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TO: COUNCIL MEMBERS
FROM: David Whitaker, Director
Legislative Policy Division Staff
DATE: January 22, 2020
RE: Tiberina Detroit, Inc. Public Act 198 Certificate Request

Industrial Facility Abatements (Public Act 198 of 1974)

Public Act 198 of 1974, as amended, is the primary tool local units of government use as an incentive to renovate and expand manufacturing plants or to build new plants. The local legislative body grants the abatement, which reduces local property taxes by roughly 50% on new plants. In the case of a rehabilitation project, the obsolete SEV is frozen and the investment on improvements is 100% exempt from property taxes. Abatements cover both real and personal property and can run from one to twelve years at the option of the local unit of government.

Tiberina Detroit, Inc.

The project developer is Tiberina Detroit, Inc., an affiliate of the Tiberina Group, an Italian based supplier of body-in-white¹ and metal stampings for the auto industry. Tiberina acquired 10 acres of land at the former American Axle & Manufacturing Holdings site on Holbrook Drive, on the city's border with Hamtramck.² The property's address is 1945 Marston, in the

¹ Body-in-white (BiW) is the name given to a car body's sheet when all its components—barring moving, trims, or chassis subassemblies—have been welded together. (From: Applied Plastics Engineering Handbook (Second Edition), 2017) <https://www.sciencedirect.com/topics/engineering/body-in-white>

² Italian automotive supplier plans new manufacturing plant in Detroit, Crain's Detroit Business, by Dustin Walsh, May 31, 2019: "Tiberina purchased the land from Cleveland-based Industrial Commercial Properties LLC and California-based Industrial Realty Group LLC, who themselves acquired most of American Axle's 2.5 million-square-foot Detroit Manufacturing Complex in 2014. As part of that deal, American Axle demolished about 1.9 million square feet of the complex and leased back about 360,000 square feet."

<https://www.craigslist.com/manufacturing/italian-automotive-supplier-plans-new-manufacturing-plant-detroit>

city's Russell Street Industrial area. Tiberina plans to build a new manufacturing facility at the site, which according to Crain's Detroit Business, would represent first production operations at this location since American Axle closed its complex in 2009.³ Subsequent to this event in 2010, at the direction of the Detroit City Council the former Council support divisions of RAD (Research and Analysis) and Fiscal led the City's efforts to improve the clawback provisions related to tax abatements and incorporating those changes in the City's contracts based on the provisions in PA 198, which allow for revocation and or clawbacks if the written promises made by the recipient of said tax abatement are not met.⁴ The current project, subject to Council approval, is bound by the provisions of PA 198.

This project involves two phases, with the construction of an industrial building on the property in each phase. Phase 1 consist of the construction of a 74,350 square-foot industrial building and Phase 2 involves the construction of a 63,750 square-foot industrial building. The commencement of Phase 1 commenced in August 2019⁵ and the commencement of Phase 2 is planned in years 3-4. The projected investment in the project is \$17.6 million.

DEGC Project Evaluation Checklist

Tiberina Detroit

Developer: Tiberina Detroit, Inc.

Principal: Tiberina Group

Abatements Requested:	
1. Industrial Facilities Exemption, PA 198 of 1974 as amended – Industrial Development District – millage rate is reduced by 50% for up to 12 years	
Request Type	Certificate
DEGC Abatement Length Recommendation	12 Years
Location	
Address	4501 St. Aubin (part of the existing parcel)
City Council District	District 5
Neighborhood	Russell Industrial
Located in HRD Targeted Area	No
Building Use	
Total Square Foot	75,000
Industrial Square Foot	75,000
Project Overview – New Construction (continued on next page)	

³ UPDATE 1-American Axle to shutter biggest Detroit plant-UAW BONDS NEWS APRIL 28, 2009

⁴MCL 207.572 (1) A new industrial facilities exemption certificate shall not be approved and issued under this act ..., unless a written agreement is entered into between the local governmental unit and the person to whom the certificate is to be issued, and filed with the department of treasury. ... (a) A requirement that the industrial facilities exemption certificate is revoked if the eligible next Michigan business is determined to be in violation of the provisions of the written agreement. (b) A requirement that the eligible next Michigan business may be required to repay all or part of the benefits received under this act if the eligible next Michigan business is determined to be in violation of the provisions of the written agreement.

⁵ The construction occurred within 12 months of the filing of the certificate, which is allowable by statute (MCL 207.559) .

This project involves two phases, with the construction of an industrial building on the property in each phase (approximately 74,350 square-foot in Phase 1 and approximately 63,750 square-feet in Phase 2). Commencement of Phase 1 is planned for summer 2019 and commencement of Phase 2 is planned in 3-4 years.

Due to all of the additional costs of locating their expansion in Detroit, and the company has requested the City's assistance in filling that financial gap.

