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City of Detroit

CITY COUNCIL

LEGISLATIVE POLICY DIVISION
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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: June 16, 2021

RE: **2529 Orleans Holdings, 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.

2529 Orleans Holdings, LLC

2529 Orleans Holdings, LLC, the project developer and owner of the property, which consists of a former cold storage warehouse with 63,429 sq. ft. of building space on 0.526 acres of land; located at 2529 Orleans in the Eastern Market area in the city of Detroit. If approved by Council for a Commercial Rehabilitation certificate, the developer plans to rehabilitate the building into office and retail space, which would also include a restaurant and brewery. It is anticipated that the rehabilitation of the property will increase commercial activity in the area, prevent the loss of employment, revitalize the area and increase the number of residents in the city.

The DEGC has recommended a full term 12-year Commercial Rehabilitation certificate.

DEGC Project Evaluation Checklist

2529 Orleans

Developer: 2529 Orleans Holdings, LLC

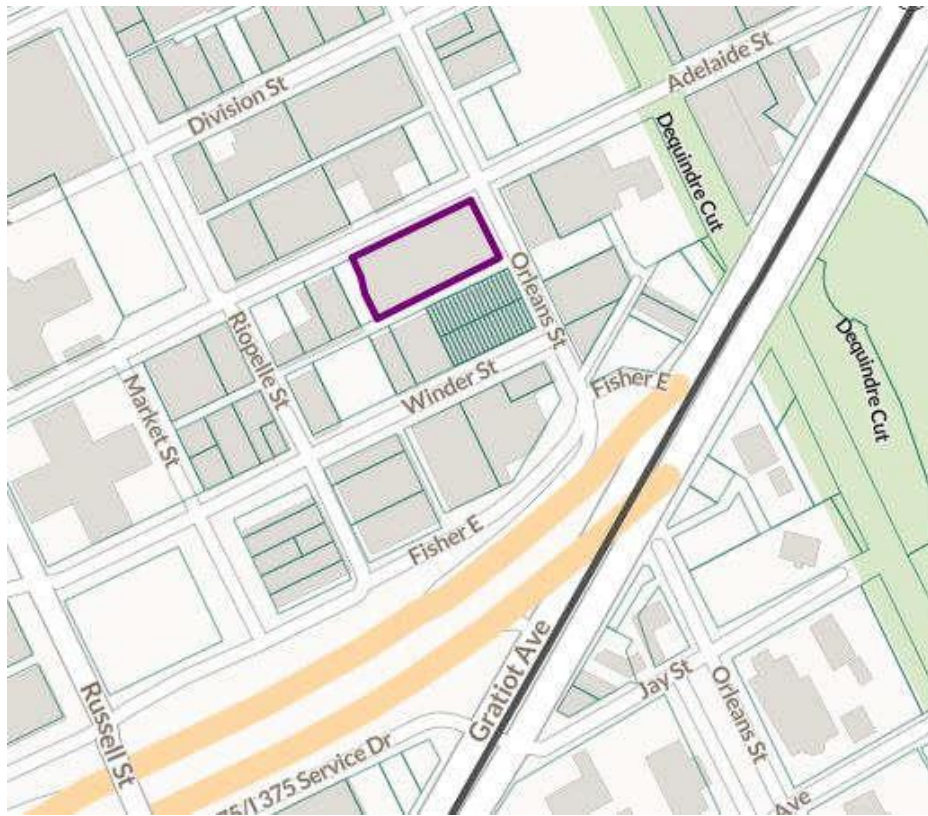
Principal: Christos Moisides

Commercial Rehabilitation Act, PA 210 of 2005 – current taxes frozen at pre-rehab values, improvements taxed at discounted millage for up to 10 years		
Request Type	PA 210 Certificate	
DEGC Recommendation	Approval of 10 Years	
Location		
Address	2529 Orleans	
City Council District	District 5	
Neighborhood	Eastern Market	
Building Use		
Total SqFt	65,000	
Commercial SqFt	55,000	
Retail SqFt	10,000	
Project Description		
<p>The redevelopment of the building will include the creation of approximately 55,000 square feet of office space and 10,000 square feet of commercial retail space that includes 7,000 square feet in the lower level that will be redeveloped into a brewery and restaurant. The development team has already identified three tenants that will occupy the building. The developer is committed to hiring 3 FTE's, while their tenants are targeting 50 FTE's, and 25 retail and property maintenance FTE's.</p>		
Underwriting	No Abatement	PA210
Total Investment	\$24M	
Uses	\$4.1M Acquisition (18%), \$17.4M Hard Construction (72%), \$2.6M Soft Costs (10%)	
Project Benefits		
Estimated Jobs	Developer: 3 New FTE, Tenants: 75 New FTE, 50 Construction Employees	
Estimated City benefits before tax abatement	\$1,115,894	
Total estimated City value of PA 210	\$583,191	
Less cost of services & utility deductions	\$37,887	
Net Benefit to City with abatements	\$494,816	

Existing Condition:



Location Map:



