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City of Detroit

CITY COUNCIL

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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: October 13, 2020

RE: **Life Is A Dreamtroit, 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.

Life Is A Dreamtroit, LLC

Life Is A Dreamtroit, LLC, the project developer, plans to develop two partially vacant warehouse structures consisting of approximately 122,476 square feet of building space, located at **1331 Holden & 5960 Lincoln**, near the New Center area of the city of Detroit. However, the PA 210 project plan only encompasses 23.6% of the total square footage, or 28,878 square feet of space. The developer plans to rehabilitate and construct the properties into mixed-use space consisting of office space, retail, an art studio, and warehousing. A residential component of the rehabilitation is also included in the overall project plan, however, it is not a part of the PA 210, but it was approved by Council under a NEZ,¹ earlier this year in March. In addition, the Council also approved a Brownfield Plan² for the project earlier in 2020 as well. Therefore, if approved by Council, this incentive will be the third and final incentive to be requested for this project.

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

¹ The proposed NEZ tax abatement is projected to be worth a savings of \$1,689,921 to the developer.

² The Developer requested and was approved by Council for a \$3,615,542 TIF (Tax Increment Finance) *reimbursement* in June 2020. The capture period for this Brownfield is 30 years.

DEGC Project Evaluation Checklist

Life is A Dreamtroit

Developer: Life Is A Dreamtroit, LLC.

Principal: Oren Goldberg + Matt Naimi

<p>Neighborhood Enterprise Zone, PA 147 Rehab - exemption for the development and rehabilitation of residential housing located within eligible distressed communities; taxed at full rate, but value is frozen at tax year prior to certificate approval until the final three years when phase out occurs</p>	
<p>Commercial Rehabilitation Act, PA 210 - Provides tax incentives for the rehabilitation of commercial property for the primary purpose and use of commercial activity.</p>	
Request Type	Districts
DEGC Recommendation	NEZ: 15 years & PA 210: 10 Year Approval
Location	
Address	1331 Holden
City Council District	District 5
Neighborhood	NW Goldberg
Located in HRD Targeted Area	NA
Building Use	
Total Rentable Square Foot	35,717
Retail Square Foot	28,493
Project Description	
<p>Life is a Dreamtroit was established in 2017 by Oren Goldenberg and Matt Naimi. Mr. Goldenberg is a filmmaker and owns Cass Corridor Films. Matt Naimi is the founder of the onsite recycling facility, Recycle Here!, Green Living Science, and Lincoln Street Art Park. This project entails a mixed-use development consisting of 81 residential units, 36,000 sf of commercial/retail space, a commissary kitchen, and approximately 100,000 sf of programmed public space. The project is focused on activating 24/7 Live Work environment for artists and college students. In order to achieve the widespread affordability of the project and convert the former factory, the proposed incentives are a critical component.</p> <p>Demolition of the outdated interior layout will occur, along with new windows, electrical, plumbing and mechanical/HVAC upgrades and replacement to improve the current conditions and meet modern demands while providing increased efficiency. The underwriting completed provides return figures based off both the NEZ and the PA 210 abatements.</p> <p>The NEZ request is associated specifically with the rental units located in former Lincoln Motor Factory. It is proposed that 52 of the units (67%) of the units are affordable. The Developer is working with Capital Impact Partners to leverage national funding sources to provide all of the units will be below 120% AMI. 50% of the units will be below 80% AMI, and 20% of the units below 50% AMI.</p>	
Housing Breakdown	
Total Units	81;
Studio	73 units; \$666/mo-\$1,600/mo
1 Bedroom	7 units; \$1,719/mo
2 Bedroom	2 units; \$2,146/mo
Sources and Uses	
Total Investment	\$20.458M
Uses	\$3.050M Building (15.25%), \$12.99M Hard Construction (59.60%), \$4.61M Soft Costs (25.23%)

Project Benefits	
Estimated Jobs	2 FTE, 46 Construction Employees
Estimated City benefits before tax abatement	\$2,694,307
Total estimated City value of NEZ	\$648,131
Total estimated City Value of PA 210	\$401,602
Less cost of services & utility deductions	\$89,161
Net Benefit to City with NEZ abatement	\$1,555,413

City of Detroit: Incentive Summary Over the First 10 Years

	Amount
Real Property Taxes, before abatement	\$647,597
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$65,797
Municipal Income Taxes - Indirect Workers	\$24,402
Municipal Income Taxes - Corporate Income	\$27,012
Municipal Income Taxes - Construction Period	\$30,517
Utility Revenue	\$22,888
Utility Users' Excise Taxes	\$1,558
State Revenue Sharing - Sales Tax	\$39,078
Building Permits and Fees	\$8,875
Miscellaneous Taxes & User Fees	\$54,881
<u>Subtotal Benefits</u>	<u>\$922,604</u>
Cost of Providing Municipal Services	(\$66,274)
Cost of Providing Utility Services	(\$22,888)
<u>Subtotal Costs</u>	<u>(\$89,161)</u>
Net Benefits	\$833,443

