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TO: COUNCIL MEMBERS
FROM: David Whitaker, Director 
Legislative Policy Division Staff
DATE: July 15, 2020
RE: **Queen Lillian II 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.

Queen Lillian II LLC

Queen Lillian II, LLC, the project developer plans to develop 3439-3455 Woodward and 13 Stimson. The Commercial Rehabilitation Certificate (PA 210) request is associated specifically with the development of a 1.85-acre parcel in Midtown, Detroit, located at the intersection of Woodward Avenue and Stimson Street near the Woodward Avenue and Martin Luther King (Mack) intersection. Queen Lillian II, LLC, is owned by Jim Jenkins and Chris Jackson, who are planning the development of 204 apartments, of which 40 are planned as affordable units.¹

The Woodward @ Midtown project, which was originally announced in April 2013, as a planned development to convert a former medical office building into a building with 134 apartments, 15,000 square feet of retail space and a 150-space parking deck.² Due to funding challenges and cost overruns, the original project was suspended in October 2018.

¹ 19.6%, which rounds up to 20% as affordable units.

² **Detroit works to kick-start stalled development projects**, Crain's Detroit Business, by Kirk Pinho, January 13, 2019 <https://www.craindetroit.com/real-estate/detroit-works-kick-start-stalled-development-projects>

Subsequently however, in April 2019, the development team restructured the project and secured Sachse Construction, a developer with over 30 years of experience constructing buildings of the scale of the envisioned project. Hamilton Anderson Associates, a Detroit based minority owned architecture firm, working for the developer/operator, provided drawings of the current plan, a redesigned, five-story, \$59 million mixed-use development, which includes 204 apartment units, approximately 24,000 square feet of ground-floor retail, and 80+ on-site surface parking spaces. The current requested Commercial Rehabilitation Certificate (PA 210) involves the project's commercial element. The developer has sought and recently received approval from the Council for its separate NEZ, which involves the residential component of the project.

A portion of the retail component will be reserved for an up-and-coming business and they will be offered space at a below market-rate.

The project is estimated to create 2 FTEs and 150 temporary construction jobs. The total estimated investment in the project is \$59 million.

The DEGC has recommended a full-term 10 year PA 210 tax abatement.

DEGC Project Evaluation Checklist
Queen Lillian II
Developer: Queen Lillian II LLC
Principle: The Platform

Commercial Rehabilitation Act, **PA 210 of 2005 as amended** – Current taxes frozen at pre-rehab construction values, local taxes abated for up to 10 years

Neighborhood Enterprise Zone, **PA 147 of 1992 as amended** – Residential improvements taxed at discounted tax rate, local taxes abated for 15 years with a 3 year phase out period included

	PA 210	NEZ
DEGC Recommendation	10 Years	15 Years
Request Type	District	District - New
Location		
Address	3439 Woodward & 13 Stimson	
City Council District	District 6	
Neighborhood	Midtown	
Building Use		
Total Rentable Square Footage	186,522	
Retail Square Footage	26,254	
Residential Square Footage	123,487	
Other Square Footage	36,781	
Project Description		

The Woodward at Midtown (“The Woodward”) is the development of a 1.85-acre parcel in Midtown, Detroit, located at the intersection of Woodward Avenue and Stimson Street near the highly visible Woodward Avenue and Martin Luther King (Mack) intersection. Queen Lillian LLC, owned by Jim Jenkins and Chris Jackson, introduced the project to The Platform in early 2018. Queen Lillian LLC and The Platform (the “Development Team”) proposed a five-story, 134-unit building with over 13,000 square feet of ground-floor retail and a two-story parking deck. At the time, this version of the project had previous funding commitments from CIBC Bank and MEDC’s MCRP. Unfortunately, the Development Team suspended the project in October 2018 due to a 30% hard cost overrun of \$10 million dollars.

Since the original project’s suspension, the Development Team sought to explore the feasibility of a restructured project. In April 2019, the Development Team asked Sachse Construction (Sachse) to join the team. Sachse is a Detroit-based contractor with over 30 years of experience constructing buildings comparable to the one imagined for The Woodward. Hamilton Anderson Associates (HAA), a minority-owned, Detroit-based architecture firm, redesigned the building and provided Sachse with drawings to provide a construction estimate. The redesigned, five-story, \$59 million mixed-use development includes 204 apartment units, approximately 24,000 square feet of ground-floor retail, and 80+ on-site surface parking spaces.

Rental Breakdown	
Total Residential Units	204 units (40 affordable)
Studio	114 units, 405-485sf, \$970-\$1,348/mo
One Bedroom	74 units, 695-728sf, \$1,035-\$2,150/mo
Two Bedroom	16 units, 1,021-1,286sf, \$2,450-\$2,991/mo
Retail	\$25.80psf
Project Costs	
Total Investment	\$59M
Uses	\$300k Acquisition (1%), \$46.5M Hard Construction (79%), \$12.3M Soft Costs (20%)
Project Benefits (12 years)	
Estimated jobs	2 FTE, 150 construction jobs
Estimated city benefits before tax abatement	\$6,916,553
Total nominal value of PA 210	\$357,860
Total nominal value of NEZ	\$1,903,951
Less cost of services & utility deductions	\$506,354
Net benefit to city	\$4,148,388

