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City of Detroit
CITY COUNCIL
LEGISLATIVE POLICY DIVISION
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Detroit, Michigan 48226
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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: October 22, 2019 ***REVISED***

RE: Application for an **Obsolete Property Rehabilitation Certificate** by
CCA, LLC formerly Elmwood Park Plaza LP¹ Public Act 146 of 2000
PUBLIC HEARING

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, which are 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 and owner of the property is CCA, LLC, formally known as Elmwood Park Plaza Limited Partnership is requesting that a 12-year OPRA certificate be approved to support the rehabilitation of Elmwood Club Plaza, located at 670 Chene. If approved by Council, the rehabilitation will result in the nearly fifty-year-old, 202-unit, residential tower being transformed into an apartment building with amenities and qualities comparable to the new developments in downtown Detroit. The rehabilitation will include the replacement of nearly all of the building's mechanical and air conditioning systems, exterior cladding,² the instillation of high efficiency windows, modernized elevators, upgraded life safety systems (including sprinklers), amenities that include an outdoor green area at the base of the apartment building, and upgrades to the retail facade along Chene. The building will include 40 units available at 60-80% AMI,³ ensuring that older residents and residents on fixed-income are provided with access

¹ The owner has changed the name of its LLC, therefore requiring the name change. (Letter attached)

² Exterior Cladding: It is the exterior wall covering that protects all the interior components of a structure.

³ The Detroit-Warren-Livonia, MI HUD Metro AMI (area median income) at 80% is \$ 42,750 & \$32,063 at 60% AMI. A rough estimate would equate to rents in the vicinity from \$1,069 to \$802 per month in these ranges.

to the renovated units. No city, state, federal, or block grant funds will be utilized to subsidize construction, and the redevelopment will not require the relocation of any tenants.

The DEGC has recommended a full term 12-year OPRA cert.

DEGC Project Evaluation Checklist

Elmwood Park Plaza

Developer: Elmwood Park Plaza Limited Partnership

Principal: City Club Apartments (Jonathon Holtzman)

Obsolete Property Rehabilitation Act, PA 146 of 2000 as amended – current taxes frozen at pre-rehab values, local taxes abated for up to 12 years	
DEGC Recommendation	12 years
Request Type	Certificate
Location	
Address	670 Chene
City Council District	District 5
Neighborhood	Elmwood Park
Located in HRD Targeted Area	No
Building Use	
Total Rentable Square Foot	116,105
Residential Square Feet	111,100
Library Square Feet	5,005
Project Description	
<p>Elmwood Park Plaza Limited Partnership ("EPP") is requesting that an OPRA District be established and a 12-year OPRA certificate be approved to support the rehabilitation of Elmwood Club Plaza. The pre-development process for Elmwood Club Plaza is nearly complete, and the rehabilitation will see the nearly fifty-year-old, 202-unit, residential tower transformed into an apartment building on par with any new development in downtown Detroit. The rehabilitation is expected to begin in 2019. Nearly all mechanical systems will be replaced with high efficiency systems, including air conditioning, exterior cladding, high efficiency windows, modernized elevators, upgraded life safety systems (including sprinklers), a fully amenitized outdoor green area at the base of the apartment building, and upgrades to the retail facade along Chene. The building will include 40 units available at 60-80% AMI, ensuring that older residents and residents on fixed-income are provided with access to the renovated units. No city, state, federal, or block grant funds will be utilized to subsidize construction, and the redevelopment will not require the relocation of any tenants.</p>	
Housing Breakdown	
Total Units	202 units; 40 affordable
1 Bedroom	202 units, 550sf, \$852-\$1,442/mo rent (\$1.55-\$2.62 PSF)

Sources and Uses	
Total Investment	\$25.2M (\$317k/unit)
Uses	\$10.3M Acquisition (41%), \$10.1M Hard Construction (40%), \$4.7M Soft Costs (12%)
Project Benefits	
Estimated Jobs	3 FTE, 20 Construction Employees
Estimated City benefits before tax abatement	\$5,128,304
Total estimated City value of OPRA abatement	\$1,461,906
Less cost of services & utility deductions	\$1,867,082
Net Benefit to City	\$1,799,316

