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City of Detroit
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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,¹ 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

¹ Accessories or other items associated with a particular activity or style of living.

NEZ district from the City Council for the *residential elements*² of this project exclusively. Our report from April 18, 2023, which details this prior request, can be found in the link here: [Letterhead Paper \(detroitmi.gov\)](https://www.detroitmi.gov/letterhead-papers)

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
1 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	
<p>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.</p> <p>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.</p>	
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%)

² 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
Subtotal Benefits	\$294,619
Cost of Providing Municipal Services	(\$28,409)
Cost of Providing Utility Services	(\$23,126)
Subtotal Costs	(\$51,535)
Net Benefits	\$243,085

Impacted Taxing Units: Incentive Summary over the First 12 Years ³

	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	\$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

³ Charts courtesy of the DEGC

DEGC Chart of Taxes Before, During & After the Incentive⁴

	Existing Taxes	New Taxes <i>With</i> Incentive	New Taxes <i>Without</i> 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's⁵ 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.”*⁶

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

Attachments: June 21, 2023 - Letter from Finance Assessors
June 12, 2023 - CRIO⁷ 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 Existing Annual Taxes: \$6,060- New Annual Taxes DURING the Incentive: \$6,145 & Taxes after the Incentive EXPIRES: \$29,162

⁵ 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](#)

⁶ COMMERCIAL REDEVELOPMENT ACT (Act 255) MCL. 207.664

⁷ CRIO- Civil Rights, Inclusion & Opportunity Department



2150 Bagley⁸

⁸ Source: [2150 Bagley St, Detroit, MI 48216 | LoopNet](https://www.loopnet.com/property/2150-Bagley-St-Detroit-MI-48216/)



Renderings⁹

⁹ Renderings courtesy of DEGC



Rendering¹⁰

¹⁰ Rendering courtesy of DEGC



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)	Building Taxable Value	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.



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

Commercial Facilities Exemption Certificate Request
2150 Bagley LLC
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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



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

<u>Tenika R. Griggs, Esq.</u>	DocuSigned by: <i>Tenika R. Griggs, Esq.</i> FF584CDB98E341A...	<u>7/11/2023</u>
CRIO Deputy Director Name	CRIO Deputy Director Signature	Date