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City of Detroit
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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: October 12, 2021

RE: Application for an **Obsolete Property Rehabilitation Certificate by 234 Piquette, LLC** Public Act 146 of 2000

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.

The project developer of the property is 234 Piquette, LLC. The property is currently owned by the City of Detroit and is therefore tax exempt.¹ The project is located at 234 Piquette, which includes two 1-story warehouse and light manufacturing structures that were originally constructed in 1928 and had multiple additions up until 1970. The structures consist of 61,887 square feet of building area on 2.149 acres of land. The completed project will convert the current structures into mixed use units and commercial and industrial uses. Major rehabilitations to the two buildings will include, window & floor replacements, roof replacements, all major mechanical, plumbing and electrical systems replacements, parking improvements, new perimeter fencing, and landscaping.

This development involves the rehabilitation and adaptive reuse of the existing two industrial buildings into a mixed-use industrial incubator space. The finished building will have eight industrial tenant suites that aim to service up-and-coming Detroit businesses that may not necessarily afford private offices. The industrial tenants will share building amenities such as event space, a café, and a loading dock.

¹ The State Tax Commission (STC) has determined that assessor shall determine the prior year taxable value as if the property had not been tax exempt. The STC has also determined that the proposed developer may proceed with obtaining local approval of the issuance of the certificate prior to acquiring title to the property from the City of Detroit, but that the certificate would be held in abeyance by the STC pending submission of proof of ownership.

DEGC Project Evaluation Checklist

234 Piquette

Developer: 234 Piquette, LLC

Principal: Michael Ferlito

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	OPRA Certificate
DEGC Recommendation	Approval of OPRA Certificate and 12 Year Abatement Term
Location	
Address	234 Piquette
City Council District	District 5
Neighborhood	Milwaukee Junction
Located in HRD Targeted Area	Yes, Greater Downtown
Building Use	
Total Rentable Square Foot	61,760
Commercial Space	61,760
Unit Breakdown	
Event Space	3,720 SqFt
Café/Retail Space	2,763 SqFt
Industrial Suites	Total 55,277 SqFt (between 3,000-9,000 SqFt)
Project Description	
This development involves the rehabilitation and adaptive reuse of the existing two industrial buildings into a mixed-use industrial incubator space. The finished building will have eight industrial tenant suites that aim to service up and coming Detroit businesses that cannot necessarily afford private offices. The industrial tenants will share building amenities such as the event space, café, and loading dock. The City of Detroit currently owns the building and plans to vacate the building on October 4 th , 2021, after which the developer will close on the building. The building was awarded to the developer through an RFP at the City of Detroit’s Housing and Revitalization team. The developer intends to begin construction by the end of 2021.	
Sources and Uses	
Total Investment	\$5.5M
Sources	\$4.2M Construction Loan (76%), \$1.3M Owner’s Equity (24%)
Uses	\$1.15M Acquisition (21%), \$3.5M Hard Construction (64%), \$0.8MM Soft Costs (15%)
Project Benefits	
Estimated Jobs	1 FTE, 18 Construction Employees
Estimated City benefits before tax abatement	\$596,353
Total estimated City value of OPRA abatement	\$389,383
Less cost of services & utility deductions	\$26,199
Net Benefit to City	\$180,771

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

	Amount
Real Property Taxes, before abatement	\$485,231
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$8,474
Municipal Income Taxes - Indirect Workers	\$3,143
Municipal Income Taxes - Corporate Income	\$3,018
Municipal Income Taxes - Construction Period	\$25,524
Utility Revenue	\$17,852
Utility Users' Excise Taxes	\$1,279
State Revenue Sharing - Sales Tax	\$4,921
Building Permits and Fees	\$40,000
Miscellaneous Taxes & User Fees	\$6,911
Subtotal Benefits	\$596,353
Cost of Providing Municipal Services	(\$8,346)
Cost of Providing Utility Services	(\$17,852)
Subtotal Costs	(\$26,199)
Net Benefits	\$570,154