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

	Amount
Real Property Taxes, before abatement	\$2,051,180
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$28,246
Municipal Income Taxes - Indirect Workers	\$8,835
Municipal Income Taxes - Corporate Income	\$9,580
Municipal Income Taxes - Construction Period	\$72,297
Municipal Income Taxes - New Res. Inhabitants	\$863,392
Utility Revenue	\$1,842,043
Utility Users' Excise Taxes	\$117,235
State Revenue Sharing - Sales Tax	\$14,763
Building Permits and Fees	\$100,000
Miscellaneous Taxes & User Fees	\$20,734
Subtotal Benefits	\$5,128,304
Cost of Providing Municipal Services	(\$25,039)
Cost of Providing Utility Services	(\$1,842,043)
Subtotal Costs	(\$1,867,082)
Net Benefits	\$3,261,221 ⁴

Impacted Taxing Units: Incentive Summary over the First 12 Years

⁴ Chart courtesy of the DEGC

	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	\$5,128,304	(\$1,867,082)	(\$1,461,906)	\$0	\$0	\$1,799,316
Wayne County	\$526,416	(\$4,812)	(\$371,921)	\$0	\$0	\$149,683
Detroit Public Schools	\$2,038,067	(\$23,386)	(\$601,746)	\$0	\$0	\$1,412,935
State Education	\$389,678	\$0	\$0	\$0	\$0	\$389,678
Wayne RESA	\$250,562	\$0	(\$185,925)	\$0	\$0	\$64,637
Wayne County Comm. College	\$210,478	\$0	(\$150,011)	\$0	\$0	\$60,467
Wayne County Zoo	\$6,495	\$0	(\$4,629)	\$0	\$0	\$1,866
Detroit Institute of Arts	\$12,989	\$0	(\$9,258)	\$0	\$0	\$3,732
Total	\$8,562,988	(\$1,895,280)	(\$2,785,394)	\$0	\$0	\$3,882,313

5

Conclusion

The estimated total capital investment from the developer for this project is \$25.2 million. It is also estimated that completed project will create 3 FTE, and 20 temporary construction jobs. The total value of the 12 year OPRA tax abatement is estimated at \$2,785,394.

Based on the investment and jobs, this project is estimated to provide the City of Detroit a net benefit of **\$1,799,316** and all of the impacted taxing units, a net benefit of **\$3,882,313** over the 12 years of the OPRA abatement.

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

cc: Auditor General's Office
 Arthur Jemison, Chief of Services and Infrastructure
 Maurice Cox, Planning and Development Department
 Donald Rencher, HRD
 Veronica M. Farley, HRD
 Stephanie Grimes Washington, Mayor's Office
 Malinda Jensen, DEGC
 Kenyetta Bridges, DEGC
 Jennifer Kanalos, DEGC
 Brian Vosburg, DEGC

⁵ Charts courtesy of the DEGC



670 Chene (aka 750 Chene)

Assessor's letter stating the eligibility of the OPRA certificate:



CITY OF DETROIT
 OFFICE OF THE CHIEF FINANCIAL OFFICER
 OFFICE OF THE ASSESSOR

COLEMAN A. YOUNG MUNICIPAL CENTER
 2 WOODWARD AVENUE, SUITE 824
 DETROIT, MICHIGAN 48226
 (313) 224-3011 • TTY: 711
 (313) 224-9400
 WWW.DETROITMI.GOV

October 15, 2019

Katharine G. Trudeau, Deputy Director
 Planning & Development Department
 Coleman A. Young Municipal Center
 2 Woodward Ave, Suite 808
 Detroit, MI 48226

RE: *Obsolete Property Rehabilitation Certificate – CCA Lafayette Park LLC (successor by conversion to Elmwood Park Plaza Limited Partnership)*
 Property Address: 750 Chene (aka 670 Chene)
 Parcel Number: 11000125-34

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed Obsolete Property Rehabilitation certificate application for the property located at 750 Chene (aka 670 Chene) in the Elmwood Park area in the City of Detroit.

