

David Whitaker, Esq.
Director
Irvin Corley, Jr.
Executive Policy Manager
Marcell R. Todd, Jr.
Senior City Planner

LaKisha Barclift, Esq.
M. Rory Bolger, PhD, AICP
Timothy Boscarino, AICP
Kemba Braynon


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

Elizabeth Cabot, Esq.
Janese Chapman
George Etheridge
Derrick Headd
Anne Marie Langan
Analine Powers, PhD
Sabrina Shockley
Thomas Stephens, Esq.
David Teeter
Theresa Thomas
Kathryn Lynch Underwood

TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: May 13, 2015

RE: 5800 Cass, LLC's Public Act 146 of 2000 Abatement Request **10:30 A.M. – PUBLIC HEARING (Recommend Approval)**

The following is the Legislative Policy Division's (LPD) review of the Public Act 146 abatement request of 5800 Cass, LLC.

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, in which a facility is contaminated, blighted or functionally obsolete. **The primary purpose of this incentive is to rehabilitate and convert vacant, functionally obsolete older buildings into vibrant commercial uses and commercial housing projects and to return them to the tax rolls.**

The developer, 5800 Cass, LLC, is a single property entity solely owned by Marsh Investments, LLC, proposes to renovate a vacant, art deco styled steel and concrete three story building located at 5800 Cass Ave. The building was added to the National Register of Historic Places in 1986. The property which encompasses 50,925 sq. ft. of space will be converted to a multi-tenant use of office, retail and parking, which will include 5,000 sq. ft. of office space, 5,000 sq. ft. of retail space and 40,000 sq. ft. of indoor parking. The total investment for this project is estimated at \$1.5 million and is anticipated to lead to the creation of 3 full time employees and approximately 20-25 temporary construction jobs. The abatement request is for 12-years.

Cass Motor Sales was established in on the site in 1925 as a Chrysler car dealership. Three years later, the three story building was constructed in 1928. The company sold Marmon Motor Car Company vehicles. The building was designed as an integrated showroom, sales office, and service center. The building was later owned by Dagleish Cadillac.

Projected Fiscal Impact

Table 16. Value of Property Tax Abatement Under Consideration

	Buildings & Other Real Property Improvements	Total Value of Property Tax Abatement
City of Detroit	\$191,633	\$191,633
Wayne County	\$45,866	\$45,866
Detroit Public Schools	\$75,004	\$75,004
State Education	\$0	\$0
Wayne RESA	\$19,771	\$19,771
Wayne County Comm. College	\$18,496	\$18,496
Wayne County Zoo	\$571	\$571
Detroit Institute of Arts	\$1,141	\$1,141
Total	\$352,483	\$352,483

As the chart above indicates, the developer will realize a net tax benefit of \$352,483, over the 12-year life of the abatement.

Table 18. Incentive Summary Over the First 12 Years

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Business Personal Property Tax Abatement	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$298,398	(\$47,315)	(\$191,633)	\$0	\$59,449
Wayne County	\$51,196	(\$3,619)	(\$45,866)	\$0	\$1,711
Detroit Public Schools	\$206,569	(\$28,603)	(\$75,004)	\$0	\$102,962
State Education	\$34,243	\$0	\$0	\$0	\$34,243
Wayne RESA	\$19,771	\$0	(\$19,771)	\$0	\$0
Wayne County Comm. College	\$18,496	\$0	(\$18,496)	\$0	\$0
Wayne County Zoo	\$571	\$0	(\$571)	\$0	\$0
Detroit Institute of Arts	\$1,141	\$0	(\$1,141)	\$0	\$0
Total	\$630,384	(\$79,536)	(\$352,483)	\$0	\$198,365

Table 10. City of Detroit: Benefits, Costs, and Net Benefits Over the Next 12 Years

	Amount
Real Property Taxes, before abatement	\$191,633
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$15,862
Municipal Income Taxes - Indirect Workers	\$5,915
Municipal Income Taxes - Corporate Income	\$31,932
Utility Revenue	\$22,428
Utility Users' Excise Taxes	\$4,093
State Revenue Sharing - Sales Tax	\$15,158
Building Permits and Fees	\$0
Miscellaneous Taxes & User Fees	\$11,376
Subtotal Benefits	\$298,398
Cost of Providing Municipal Services	(\$24,887)
Cost of Providing Utility Services	(\$22,428)
Subtotal Costs	(\$47,315)
Net Benefits	\$251,082
<i>Present Value (5% discount rate)</i>	<i>\$184,005</i>

However, over the same 12-year period of tax breaks to the developer, the **taxing units are projected to realize projected net benefit of \$198,365**, above and beyond the tax breaks to the developer. In tax year 13 in particular, the impacted taxing units will realize an annual \$29,374 increase in property taxes.

Charts courtesy of DEGC

¹ Table 18: Value of the tax abatement to the developer

² Table 16: Net benefit to the taxing units after the abatement is accounted for

³ Table 10: Subtotal of benefits to the City of Detroit, prior to the abatement

Recommendation

As indicated earlier, over the 12-year life of this abatement, this project is estimated to bring the City⁴ approximately \$198,365 in revenue above the abated taxes and the additional cost of services, due to the proposed \$1.5 million investment.

Therefore, given the \$1.5 million investment and its projected positive cost benefit to the City, and the return of an obsolete building to the tax rolls, **LPD recommends approval** of 5800 Cass, LLC's Public Act 146 abatement request for 5800 Cass.

The Obsolete Property Rehabilitation Act (OPRA), Public Act 146 of 2000 gives the legislative body that authorized the exemption the power to revoke the certificate, if the business has not completed the project within the time frame authorized in the exemption certificate, or has failed to proceed in "good faith" in the operation of the rehabilitated building.

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

cc: Auditor General's Office
Maurice Cox, Planning and Development Department
Dinah Bolton, Planning and Development Department
John Saad, Planning and Development Department
Aliyah Sabree, Mayor's Office
Malinda Jensen, DEGC
Kenyetta Bridges, DEGC



5800 Cass (October 2014)

⁴ including the impacted taxing units