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City of Detroit

CITY COUNCIL


LEGISLATIVE POLICY DIVISION

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 Detroit, Michigan 48226

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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
 Legislative Policy Division Staff

DATE: September 22, 2021

RE: Application for an **Obsolete Property Rehabilitation Certificate** by
6531 Woodward, LLC Public Act 146 of 2000 **PUBLIC HEARING**

The Obsolete Property Rehabilitation Act (OPRA), Public Act 146 of 2000, provides for a tax incentive to encourage the redevelopment of obsolete buildings. This tax incentive is designed to assist in the redevelopment of older buildings, which are contaminated, blighted or functionally obsolete and to return them to the tax rolls.

6531 Woodward LLC, is the project developer and owner of the property located at 6531 Woodward, a vacant building constructed in 1942, with 3,600 sq. ft. on .083 acres of land, in the in New Center area of Detroit. The owner plans to rehabilitate the vacant structure into a multi-functional events space for weddings, corporate and community events. The planned major renovations to the building include, but not limited to, floor replacement, roof replacement, all major mechanical, plumbing & electrical systems replacements, facade construction, and asbestos abatement. The DEGC is only recommending a *9-year abatement*, rather than a full 12-year term.

DEGC Project Evaluation Checklist
6531 Woodward

Developer: Method Development
 Principal: Rocky Lala & Amelia Zamir

Obsolete Property Rehabilitation Act, PA 146 of 2000 as amended – current taxes frozen at pre-rehab values, local taxes abated for up to 12 years	
Request Type	Certificate
DEGC Recommendation	9-yr term

Location	
Address	6531 Woodward
City Council District	District 5
Neighborhood	New Center
Located in NRSA	No
Building Use	
Total Rentable Square Foot	3,750
Retail Space	3,750
Project Description	
<p>The developer/owner of the project is 6531 Woodward LLC. It is new entity, but owners have a similar business in Eastern Market called the Eastern which was established in 2015. It is also an event space which hosts community events and has a positive effect in the Eastern Market neighborhood.</p> <p>The OPRA district has been established and are asking for consideration to obtain an OPRA certificate for 6531 Woodward. The intended use of 6531 Woodward is to redevelop the old Norwood theater into a multi-functional event space. It's currently a single-story building with 40 ft ceilings and a basement. The square footage of the main floor is 3,750 SF. The developer intends to activate the basement with food & beverage. Basement is approximately 3,500 SF. The project will include rehabbing each floor with new MEP's, bathrooms, flooring, and fixtures. The Developer intend to upgrade the façade with a new signage and lighting. Building will tuck pointing, and structural reinforcement. The Developer intends to white box the space, so it is tenant ready.</p>	
Sources and Uses	
Total Investment	\$1.076M
Sources	\$300K senior debt (28%), \$300K PACE (27%), \$50K façade grant MDI (5%), \$426K Owner Equity (40%)
Uses	\$625K Acquisition (58%), \$407K Hard Construction (38%), \$44K Soft Costs (4%)
Project Benefits (9 Years)	
Estimated Jobs	1 FTE, 30 Construction Employees
Estimated City benefits before tax abatement	\$140,230
Total estimated City value of OPRA abatement	\$75,579
Less cost of services & utility deductions	\$19,054
Net Benefit to City	\$45,597

City of Detroit: Benefits, Costs, and Net Benefits over the Next 9 Years

	Amount
Real Property Taxes, before abatement	\$92,225
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$7,533
Municipal Income Taxes - Indirect Workers	\$1,918
Municipal Income Taxes - Corporate Income	\$2,195
Municipal Income Taxes - Construction Period	\$3,840
Utility Revenue	\$12,984
Utility Users' Excise Taxes	\$930
State Revenue Sharing - Sales Tax	\$3,579
Building Permits and Fees	\$10,000
Miscellaneous Taxes & User Fees	\$5,027
Subtotal Benefits	\$140,230
Cost of Providing Municipal Services	(\$6,070)
Cost of Providing Utility Services	(\$12,984)
Subtotal Costs	(\$19,054)
Net Benefits	\$121,175