The rationale for granting Obsolete Property Rehabilitation certificates under PA 146 of 2000, 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.

CCA Lafayette Park LLC is proposing to rehabilitate the 18-story apartment building with 156,634 square feet of total floor area, built in 1974, on 2.424 acres of land and retain all 202 units. Rehabilitation will include all interior units, replacement of heating units, replacement of windows, air conditioning for all units, upgrade of the life safety system, rehabilitation of the façade and rehabilitation of the first floor lobby.

The 2019 values are:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
11000125-34	670 Chene	\$ 1,961,000	\$ 1,535,890	\$ 24,200	\$ 18,954

This property meets the criteria set forth under PA 146 of 2000, as amended. It applies to blighted, functionally obsolete and contaminated properties. "Rehabilitation," meaning that changes to qualified facilities that are required to restore or modify the property, together with all appurtenances, to an economically efficient condition.

The project is expect to increase commercial activity, create employment, retain employment, revitalize an urban area and increase the number of residents in the area.



Obsolete Property Rehabilitation Certificate
CCA Lafayette Park LLC
Page 2

A field investigation indicated that the property located at 750 Chene (aka 670 Chene) is eligible as it pertains to the Obsolete Property Rehabilitation Act under P.A. 146 of 2000, as amended.

Sincerely,

A handwritten signature in blue ink, appearing to read "Charles Ericson".

Charles Ericson, MMAO
Assessor, Board of Assessors

mmp



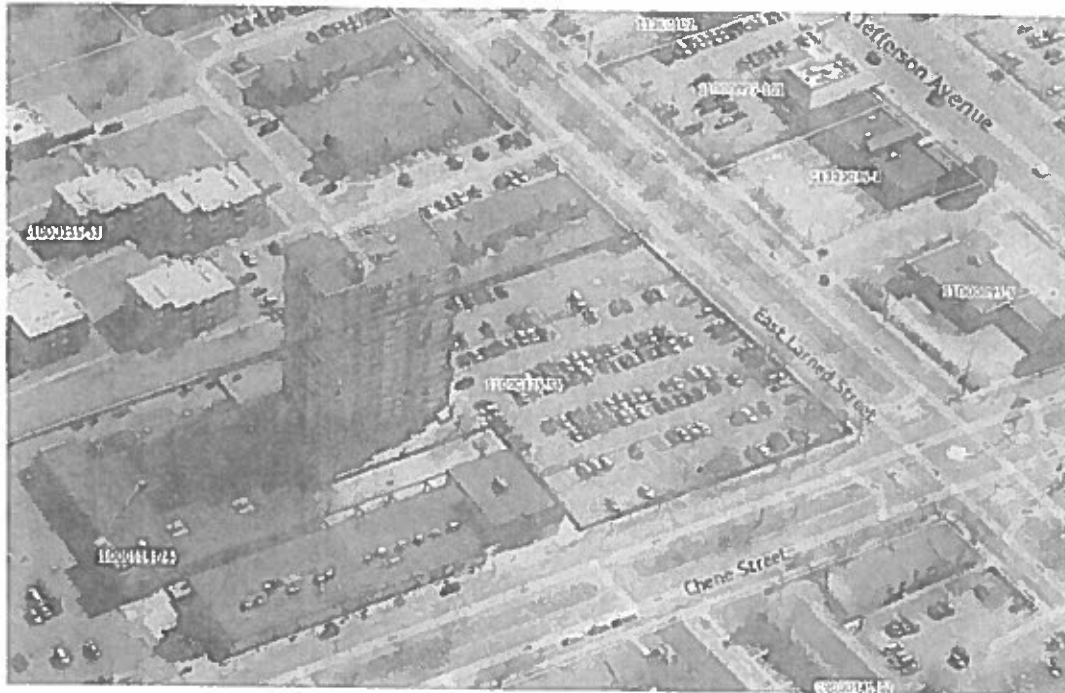
Obsolete Property Rehabilitation Certificate
CCA Lafayette Park LLC
Page 3