City of Detroit: Incentive Summary Over the First 10 Years

	Amount
Real Property Taxes, before abatement	\$620,583
Personal Property Taxes, before abatement	\$33,978
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$22,160
Municipal Income Taxes - Indirect Workers	\$4,896
Municipal Income Taxes - Corporate Income	\$7,103
Municipal Income Taxes - Construction Period	\$53,656
Utility Revenue	\$87,232
Utility Users' Excise Taxes	\$11,592
State Revenue Sharing - Sales Tax	\$11,582
Building Permits and Fees	\$45,500
Miscellaneous Taxes & User Fees	\$16,266
Subtotal Benefits	\$914,547
Cost of Providing Municipal Services	(\$19,644)
Cost of Providing Utility Services	(\$87,232)
Subtotal Costs	(\$106,876)
Net Benefits	\$807,671

All Taxing Units: Incentive Summary Over the First 10 Years

	Additional Benefits		Real Property Tax Abatement	Business Personal Property Tax Abatement	Utility Users Tax & Corporation Income Tax Exemption	Net Benefits After Tax Abatements & Incentives
	Before Tax Abatements	Additional Costs				
City of Detroit	\$914,547	(\$106,876)	(\$357,860)	\$0	\$0	\$449,812
Wayne County	\$169,695	(\$3,359)	(\$91,029)	\$0	\$0	\$75,308
Detroit Public Schools	\$658,679	(\$27,521)	(\$147,301)	\$0	\$0	\$483,856
State Education	\$124,352	\$0	\$0	\$0	\$0	\$124,352
Wayne RESA	\$81,737	\$0	(\$47,679)	\$0	\$0	\$34,058
Wayne County Comm. College	\$67,167	\$0	(\$36,721)	\$0	\$0	\$30,445
Wayne County Zoo	\$2,073	\$0	(\$1,133)	\$0	\$0	\$939
Detroit Institute of Arts	\$4,145	\$0	(\$2,266)	\$0	\$0	\$1,879
Total	\$2,022,394	(\$137,755)	(\$683,990)	\$0	\$0	\$1,200,649

Conclusion

The investment in this project is estimated at \$59 million. The proposed tax abatement is projected to be worth a tax savings of \$683,990 to the developer. The estimated investment is projected to produce a positive cost benefit to the City of Detroit is **\$449,812**, and over **\$1,200,649** to all of the impacted taxing units, in addition to 2 FTE and 150 temporary construction jobs.³

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

³ Existing Taxes: \$0 - New Taxes AFTER Incentive: \$31,897



Site of The Woodward @ Midtown project ⁴

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
Avery Peeples, Mayor's Office
Malinda Jensen, DEGC
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC

⁴ Photo: Larry Peplin for Crain's Detroit Business <https://www.craindetroit.com/real-estate/detroit-works-kick-start-stalled-development-projects>



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

COLEMAN A. YOUNG MUNICIPAL CENTER
 2 WOODWARD AVE., SUITE 824
 DETROIT, MI 48226
 PHONE: 313•224•3011
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June 15, 2020

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

RE: Commercial Rehabilitation Certificate – **Queen Lillian II**
 Property Address: 3439 Woodward and 13 Stimson
 Parcels Number: 02001818-9 and 02000717-8

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed Commercial Rehabilitation Certificate request for property located at **3439 Woodward and 13 Stimson** in the **Midtown** area in the **City of Detroit**.

The rationale for development under PA 210 of 2005, as amended, is based on the anticipation of increased market value upon completion of new construction and/or significant rehabilitation of commercial and former industrial property where the primary purpose and use is the operation of a commercial business enterprise or multifamily residential use. Commercial property also includes facilities related to a commercial business enterprise under the same ownership at that location, including, but not limited to, office, engineering, research and development, warehousing, parts distribution, retail sales, and other commercial activities. Commercial property also includes a building or group of contiguous buildings previously used for industrial purposes that will be converted to the operation of a commercial business enterprise.

The project as proposed by the **Queen Lillian II** consists of parking lots on a total of 1.853 acres of land located in a qualified business area. The developer proposes new construction of an 186,000 square foot mixed-use building with roughly 25,000 of ground floor commercial retail space and 204 residential units.

The 2020 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
02001818-9	3439 Woodward	\$ -	\$ -	\$ 1,849,200	\$ 388,817
02000717-8	13 Stimson	\$ -	\$ -	\$ 301,700	\$ 33,893

Pursuant to State Tax Commission (STC) Rule 209.111(3), all commercial rehabilitation exemption applications submitted to the commission must indicate the prior year's actual taxable value. If the prior year's taxable value was zero (\$0) based on a prior year's tax exempt status, the local governmental unit's assessor shall determine the property's prior year actual taxable value as if the property had not been tax exempt. A commercial rehabilitation exemption certificate will not be issued or frozen at a zero taxable value that is the result of a prior year's tax exempt status.



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Commercial Rehabilitation Certificate
City of Detroit – Queen Lillian II
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The property is currently owned by the **City of Detroit**. The State Tax Commission (STC) has determined that the proposed developer may proceed with obtaining local approval of the issuance of the certificate prior to acquiring title to the property, but that the certificate would be held in abeyance by the STC pending submission of proof of ownership.

A review of the general plans, along with the criteria set forth under the Commercial Rehabilitation Act, indicated that the proposed project located at **3439 Woodward and 13 Stimson** is eligible as it pertains to the Commercial Rehabilitation certificate criteria under P.A. 210 of 2005, as amended.

Sincerely,

Charles Ericson, MMAO
Assessor, Board of Assessors