commercial business enterprise and shall include office, engineering, research and development, warehousing parts distribution, retail sales, hotel or motel development, and other commercial facilities. Commercial business enterprise also includes a business that owns or operates a transit-oriented development or a transit-oriented facility. Normal repair and maintenance are not assessed and do not necessarily generate additional market value.

The building consists of a mixed use two story commercial property with approximately 24,590 square feet on 0.200 acres of land. The owner proposes to convert the property to 10,000 square feet of commercial space and 14 residential apartment units. The restoration requires extensive reconfiguration and upgrades, including replacement of substantial portions of carpentry, roofing, windows, glass, drywall, flooring, plumbing, and HVAC. This CFT request is solely for the commercial portion of the property which is the complete 1st floor of the building.

The 2023 values are as follows:

Parcel #	Address	 Building Assessed Value (SEV)				Land Assessed Value (SEV)		Land Taxable Value	
10004862.	2150 BAGLEY	\$ 49,300	\$	49,300	\$	118,900	\$	118,900	

This area meets the criteria set forth under PA 255 of 1978, as amended. It applies to functionally obsolete properties requiring restoration meaning changes to obsolete commercial property other than replacement as may be required to restore the property, together with all appurtenances, to an economically efficient condition.



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

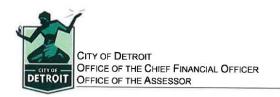
PHONE: 313•224•3011 Fax: 313•224•9400

Commercial Facilities Exemption Certificate Request 2150 Bagley LLC Page 2

A review of the project details and relevant statutes indicated that the facility located at **2150 Bagley** is eligible for the proposed Commercial Facilities Certificate pursuant to PA 255 of 1978, as amended.

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 Facilities Exemption Certificate Request 2150 Bagley LLC Page 3

Parcel Number: 10004862. Property Address: 2150 Bagley Property Owner: 2150 Bagley LLC

Legal Description: E FOURTEENTH 97 & 100 SUB OF GODFROY FARM L1 P132 PLATS, W C R 10/24 15,010 SQ FT





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: July 11, 2023 Tax Abatement Type: PA 255 New 🖂 Renewal 🗆 Duration of Abatement: 12 years Development Name: 2150 Bagley **Development:** The building consists of a mixed use two story commercial property. The owner proposes to convert the property to 10,000 sq ft of commercial space and 14 residential apartment units. Parcel/Facility Address: 2150 Bagley Applicant/Recipient: Tarun Kajeepeta Applicant Contact: tarun@piquettepartners.com 347-604-0815 **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
    - 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. 7/11/2023 Tenika R. Griggs, Esq. CRIO Deputy Director Name CRIO Deputy Director Signature Date