Property Address: 670 CHENE

Parcel Number: 11000125-34

Property Owner: ELMWOOD PARK PLAZA

Legal Description: N LARNED PT OF 18 & 19 ELMWOOD PARK URBAN REN PLAT NO 2 SUB L92 P77-82 PLATS, W C R DES AS FOLS
BEG SWLY COR LOT 19 TH N 26D07M 10S W 264 88 FT TH N 63D 53M 19S E 133 55 FT TH N 26D 07M 10S W 180 49 FT TH N 63D
52M 50S E 165.71 FT TH ALONG THE E LINE OF SD LOTS 18 & 19 S 26D 07M 10S E 424 29 FT TH ALONG THE S LINE OF SD LOT 19 S
59D 51M 21S W 300 FT TO THE POB 11/L12 104955 SQ FT



Letter Explaining the Rationale for the Name Change and OPRA Application:

877

HONIGMAN

Denise J. Lewis
Office: 313.465.7461
Mobile: 313.655.7779
dlewis@honigman.com

October 8, 2019

Office of Detroit City Clerk
2 Woodward Avenue
Coleman A. Young Municipal Center
Suite 200
Detroit, MI 48226

*Re: Amended Application for Obsolete Property Rehabilitation Exemption Certificate –
Elmwood Club Plaza*

Ladies and Gentlemen:

Enclosed please find an amended Application for Obsolete Property Rehabilitation Exemption Certificate (the "Amended Application") from CCA Lafayette Park, LLC, a Delaware limited liability company ("CCA LLC"). CCA LLC is the successor by conversion to Elmwood Park Plaza Limited Partnership, a Michigan limited partnership ("EPPL").

This Amended Application is necessitated by this change in name of the owner of the property known as the Elmwood Club Plaza, 750 Chene, pursuant to P.A. 146 of 2000 (the "Property").

The original application was submitted by EPPL on April 25, 2019. A separate request for the establishment of an Obsolete Property Rehabilitation District including the Property has been approved by the Detroit City Council.

Thank you for your assistance.

Very truly yours,

HONIGMAN LLP



Denise J. Lewis

Encs.

cc: Kenyetta Hairston-Bridges, DEGC
Veronica Farley, HRD

CITY CLERK 2019 OCT 9 9:18:04

Honigman LLP • 2290 First National Building • 660 Woodward Avenue • Detroit, Michigan 48226-3506

32441281.1

Application for Obsolete Property Rehabilitation Exemption Certificate

This form is issued as provided by Public Act 146 of 2000, as amended. This application should be filed after the district is established. This project will not receive tax benefits until approved by the State Tax Commission. Applications received after October 31 may not be acted upon in the current year. This application is subject to audit by the State Tax Commission.

INSTRUCTIONS: File the original and two copies of this form and the required attachments with the clerk of the local government unit. (The State Tax Commission requires two copies of the Application and attachments. The original is retained by the clerk.) Please see State Tax Commission Bulletin 9 of 2000 for more information about the Obsolete Property Rehabilitation Exemption. The following must be provided to the local government unit as attachments to this application: (a) General description of the obsolete facility (year built, original use, most recent use, number of stories, square footage). (b) General description of the proposed use of the rehabilitated facility. (c) Description of the general nature and extent of the rehabilitation to be undertaken. (d) A descriptive list of the fixed building equipment that will be a part of the rehabilitated facility. (e) A time schedule for undertaking and completing the rehabilitation of the facility. (f) A statement of the economic advantages expected from the exemption. A statement from the assessor of the local unit of government, describing the required obsolescence has been met for this building, is required with each application. Rehabilitation may commence after establishment of district.