Impacted Taxing Units: Incentive Summary over the First 12 Years

	Additional Benefits	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	\$596,353	(\$26,199)	(\$389,383)	\$0	\$0	\$180,771
Wayne County	\$117,389	(\$1,604)	(\$92,976)	\$0	\$0	\$22,808
Detroit Public Schools	\$443,778	(\$11,693)	(\$150,732)	\$0	\$0	\$281,353
State Education	\$86,693	\$0	\$0	\$0	\$0	\$86,693
Wayne RESA	\$78,898	\$0	(\$63,313)	\$0	\$0	\$15,585
Wayne County Comm. College	\$46,826	\$0	(\$37,576)	\$0	\$0	\$9,249
Wayne County Zoo	\$1,445	\$0	(\$1,159)	\$0	\$0	\$285
Detroit Institute of Arts	\$2,890	\$0	(\$2,319)	\$0	\$0	\$571
Total	\$1,374,270	(\$39,496)	(\$737,459)	\$0	\$0	\$597,316

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

Jurisdiction	Additional Benefits	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	\$529,445	(\$26,199)	(\$335,691)	\$0	\$0	\$167,555
Library	\$66,908	\$0	(\$53,692)	\$0	\$0	\$13,216
Wayne County	\$117,389	(\$1,604)	(\$92,976)	\$0	\$0	\$22,808
Detroit Public Schools	\$443,778	(\$11,693)	(\$150,732)	\$0	\$0	\$281,353
State Education	\$86,693	\$0	\$0	\$0	\$0	\$86,693
Wayne RESA	\$78,898	\$0	(\$63,313)	\$0	\$0	\$15,585
Wayne County Comm. College	\$46,826	\$0	(\$37,576)	\$0	\$0	\$9,249
Wayne County Zoo	\$1,445	\$0	(\$1,159)	\$0	\$0	\$285
Detroit Institute of Arts	\$2,890	\$0	(\$2,319)	\$0	\$0	\$571
Total	\$1,374,270	(\$39,496)	(\$737,459)	\$0	\$0	\$597,316

² Charts courtesy of the DEGC

DEGC Chart of Taxes Before, During & After the Incentive³

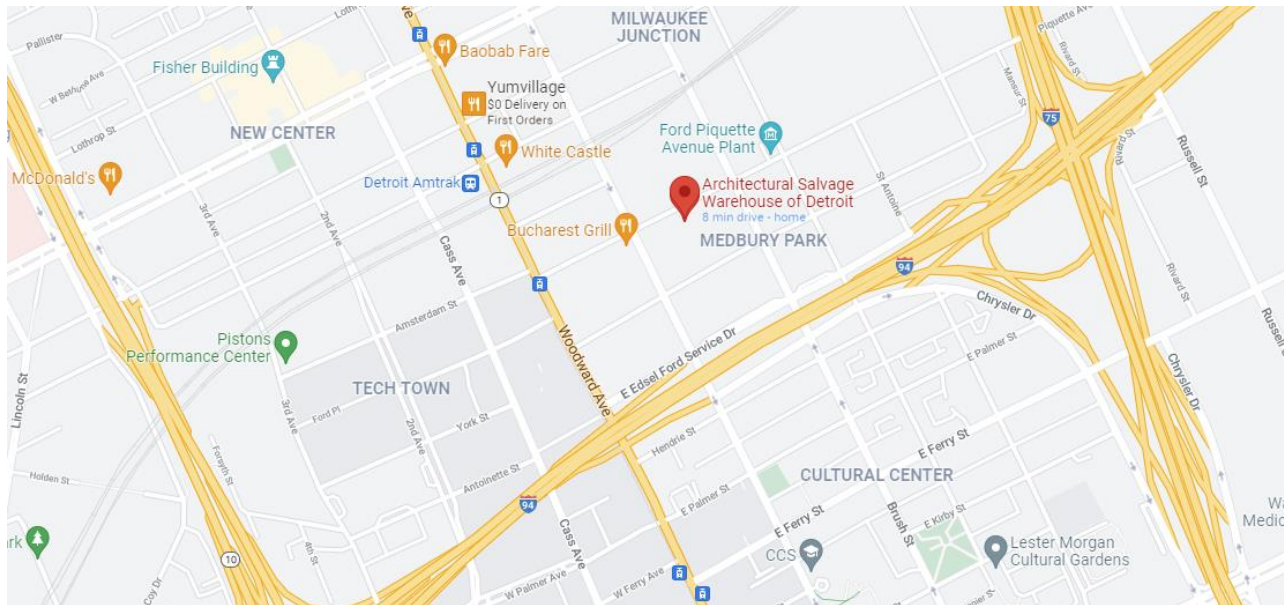
Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive	
City of Detroit	\$6,727	\$6,754	\$32,284
Library	\$1,076	\$1,080	\$5,164
Wayne County	\$1,863	\$1,871	\$8,942
Detroit Public Schools	\$6,938	\$21,831	\$33,294
State Education	\$1,394	\$6,691	\$6,691
Wayne RESA	\$1,269	\$1,274	\$6,089
Wayne County Comm. College	\$753	\$756	\$3,614
Wayne County Zoo	\$23	\$23	\$112
Detroit Institute of Arts	\$46	\$47	\$223
Total	\$20,090	\$40,327	\$96,411