All Taxing Units: Incentive Summary Over the First 10 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	\$922,604	(\$89,161)	(\$401,602)	\$0	\$0	\$431,841
Wayne County	\$174,470	(\$10,250)	(\$102,156)	\$0	\$0	\$62,064
Detroit Public Schools	\$650,671	(\$14,205)	(\$165,306)	\$0	\$0	\$471,160
State Education	\$123,029	\$0	\$0	\$0	\$0	\$123,029
Wayne RESA	\$80,490	\$0	(\$53,507)	\$0	\$0	\$26,983
Wayne County Comm. College	\$66,452	\$0	(\$41,210)	\$0	\$0	\$25,242
Wayne County Zoo	\$2,050	\$0	(\$1,272)	\$0	\$0	\$779
Detroit Institute of Arts	\$4,101	\$0	(\$2,543)	\$0	\$0	\$1,558
Total	\$2,023,867	(\$113,616)	(\$767,596)	\$0	\$0	\$1,142,655

Conclusion

The investment in this project is estimated at **\$1,334,000**.⁴ The proposed tax abatement is projected to be worth a tax savings of **\$113,616**⁵ to the developer. The estimated investment is also projected to produce a positive cost benefit to the City of Detroit of **\$431,841**, and over **\$1,142,655** to all of the impacted taxing units, in addition to 2 full-time and 46 temporary construction jobs.

³ Charts courtesy of the DEGC

⁴ The entire project is estimated at \$20.4 million, however, according to its application, this phase is \$1.334 MM.

⁵ Existing Annual Taxes: \$23,639 - New Annual Taxes AFTER Incentive: \$51,477 (For the entire project)

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



1331 Holden⁶

Attachment: Assessor's Letter dated September 17, 2020

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

⁶ Photo: Eric Seals, Detroit Free Press <https://www.freep.com/story/entertainment/arts/2017/05/03/tead-detroit-graffiti-artist-gravely-injured/101229896/>



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
 FAX: 313•224•9400

September 17, 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 – **Life is A Dreamtroit LLC**
 Property Address: 1331 Holden/5960 Lincoln
 Parcels Number: 06001546.002L/06005584-5

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the Commercial Rehabilitation certificate application for the properties located at **1331 Holden/5960 Lincoln** near the **New Center** area in the City of Detroit.

The rationale for issuing Commercial Rehabilitation certificates 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 existing commercial property and commercial housing property. Normal repair and maintenance are not assessed and do not necessarily generate additional market value.

The property consists of two partially vacant warehouse structures consisting of approximately 122,476 square feet, however the PA 210 project plan is to rehabilitate and develop 19.9% of the total square feet, or 28,878 square feet. The developer plans to rehabilitate and construct the properties into mixed-use space consisting of office space, retail, art studio, and warehousing. A residential rehabilitation plan is scheduled but not part of the PA 210 request. The rehabilitation and new construction of the complex is expected to increase commercial activity in the area, prevent loss of employment, revitalize the urban area and increase the number of residents in the city.

The 2020 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
06001546.002L	1331 Holden	\$ 98,200	\$ 43,024	\$ 20,700	\$ 9,054
06005584-5	5960 Lincoln	\$ 20,800	\$ 2,315	\$ 1,200	\$ 134

This property meets the criteria set forth under PA 210 of 2005, as amended. It applies to a building or a group of contiguous buildings, a portion of a building or group of contiguous buildings previously used for commercial or industrial purposes, obsolete industrial property, and vacant property which, within the immediately preceding 15 years, was operating as a commercial business enterprise.

A review of the general plans, along with the criteria set forth under the Commercial Rehabilitation Act, indicated that the proposed project located at **1331 Holden/5960 Lincoln** 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



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
FAX: 313•224•9400

Commercial Rehabilitation Certificate
Life is A Dreamtrot LLC
Page 2

Property Owner: LIFE IS A DREAMTROT LLC
Property Address: 1331 HOLDEN
Parcel Number: 06001746.
Legal Description: S HOLDEN THAT PT OF O L 50 LYG N OF & ADJ R R & S OF HOLDEN 10 THRU 1 54-49 & VAC ALLEY LYG N OF & ADJ ALL THAT PT OF VAC BROOKLYN AVE LYG S OF HOLDEN AVE & N OF R R SUB OF PT BAKER FARM L365 P498 DEEDS, W C R 6/95 129,858 SQ FT

Property Owner: LIFE IS A DREAMTROT LLC
Property Address: 5960 LINCOLN
Parcel Number: 06005584-5
Legal Description: E LINCOLN 38&37 SCRIPPS SUB L12 P10 PLATS, W C R 6/97 60 X 88.53A