Applicant (Company) Name (applicant must be the OWNER of the facility) CCA Lafayette Park, LLC, a Delaware limited liability company		
Company Mailing address (No. and street, P.O. Box, City, State, ZIP Code) 31700 Middlebelt Road, Suite 140, Farmington Hills, Michigan 48334		
Location of obsolete facility (No. and street, City, State, ZIP Code) 750 Chene, Detroit, Michigan 48207		
City, Township, Village (Indicate which) City		County Wayne
Date of Commencement of Rehabilitation (mm/dd/yyyy) 11/30/2019	Planned date of Completion of Rehabilitation (mm/dd/yyyy) 12/31/2020	School District where facility is located (include school code) Detroit
Estimated Cost of Rehabilitation \$10,119,671.00	Number of years exemption requested 12	Attach Legal description of Obsolete Property on separate sheet
Expected project likelihood (check all that apply)		
<input checked="" type="checkbox"/> Increase Commercial activity	<input checked="" type="checkbox"/> Retain employment	<input checked="" type="checkbox"/> Revitalize urban areas
<input checked="" type="checkbox"/> Create employment	<input type="checkbox"/> Prevent a loss of employment	<input checked="" type="checkbox"/> Increase number of residents in the community in which the facility is situated
Indicate the number of jobs to be retained or created as a result of rehabilitating the facility, including expected construction employment 23		
Each year, the State Treasurer may approve 25 additional reductions of half the school operating and state education taxes for a period not to exceed six years. Check the following box if you wish to be considered for this exclusion. <input checked="" type="checkbox"/>		

APPLICANT'S CERTIFICATION

The undersigned, authorized officer of the company making this application certifies that, to the best of his/her knowledge, no information contained herein or in the attachments hereto is false in any way and that all of the information is truly descriptive of the property for which this application is being submitted. Further, the undersigned is aware that, if any statement or information provided is untrue, the exemption provided by Public Act 146 of 2000 may be in jeopardy.

The applicant certifies that this application relates to a rehabilitation program that, when completed, constitutes a rehabilitated facility, as defined by Public Act 146 of 2000, as amended, and that the rehabilitation of the facility would not be undertaken without the applicant's receipt of the exemption certificate.

It is further certified that the undersigned is familiar with the provisions of Public Act 146 of 2000, as amended, of the Michigan Compiled Laws, and to the best of his/her knowledge and belief, (s)he has complied or will be able to comply with all of the requirements thereof which are prerequisites to the approval of the application by the local unit of government and the issuance of an Obsolete Property Rehabilitation Exemption Certificate by the State Tax Commission.

Name of Company Officer (no authorized agents) Jonathan Holtzman	Telephone Number (312) 971-8545	Fax Number
Mailing Address 31700 Middlebelt Road, Suite 140, Farmington Hills, Michigan 48334	Email Address jholtzman@cityclubapts.com	
Signature of Company Officer (no authorized agents) 	Title Manager of the Managing Member of the Managing Member	

LOCAL GOVERNMENT UNIT CLERK CERTIFICATION

The Clerk must also complete Parts 1, 2 and 4 on Page 2. Part 3 is to be completed by the Assessor.

Signature	Date application received
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FOR STATE TAX COMMISSION USE

Application Number	Date Received	LUCI Code
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LOCAL GOVERNMENT ACTION

This section is to be completed by the clerk of the local governing unit before submitting the application to the State Tax Commission. Include a copy of the resolution which approves the application and instruction items (a) through (f) on page 1, and a separate statement of obsolescence from the assessor of record with the State Assessor's Board. All sections must be completed in order to process.

PART 1: ACTION TAKEN

Action Date _____		
<input type="checkbox"/> Exemption Approved for _____ Years, ending December 30, _____ (not to exceed 12 years)		
<input type="checkbox"/> Denied		
Date District Established	LUCI Code	School Code

PART 2: RESOLUTIONS (the following statements must be included in resolutions approving)