¹ Existing Condition Photo & Location Map courtesy of the DEGC

Rendering



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

	Amount
Real Property Taxes, before abatement	\$717,310
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$19,186
Municipal Income Taxes - Indirect Workers	\$7,116
Municipal Income Taxes - Corporate Income	\$7,391
Municipal Income Taxes - Construction Period	\$103,987
Utility Revenue	\$17,445
Utility Users' Excise Taxes	\$3,131
State Revenue Sharing - Sales Tax	\$12,052
Building Permits and Fees	\$211,350
Miscellaneous Taxes & User Fees	\$16,927
<u>Subtotal Benefits</u>	<u>\$1,115,894</u>
Cost of Providing Municipal Services	(\$20,442)
Cost of Providing Utility Services	(\$17,445)
<u>Subtotal Costs</u>	<u>(\$37,887)</u>
Net Benefits	\$1,078,007

² Rendering courtesy of the DEGC

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	\$1,115,894	(\$37,887)	(\$583,191)	\$0	\$0	\$494,816
Wayne County	\$176,995	(\$3,640)	(\$139,489)	\$0	\$0	\$33,866
Detroit Public Schools	\$689,877	(\$19,092)	(\$225,756)	\$0	\$0	\$445,029
State Education	\$129,617	\$0	\$0	\$0	\$0	\$129,617
Wayne RESA	\$88,026	\$0	(\$73,234)	\$0	\$0	\$14,793
Wayne County Comm. College	\$70,010	\$0	(\$56,279)	\$0	\$0	\$13,731
Wayne County Zoo	\$2,160	\$0	(\$1,737)	\$0	\$0	\$424
Detroit Institute of Arts	\$4,321	\$0	(\$3,473)	\$0	\$0	\$847
Total	\$2,276,900	(\$60,619)	(\$1,083,159)	\$0	\$0	\$1,133,122

Impacted Taxing Units: Incentive Summary over the First 12 Years (With the *Library* breakout from the City)

Jursidiction	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	\$1,016,985	(\$37,887)	(\$502,775)	\$0	\$0	\$476,323
Library	\$98,909	\$0	(\$80,416)	\$0	\$0	\$18,493
Wayne County	\$176,995	(\$3,640)	(\$139,489)	\$0	\$0	\$33,866
Detroit Public Schools	\$689,877	(\$19,092)	(\$225,756)	\$0	\$0	\$445,029
State Education	\$129,617	\$0	\$0	\$0	\$0	\$129,617
Wayne RESA	\$88,026	\$0	(\$73,234)	\$0	\$0	\$14,792
Wayne County Comm. College	\$70,010	\$0	(\$56,279)	\$0	\$0	\$13,731
Wayne County Zoo	\$2,160	\$0	(\$1,737)	\$0	\$0	\$423
Detroit Institute of Arts	\$4,321	\$0	(\$3,473)	\$0	\$0	\$848
Total	\$2,276,900	(\$60,619)	(\$1,083,159)	\$0	\$0	\$1,133,122

Conclusion

The estimated total capital investment for this project is **\$24 million**. It is also estimated that completed project will create three (3) new FTE positions by the developer, 75 new tenant positions and 50 temporary construction jobs. The total value of the 12-year Commercial Rehabilitation tax abatement to the developer is an estimated tax savings of **\$1,083,159**.⁴

Based on the investment and jobs, this project is estimated to provide the City of Detroit a net benefit of **\$494,816**⁵ and all of the impacted taxing units, a net benefit of **\$1,133,122**⁶ over the 12 years of the Commercial Rehabilitation tax abatement.

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

³ Charts courtesy of the DEGC

⁴ Existing Annual Taxes: \$37,009 - New Annual Taxes AFTER Incentive: \$76,289 - Annual Taxes once the Abatement EXPIRES: \$177,188

⁵ This estimate increases to \$1,621,258 if the 75 tenant positions are added to the calculation of the 3 developer positions (Per the second estimate by the DEGC).

⁶ This estimate increases to \$2,272,161 if the 75 tenant positions are added to the calculation of the 3 developer positions (Per the second estimate by the DEGC).

Attachment: Assessor's letter dated April 12, 2021

cc: Auditor General's Office
Donald Rencher, Chief of Services and Infrastructure
Katy Trudeau, Planning and Development Department
Julie Schneider, HRD
Veronica Farley, HRD
Stephanie Grimes Washington, Mayor's Office
Avery Peebles, Mayor's Office
Malinda Jensen, DEGC
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC
Cora Capler, DEGC



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

April 12, 2021

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 – **2529 Orleans Holdings LLC**
 Property Address: 2529 Orleans
 Parcels Number: 07000832.001

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 **2529 Orleans** in the **Eastern Market** 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 a former cold storage warehouse with 63,429 sq.ft. on 0.526 acres of land. The developer plans to rehabilitate the property into office and retail space, including a restaurant and brewery. The rehabilitation of the property 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
07000832.001	2529 Orleans	\$ 505,700	\$ 408,482	\$ 17,200	\$ 13,893

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 **2529 Orleans** 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
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Commercial Rehabilitation Certificate
2529 Orleans Holdings LLC
Page 2

Property Owner: 2529 ORLEANS HOLDINGS LLC
Property Address: 2529 ORLEANS
Parcel Number: 07000832.001
Legal Description: S ADELAIDE 33-36 ALSO PT OF 37 LYG E OF A LINE EXT FROM A PTE IN N LINE 35.22 FT ELY OF N W COR S 26D 02M 30S E 35.75 FT TH S 13D 47M 20S E 25.58 FT TH S 24D 28M 30S E 44.27 FT TO A PTE IN S LINE 28.73 FT ELY OF S W COR BLK 26 PLAT OF ANTOINE DEQUINDRE FARM L10 P715-6-7 CITY RECORDS, WCR 7/1 214.18 IRREG