Impacted Taxing Units: Incentive Summary over the First 9 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	\$140,230	(\$19,054)	(\$75,579)	\$0	\$0	\$45,597
Wayne County	\$23,169	(\$1,167)	(\$18,077)	\$0	\$0	\$3,925
Detroit Public Schools	\$94,126	(\$8,504)	(\$29,257)	\$0	\$0	\$56,365
State Education	\$16,477	\$0	\$0	\$0	\$0	\$16,477
Wayne RESA	\$15,006	\$0	(\$12,298)	\$0	\$0	\$2,709
Wayne County Comm. College	\$8,900	\$0	(\$7,294)	\$0	\$0	\$1,606
Wayne County Zoo	\$275	\$0	(\$225)	\$0	\$0	\$50
Detroit Institute of Arts	\$549	\$0	(\$450)	\$0	\$0	\$99
Total	\$298,732	(\$28,725)	(\$143,179)	\$0	\$0	\$126,828

Impacted Taxing Units: Incentive Summary over the First 9 Years (With the Library breakout from the City)

Jurisdiction	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	\$127,513	(\$19,054)	(\$65,157)	\$0	\$0	\$43,302
Library	\$12,717	\$0	(\$10,422)	\$0	\$0	\$2,295
Wayne County	\$23,169	(\$1,167)	(\$18,077)	\$0	\$0	\$3,925
Detroit Public Schools	\$94,126	(\$8,504)	(\$29,257)	\$0	\$0	\$56,365
State Education	\$16,477	\$0	\$0	\$0	\$0	\$16,477
Wayne RESA	\$15,006	\$0	(\$12,298)	\$0	\$0	\$2,709
Wayne County Comm. College	\$8,900	\$0	(\$7,294)	\$0	\$0	\$1,606
Wayne County Zoo	\$275	\$0	(\$225)	\$0	\$0	\$50
Detroit Institute of Arts	\$549	\$0	(\$450)	\$0	\$0	\$99
Total	\$298,732	(\$28,725)	(\$143,179)	\$0	\$0	\$126,828

¹ Charts courtesy of the DEGC

DEGC Chart of Taxes Before, During & After the Incentive²

Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive
City of Detroit	\$1,471	\$1,471
Library	\$235	\$235
Wayne County	\$408	\$408
Detroit Public Schools	\$1,576	\$5,729
State Education	\$305	\$1,689
Wayne RESA	\$278	\$278
Wayne County Comm. College	\$165	\$165
Wayne County Zoo	\$5	\$5
Detroit Institute of Arts	\$10	\$10
Total	\$4,453	\$9,990

Conclusion

The estimated total capital investment for this project is **\$1.076 million**. It is also estimated that completed project will create 1 FTEs and 30 temporary construction jobs. The total value of the 9-year OPRA tax abatement is estimated at **\$143,179**.

Based on the investment and jobs, this project is also estimated to provide the City of Detroit a net benefit of **\$45,597** and all of the impacted taxing units, a net benefit of **\$126,828** over the 9 years of the OPRA tax abatement.

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

Attachment: Assessor’s Letter, dated September 2, 2021

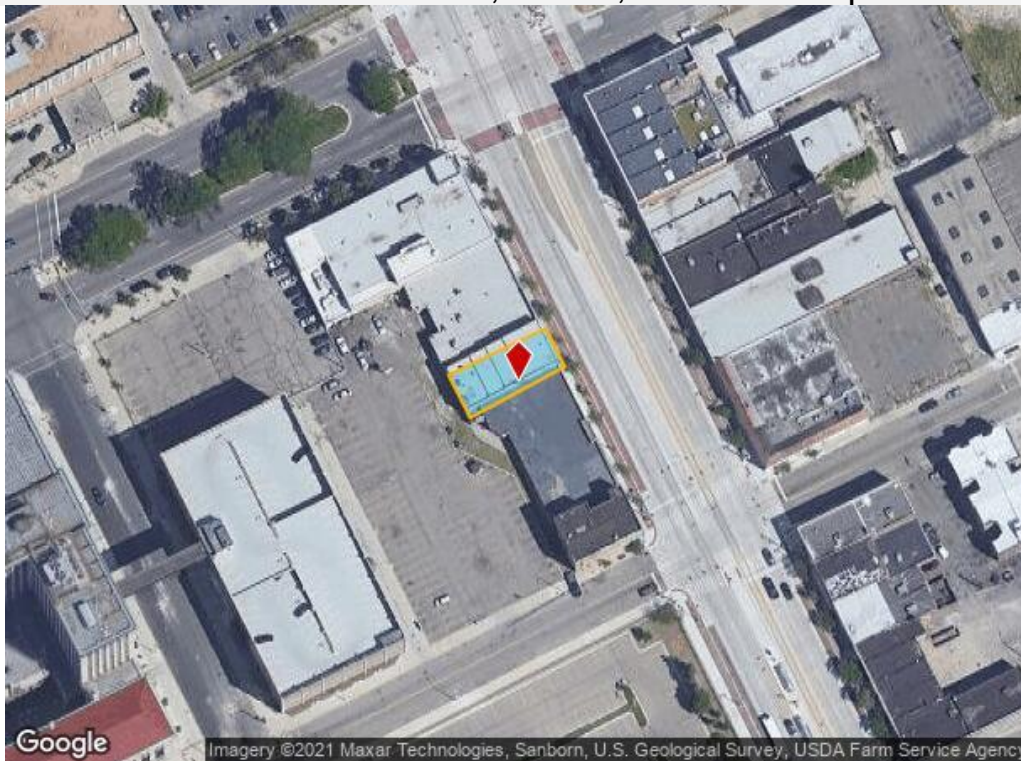
- cc:
- Auditor General’s Office
 - Donald Rencher, Chief of Services and Infrastructure
 - Katy Trudeau, Planning and Development Department
 - Julie Schneider, HRD
 - Veronica Farley, HRD
 - Stephanie Grimes Washington, Mayor’s Office
 - Avery Peebles, Mayor’s Office
 - Malinda Jensen, DEGC
 - Kenyetta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

