

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
Elizabeth Cabot, Esq.
Janese Chapman
Tasha Cowan

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

Richard Drumb
George Etheridge
Deborah Goldstein
Derrick Headd
Marcel Hurt, Esq.
Kimani Jeffrey
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: November 16, 2016

RE: Application for a Commercial Rehabilitation Exemption Certificate by
Coe Van Dyke, LLC Michigan Public Act 210
11:45 A.M. – PUBLIC HEARING (Recommend Approval)

Commercial Rehabilitation Act, PA 210 of 2005

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.

Coe Van Dyke, LLC

Coe Van Dyke, LLC, the project developer, acquired two parcels of land on Van Dyke and Coe from Auburn REO, an Invest Detroit Affiliate, to construct a mixed-use building with **eight (8) townhomes, four (4) apartments – including three (3) affordable units at 80% AMI and 1,200 - 1,500 sq. ft. of ground level retail space.** The Coe at West Village is the first project in Invest Detroit's¹ neighborhood portfolio initiative. Coe and Van Dyke LLC was formed for the purposes of facilitating the construction of the Coe at West Village project.

The project is located at the corner of (1462) Van Dyke and (8030) Coe, in the city's West Village neighborhood. If approved by Council, the project will create 5 permanent (retail) and 73 temporary construction jobs. The current PA 210 abatement request before Council is for 10-years, with an investment of \$3.5 million.

¹ Invest Detroit is a certified Community Development Financial Institution and a source of private sector financing which utilizes a variety of funding tools through managed for-profit and non-profit targeted funds to support economic and community development in underserved communities primarily in the city of Detroit. investdetroit.com

Rationale for the Abatement (But/For)

The Administration cited several factors that contributed to its “but for”² analysis, which justified the need for the incentive. The factors, which include the inclusion of 5 permanent (retail) and 73 temporary construction jobs. are as follows:

- This project is consistent with and supports the city’s 2016 Targeted Multifamily Housing areas and Invest Detroit’s Neighborhood Strategic Fund Initiative³.
- With the limited number of units, this project would not be viable without the incentives as the developer would have a net zero return, based on the Pro Forma⁴.

Strategic Impact / City Objectives	
<input type="checkbox"/> Will this project support local hiring and training programs for Detroit residents?	Yes, During Construction Phase
<input type="checkbox"/> Is this project consistent with city’s comprehensive plans, corridor strategies etc.?	Yes, Project will encourage residential and commercial development in the neighborhoods while supporting Detroit’s targeted multifamily housing areas.
<input type="checkbox"/> Is project located within a targeted Investment area, and if so, where?	Yes, (West Village)

Projected Fiscal Impact

Gross Benefits City of Detroit (Only) over 10-Years Prior to the Abatement

	Amount
Real Property Taxes, before abatement	\$201,637
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$24,178
Municipal Income Taxes - Indirect Workers	\$0
Municipal Income Taxes - Corporate Income	\$19,620
Municipal Income Taxes - Construction Period	\$40,287
Municipal Income Taxes - New Res. Inhabitants	\$299,620
Utility Revenue	\$89,803
Utility Users' Excise Taxes	\$1,732
State Revenue Sharing - Sales Tax	\$16,474
Building Permits and Fees	\$37,598
Miscellaneous Taxes & User Fees	\$14,897
Subtotal Benefits	\$745,846
Cost of Providing Municipal Services	(\$32,027)
Cost of Providing Utility Services	(\$89,803)
Subtotal Costs	(\$121,831)
Net Benefits	\$624,015

Chart courtesy of DEGC

² “But for” is a reference to denote that the project would not go forward, without the incentive.

³ Loans for strategic projects are considered when potential exists for a long-term, clear benefit which is critical to the economic development of the City of Detroit.

⁴ Financial statement forecast with emphasis placed on estimated net revenues, cash flows and taxes.

Fiscal Summary

PROJECT	PROJECT INVESTMENT	TAXING UNIT	GROSS BENEFIT	COST OF SERVICES	PA 210 VALUE	NET BENEFIT
1462 Van Dyke and 8030 Coe	\$3.5 Million	Detroit	\$745,846	(\$121,831)	(\$199,635)	\$424,380
		All Taxing Units*	\$1,087,766	(\$151,081)	(\$369,621)	\$567,064

*Including Detroit

Recommendation

Given Coe Van Dyke, LLC's \$3.5 million investment, the creation of 5 permanent (retail) and 73 temporary construction jobs and the projected positive cost benefit to the impacted taxing units of \$567,064, which includes \$424,380 to the City of Detroit alone, **LPD recommends approval** of the Commercial Rehabilitation Exemption Certificate request of Coe Van Dyke, LLC.

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



The Coe at West Village 12-unit complex will add eight townhouses, four apartments and about 1,200-square-foot of retail space to the corner of Van Dyke and Coe Avenue in the West Village neighborhood. (Photo: CH Architects) Source: *Picture and detail- Detroit News October 19, 2016*

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