Conclusion

The estimated total capital investment for this project is **\$5.5 million**. It is also estimated that the completed project will create 1 FTE and 70 temporary construction jobs. The total value of the 12-year OPRA tax abatement is estimated at **\$737,459**.

Based on the investment and jobs, this project is also estimated to provide the City of Detroit a net benefit of **\$180,771**,⁴ and all of the impacted taxing units, a net benefit of **\$597,316**⁵ over the 12 years of the OPRA tax abatement.

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



Area Map⁶

³ Existing Annual Taxes: \$20,090 - New Annual Taxes DURING the Incentive: \$40,327 & Taxes after the Incentive EXPIRES: \$96,411

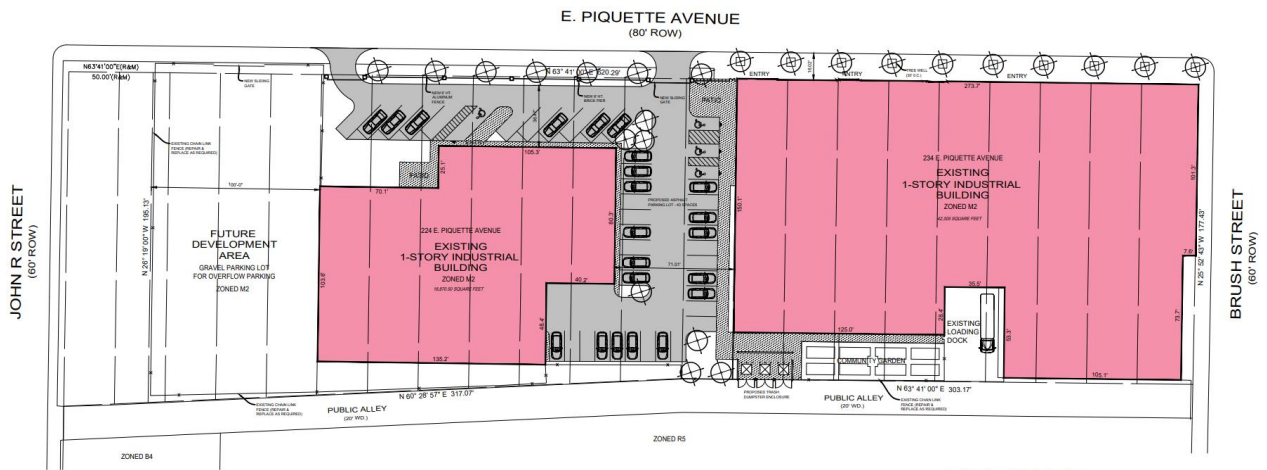
⁴ This City benefit estimate of \$180,771, is based on the one FTE provided by the developer, however, DEGC has also estimated that when accounting for the additional 80 tenant jobs, the City benefit increases to **\$1,665,254**.

⁵ This impacted taxing units benefit estimate of \$597,316, is based on the one FTE provided by the developer, however, DEGC has also estimated that when accounting for the additional 80 tenant jobs, the City benefit increases to **\$2,097,581**.