² Existing Annual Taxes: \$4,453 - New Annual Taxes DURING the Incentive: \$9,990 & Taxes after the Incentive EXPIRES: \$24,666

6531 Woodward Ave Building Photo



6531 Woodward Ave, Detroit, MI Parcel Map



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³ Source: <https://www.loopnet.com/property/6531-woodward-ave-detroit-mi-48202/26163-02001745/>



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 2, 2021

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

Re: **Obsolete Property Rehabilitation Certificate – 6531 Woodward LLC**
 Addresses: 6531 Woodward Ave
 Parcel Number: 02001745.

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed Obsolete Property Rehabilitation Certificate for the property located at **6531 Woodward Ave** located in **New Center** area of the City of Detroit.

The rationale for Obsolete Property Rehabilitation Certificates under PA 146 of 2000, 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 2020 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
02001745.	6531 Woodward	\$ 193,800	\$ 37,588	\$ 68,200	\$ 13,227

The project as proposed by the **6531 Woodward LLC** consists of a vacant retail space with approximately 3,600 sq.ft, built in 1942, on 0.083 acres of land. The proposed project consists of rehabilitating the vacant structure into a multi-functional events space for weddings, corporate and community events. The building will undergo major renovations including, but not limited to, floor replacement, roof replacement, all major mechanical, plumbing and electrical systems replacement, façade construction, and asbestos abatement.

This property meets the criteria set forth under PA 146 of 2000, as amended. It applies to blighted, functionally obsolete and contaminated properties. "Rehabilitation," meaning that changes to qualified facilities that are required to restore or modify the property, together with all appurtenances, to an economically efficient condition. Rehabilitation also includes major renovation and modification including, but not necessarily limited to, the improvement of floor loads, correction of deficient or excessive height, new or improved fixed building equipment, including heating, ventilation, and lighting, reducing multistory facilities to 1 or 2 stories, adding additional stories



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Obsolete Property Rehabilitation Certificate
6531 Woodward LLC
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to a facility or adding additional space on the same floor level not to exceed 100% of the existing floor space on that floor level, improved structural support including foundations, improved roof structure and cover, floor replacement, improved wall placement, improved exterior and interior appearance of buildings, and other physical changes required to restore or change the obsolete property to an economically efficient condition.

A statutory review indicated that the proposed Obsolete Property Rehabilitation Certificate for the property located at **7400 W McNichols** is eligible as it pertains to the Obsolete Property Rehabilitation Act under P.A. 146 of 2000, as amended.

Sincerely,

Charles Ericson, MMAO
Assessor/Board of Assessors



Obsolete Property Rehabilitation Certificate
6531 Woodward LLC
Page 3

Property Address: 6531 WOODWARD AVE
Parcel Number: 02001745.
Property Owner: 6531 WOODWARD LLC
Legal Description: W WOODWARD W 90 FT 6-7 THE MOROSS EST SUB L16 P79 PLATS, W C R 2/64 40 X 90