<p>A statement that the local unit is a Qualified Local Governmental Unit.</p> <p>A statement that the Obsolete Property Rehabilitation District was legally established including the date established and the date of hearing as provided by section 3 of Public Act 146 of 2000.</p> <p>A statement indicating whether the taxable value of the property proposed to be exempt plus the aggregate taxable value of property already exempt under Public Act 146 of 2000 and under Public Act 198 of 1974 (IFT's) exceeds 5% of the total taxable value of the unit.</p> <p>A statement of the factors, criteria and objectives, if any, necessary for extending the exemption, when the certificate is for less than 12 years.</p> <p>A statement that a public hearing was held on the application as provided by section 4(2) of Public Act 146 of 2000 including the date of the hearing.</p> <p>A statement that the applicant is not delinquent in any taxes related to the facility.</p> <p>If it exceeds 5% (see above), a statement that exceeding 5% will not have the effect of substantially impeding the operation of the Qualified Local Governmental Unit or of impairing the financial soundness of an affected taxing unit.</p> <p>A statement that all of the items described under "Instructions" (a) through (f) of the Application for Obsolete Property Rehabilitation Exemption Certificate have been provided to the Qualified Local Governmental Unit by the applicant.</p>	<p>A statement that the application is for obsolete property as defined in section 2(h) of Public Act 146 of 2000.</p> <p>A statement that the commencement of the rehabilitation of the facility did not occur before the establishment of the Obsolete Property Rehabilitation District.</p> <p>A statement that the application relates to a rehabilitation program that when completed constitutes a rehabilitated facility within the meaning of Public Act 146 of 2000 and that is situated within an Obsolete Property Rehabilitation District established in a Qualified Local Governmental Unit eligible under Public Act 146 of 2000 to establish such a district.</p> <p>A statement that completion of the rehabilitated facility is calculated to and will at the time of issuance of the certificate have the reasonable likelihood to: increase commercial activity, create employment, retain employment, prevent a loss of employment, revitalize urban areas, or increase the number of residents in the community in which the facility is situated. The statement should indicate which of these the rehabilitation is likely to result in.</p> <p>A statement that the rehabilitation includes improvements aggregating 10% or more of the true cash value of the property at commencement of the rehabilitation as provided by section 2(i) of Public Act 146 of 2000.</p> <p>A statement of the period of time authorized by the Qualified Local Governmental Unit for completion of the rehabilitation.</p>
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PART 3: ASSESSOR RECOMMENDATIONS

Provide the Taxable Value and State Equalized Value of the Obsolete Property, as provided in Public Act 146 of 2000, as amended, for the tax year immediately preceding the effective date of the certificate (December 31st of the year approved by the STC).

	Taxable Value	State Equalized Value (SEV)
Building(s)		
Name of Governmental Unit	Date of Action on application	Date of Statement of Obsolescence

PART 4: CLERK CERTIFICATION

The undersigned clerk certifies that, to the best of his/her knowledge, no information contained herein or in the attachments hereto is false in any way. Further, the undersigned is aware that if any information provided is untrue, the exemption provided by Public Act 146 of 2000 may be in jeopardy.

Name of Clerk	Clerk Signature	Date	
Janice Winfrey			
Clerk's Mailing Address	City	State	ZIP Code
	2 Woodward Avenue, Suite 200	Detroit	MI 48226
	Telephone Number	Fax Number	Email Address
	(313) 224-3262		

Mail completed application and attachments to: Michigan Department of Treasury
 State Tax Commission
 P.O. Box 30471
 Lansing, Michigan 48909-7971

If you have any questions, call (517) 373-2408.

For guaranteed receipt by the State Tax Commission, it is recommended that applications and attachments are sent by certified mail.

ATTACHMENT A
Legal Description for OPRA Certificate

Land situated in the City of Detroit in the County of Wayne in the state of Michigan.

Parts of Lots 18 and 19, of ELMWOOD PARK URBAN RENEWAL PLAT NO. 2, according to the plat thereof as recorded in Liber 92 of Plats, pages 77 through 82, both inclusive, Wayne County Records, described as: Beginning at the Southwesterly corner of said Lot 19, being also the intersection of the Northerly line of Larned Street, 120.00 feet wide, with the Easterly line of Chene Street, 120.00 feet wide; thence along the Westerly line of said Lot 19, North 26 degrees 07 minutes 10 seconds West, 264.88 feet; thence North 63 degrees 53 minutes 19 seconds East, 133.55 feet; thence North 26 degrees 07 minutes 10 seconds West, 180.49 feet; thence North 63 degrees 52 minutes 50 seconds East, 424.29 feet; thence along the Southerly line of said Lot 19, South 59 degrees 51 minutes 21 seconds West, 300.00 feet to the Point of Beginning.

Commonly known as: 750 Chene, Detroit, Michigan 48207.

Tax ID Number: Ward 11, Item No. 00125-34.