⁶ Area Map courtesy of DEGC



Aerial view of 234 Piquette

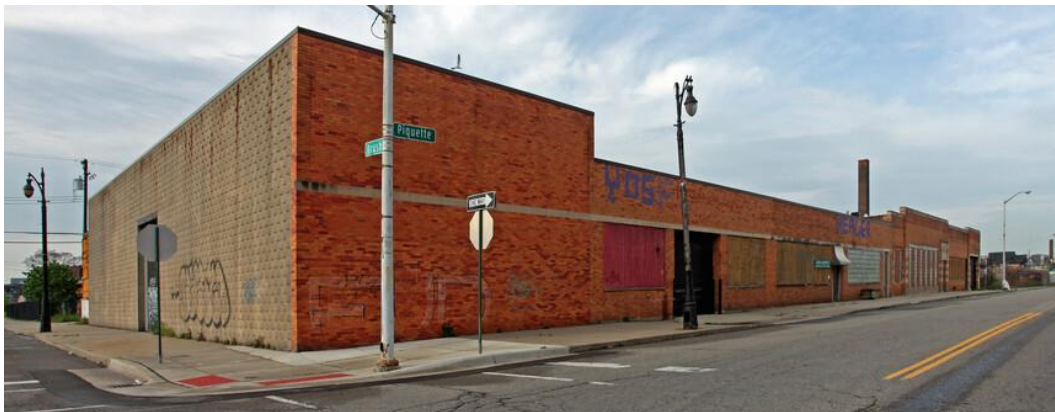


SITE DATA:

PARCEL SIZE: 2.590 +/- ACRES (112,803 +/- SQUARE FEET)
 ZONING: M-2 (RESTRICTED INDUSTRIAL DISTRICT)



Floor plan of 234 Piquette⁷



234 Piquette⁸

⁷ Aerial view and floor plan courtesy of DEGC

⁸ Source: <https://www.loopnet.com/Listing/234-Piquette-St-Detroit-MI/23945534/>

Attachment: Assessor's Letter, dated August 26, 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
Gail Fulton, Mayor's Office
Malinda Jensen, DEGC
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, 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

August 26, 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 – 234 Piquette LLC**
 Addresses: 234 Piquette
 Parcel Number: 01001762-72

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 **234 Piquette** located in **Milwaukee Junction** 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 2021 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
01001762-72	234 Piquette	\$ 374,500	\$ 374,500	\$ 86,600	\$ 86,600

The property is currently owned by the City of Detroit and is tax exempt. The State Tax Commission (STC) has determined that assessor shall determine the prior year taxable value as if the property had not been exempt, pursuant to STC Rule 209.91; (4) All obsolete property rehabilitation act 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. An obsolete property 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.

The STC has also determined that the proposed developer may proceed with obtaining local approval of the issuance of the certificate prior to acquiring title to the property from the City of Detroit, but that the certificate would be held in abeyance by the STC pending submission of proof of ownership.

The project as proposed by the **234 Piquette LLC** consists of two 1-story warehouse and light manufacturing structures with 61,887 square feet of building area. The property was originally built in 1928, but had multiple additions until 1970. The structures sit on 2.149 acres of land. The project will convert the current structures into mixed use units and commercial and industrial uses. Major rehabilitation and renovations including window



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Obsolete Property Rehabilitation Certificate
234 Piquette LLC
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replacement, floor replacement, roof replacement, all major mechanical, plumbing and electrical systems replacement, structural repairs, and parking improvements perimeter fencing, and landscaping.

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 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 review of the project plan and related statutes indicated that the proposed Obsolete Property Rehabilitation Certificate for the property located at **234 Piquette** 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



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Obsolete Property Rehabilitation Certificate
234 Piquette LLC
Page 3

Property Address: 234 PIQUETTE
Parcel Number: 01001762-72
Property Owner: CITY OF DETROIT
Legal Description: S PIQUETTE 1 THRU 10PEPPERS & HARMONS L8 P20 PLATS, W C R 1/92 30 THRU 36HUBBARD & KINGS L6 P86 PLATS, W C R 1/951/--- 519.56 IRREG.

