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TO: COUNCIL MEMBERS
FROM: David Whitaker, Director
Legislative Policy Division Staff
DATE: November 18, 2019
RE: 1400 Michigan Ave, LLC PA 210 Certificate Request

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.

1400 Michigan Ave, LLC, is the project developer and owner of the property located at 1400 Michigan, 1410 Michigan, & 1416 Michigan Ave.

Housing Breakdown

	Total Units	18 units
1 Bedroom	13 units,	575-1,100sf, \$1,170-\$1,950/mo rent
2 Bedroom	5 units,	1,000-1,650sf, \$1,750-\$2,400/mo rent

Four of the residential component will be available at 80% AMI; one two bedroom unit, and three one bedroom units. Rents range from \$1,170 to \$1,700.

The developer's business plan is to invest significant capital into the subject properties by renovating the apartment and retail units and updating the exterior of the building to modern standards. The developer intends on replacing the majority of the current HVAC systems with high energy efficient units as well as upgrading all hot water tanks. In addition, the developer plans on major aesthetic upgrades to the interiors of the apartments as well. The DEGC is recommending an 8-year PA 210 abatement (the maximum term allowed is 10-years).

DEGC Project Evaluation Checklist
Ottava Via Corktown Lofts
 Developer: 1400 Michigan Ave., LLC
 Principal: Kevin Kovachevich

Commercial Rehabilitation Act, PA 210 of 2005 as amended – current taxes frozen at pre-rehab values, local taxes abated for up to 10 years	
DEGC Recommendation	8 Years
Request Type	Certificate
Location	
Address	1400 Michigan, 1410 Michigan, & 1416 Michigan
City Council District	District 6
Neighborhood	Corktown
Located in HRD Targeted Area	Yes, Greater Downtown
Building Use	
Total Rentable Square Foot	29,255
Residential Square Feet	17,255
Retail Square Feet	12,000
Parking Spaces	42
Project Description	
<p>The developer’s business plan is to invest significant capital into the subject properties by renovating the apartment and retail units and updating the exterior of the building to bring it up to today’s standards and provide for a cleaner more welcoming look. The developer intends on replacing the majority of the current HVAC systems with high energy efficient units as well as upgrading all hot water tanks. The interior of the apartment units will be mainly cosmetic upgrades by addressing the kitchen cabinets, counters and plumbing fixtures. We anticipate upgrading all lighting at the properties to LED, and upgrading all plumbing fixtures and toilets to low flow volume to reduce the properties overall water and electric consumption.</p> <p>Four units out of the residential component will be at 80% AMI; one two bedroom unit, and three one bedroom units. Rents range from \$1,170 to \$1,700.</p> <p>The DEGC’s recommendation for the OPRA request is for 8 years.</p>	
Housing Breakdown	
Total Units	18 units; \$1.76psf
1 Bedroom	13 units, 575-1,100sf, \$1,170-\$1,950/mo rent
2 Bedroom	5 units, 1,000-1,650sf, \$1,750-\$2,400/mo rent
Sources and Uses	
Total Investment	\$8.1M
Uses	\$7.25M Acquisition (90%), \$630k Hard Construction (8%), \$184k Soft Costs (2%)
Project Benefits	
Estimated Jobs	4 FTE, 7 Construction Employees
Estimated City benefits before tax abatement	\$768,693
Total estimated City value of PA 210 abatement	\$232,964
Less cost of services & utility deductions	\$302,165
Net Benefit to City	\$233,564

PROJECT	PROJECT INVESTMENT	TAXING UNIT	GROSS BENEFIT	COST OF SERVICES	PA 210 VALUE	NET BENEFIT
1400 Michigan Ave		Detroit	\$170,940	(\$98,715)	(\$35,630)	\$36,595
		All Taxing Units*	\$259,418	(\$107,225)	(\$66,389)	\$85,804

*Including Detroit

PROJECT	PROJECT INVESTMENT	TAXING UNIT	GROSS BENEFIT	COST OF SERVICES	PA 210 VALUE	NET BENEFIT
1410 Michigan Ave		Detroit	\$166,473	(\$98,715)	(\$29,235)	\$38,523
		All Taxing Units*	\$247,648	(\$107,225)	(\$54,473)	\$85,950

*Including Detroit

PROJECT	PROJECT INVESTMENT	TAXING UNIT	GROSS BENEFIT	COST OF SERVICES	PA 210 VALUE	NET BENEFIT
1416 Michigan Ave		Detroit	\$431,280	(\$104,735)	(\$168,099)	\$158,446
		All Taxing Units*	\$801,119	(\$114,157)	(\$313,222)	\$373,740

*Including Detroit

GRAND TOTALS FOR THE PROJECT

PROJECT	PROJECT INVESTMENT	TAXING UNIT	GROSS BENEFIT	COST OF SERVICES	PA 210 VALUE	NET BENEFIT
PROJECT TOTALS	\$8.1 Million	Detroit	\$768,693	(\$302,165)	(\$232,964)	\$233,564
		All Taxing Units*	\$1,308,185	(\$328,607)	(\$434,084)	\$545,494

*Including Detroit

Conclusion

The estimated total capital investment from the developer is approximately \$8.1 million. It is estimated that 4 FTE and 7 construction jobs as a result of the project.

Based on the investment and jobs, the project is estimated to provide the City of Detroit a net benefit of \$233,564, and all of the impacted taxing units, a net benefit of \$545,494 over 10 years, despite the \$328,607 tax abatement to the developer.

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

cc: Auditor General's Office
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