But For Analysis		
<i>Competitive Siting</i>	<i>Detroit</i>	<i>Toledo</i>
Municipal Income Tax Rate	2.40%	2.25%
Effective Property Tax Rate	4.28%	3.20%
Sources and Uses		
Total Investment	\$17.6M	
Uses	\$1.1M Acquisition (6%), \$9.0M Hard Construction (51%), \$7.5M Soft Costs + Equipment (43%)	
Project Benefits		
Estimated Jobs	63 new FTE	
Estimated FTE Salary	\$72,000	
Estimated City benefits before tax abatement	\$5,179,915	
Total City estimated value of PA 198 abatement	\$973,832	
Less cost of services & utility deductions	\$713,225	
Net Benefit to City	\$3,492,858	

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

	Amount
Real Property Taxes, before abatement	\$2,167,964
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$816,752
Municipal Income Taxes - Indirect Workers	\$907,801
Municipal Income Taxes - Corporate Income	\$171,449
Municipal Income Taxes - Construction Period	\$86,302
Utility Revenue	\$165,576
Utility Users' Excise Taxes	\$87,728
State Revenue Sharing - Sales Tax	\$322,869
Building Permits and Fees	\$0
Miscellaneous Taxes & User Fees	\$453,473
Subtotal Benefits	\$5,179,915
Cost of Providing Municipal Services	(\$547,649)
Cost of Providing Utility Services	(\$165,576)
Subtotal Costs	(\$713,225)
Net Benefits	\$4,466,690

Impacted Taxing Units: Incentive Summary over the First 12 Years

	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	\$5,179,915	(\$713,225)	(\$973,832)	\$0	\$0	\$3,492,858
Wayne County	\$669,023	(\$123,377)	(\$247,751)	\$0	\$0	\$297,895
Detroit Public Schools	\$2,754,779	(\$592,701)	(\$955,864)	\$0	\$0	\$1,206,213
State Education	\$411,864	\$0	(\$185,006)	\$0	\$0	\$226,858
Wayne RESA	\$281,757	\$0	(\$126,563)	\$0	\$0	\$155,194
Wayne County Comm. College	\$222,462	\$0	(\$99,928)	\$0	\$0	\$122,534
Wayne County Zoo	\$6,864	\$0	(\$3,083)	\$0	\$0	\$3,781
Detroit Institute of Arts	\$13,729	\$0	(\$6,167)	\$0	\$0	\$7,562
Total	\$9,540,393	(\$1,429,303)	(\$2,598,194)	\$0	\$0	\$5,512,896

Charts courtesy of the DEGC

Conclusion

The estimated total capital investment from the developer is approximately \$17.6 million. Based on this investment in the new industrial facility, Tiberina estimates the project will create 63 new jobs. The total value of the ten-year PA 198 tax abatement is estimated at \$2.59 million

Based on the investment and jobs, the new industrial operation is projected to provide the City of Detroit a net benefit of **\$3.49 million** and all of the impacted taxing units, a net benefit of **\$5.51 million** over the 12 years of the PA 198 abatement, which is inclusive of a net benefit of \$1.2 million to the Detroit Public Schools (DPS old).

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

cc: Auditor General's Office
 Arthur Jemison, Chief of Services and Infrastructure
 Katy Trudeau, 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



Tiberina Group is a metallic supplier for FCA Group.⁶

Tiberina Group

⁶ Source: <https://www.crainsdetroit.com/manufacturing/italian-automotive-supplier-plans-new-manufacturing-plant-detroit>



⁷ Map courtesy of DEGC



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

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January 8, 2020

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

RE: Industrial Facilities Exemption Certificate – Tiberina Detroit LLC
Property Address: 1945 Marston
Parcel Number: 09004745-49

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Assessments Division, has reviewed the request for an Industrial Facilities Exemption certificate for the property located at 1945 Marston located in the Russell Industrial area in the City of Detroit.

The rationale for creating Industrial Facilities Exemptions under PA 198 of 1974, as amended, is based upon the anticipation that granting the exemption is a benefit to the city and that expansion, retention, or location of an eligible business will not occur without this exemption. PA 198 of 1974, as amended, also provides a tax incentive to manufacturers in order to enable renovation and expansion of aging facilities, building of new facilities, and to promote establishment of high tech facilities.

The project as proposed by Tiberina Detroit LLC will be to construct of a new approximately 75,000 square foot facility with production processes including hot stamping, cold stamping and welding to create high quality structural parts out of lightweight aluminum for passenger vehicles on the 3.510 acre site. The estimated total cost of the project is \$17,600,000 (\$10,100,000 for real property and \$7,500,000 for personal property) and is expected to create 63 new jobs.

A field investigation indicated that the proposed project located in the area as described above is eligible as outlined under PA 198 of 1974, as amended.

Sincerely,

Charles Ericson, MMAO
Assessor, Board of Assessors

mmp



Industrial Facilities Exemption Certificate
Tiberina Detroit Inc.
Page 2

Parcel Number: 09004745-49

Property Address: 1945 MARSTON

Property Owner: TIBERINA DETROIT INC

Legal Description: W ST.AUBIN 1-72 ALL VAC MORROW AVE AND N 1/2 VAC MARSTON AVE ADJ 24 WILKINS SUB PT OF 1/4 SEC 58&59 T.T.A.T REC IN L11 P59; ALL DESC AS BEG AT NW COR LOT 1 TH N 62D 19M 57S E 630.49 FT TH S 27D 42M 42S E 739.89 FT TH S 62D 18M 44S W 360.78 FT TH S 21D 56M 27S E 30.15 FT TH S 62D 18M 08S W 210.33 FT TH N 31D 53M 49S W 772.23 FT TO POB 452,909 SQ FT

SPLIT/COMBINED ON 11/07/2019 FROM 09004733-49;

