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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: October 12, 2021
RE: Application for an **Obsolete Property Rehabilitation Certificate by 311 Grand River, 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 and owner of the property is 311 Grand River, LLC. The property is located at 267 E Grand River, in the Central Business District area of Detroit. Originally constructed in 1894, the building consists of 4-stories, with 35,632 square feet of building area on 0.205 acres of land. The completed project will include rehabilitating and converting the property into a mixed-use property with restaurant, lounge, office, and event space. The building will undergo major renovations consisting of all major mechanical, HVAC, plumbing and electrical systems replacements, upgrading restroom facilities, fire protection systems, and elevators.

The goal is to restore the building and its connections to Paradise Valley¹ as an arts and entertainment center for downtown Detroit.

¹ Paradise Valley was the business district and entertainment center of a densely populated African-American residential area in Detroit known as Black Bottom, from the 1920s through the 1950s. During the 1920s, the Black population in Detroit swelled from 41,000 to 120,000 as migrants from the South arrived daily to seek employment in the automobile industry. The cramped, near east side neighborhood of Black Bottom was one of the very few areas Blacks were allowed to reside. The residents' daily needs were amply met by more than 300 Black-owned businesses in Paradise Valley, ranging from drugstores, beauty salons and restaurants to places of leisure such as nightclubs, bowling alleys with bars, theaters and mini-golf courses. <https://detroithistorical.org/learn/encyclopedia-of-detroit/paradise-valley>

DEGC Property Tax Abatement Evaluation
Property Address: 311 E Grand River
Developer: Basco of Michigan
Development Team Principal: Roger Basmajian

Description of Incentive: Obsolete Property Rehab Act (PA 146)	
DEGC Abatement Term Recommendation	12 years
Location	
Address	311 E Grand River
City Council District	District 6
Neighborhood	Paradise Valley Cultural District
Located in HRD/SNF Targeted Area	No
Building Use	
Total Commercial Square Footage	25,041
Total Retail Square Footage	8,409
Project Description	
<p>The proposed redevelopment entails significant renovations to both the interior and exterior of the current building for use as a mixed-use commercial property. The basement and ground floor will be completely renovated for use of over 16,000 square feet of restaurant, lounge, and speakeasy tenant space. The second floor entails the rehabilitation of the vacant office space into a restored open co-working space with conference rooms and other partitions for private meetings and events totaling approximately 8,200 gross square feet. The co-working space will maintain the social club atmosphere while maintaining and restoring the historic features of the space, including the columns that dot the area. The third floor and mezzanine level will include the restoration of the existing assembly space for event use, inclusive of an additional approximately 8,200 square feet. The property will also include space for two bridal suites. The build out includes restoration of the assembly ceiling, the wood floors, columns and arches, and the stage at the front of the space. The goal is to restore the building and its connections to Paradise Valley as an arts and entertainment center for downtown Detroit.</p>	
Sources and Uses of Capital Summary	
Total Investment	\$11.4 million
Sources	Senior Debt (\$7.65M); Subordinate Debt (\$2.7M); Cash Equity (\$1.1M)
Uses	Acquisition (\$1.2M); Hard Costs (\$7.5M); Soft Costs (\$2.6M)
Project Economic Benefits Summary	
Estimated Jobs (FTE/Construction)	1 FTE, 34 Construction (expected 122 tenant jobs)
Estimated City benefits before tax abatement	\$1,045,193
Total estimated City value of OPRA abatement	\$684,900
Less cost of services & utility deductions	\$26,199
Total estimated City value of DDA Capture	\$214,743
Net Benefit to City with OPRA abatement	\$119,351

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

	Amount
Real Property Taxes, before abatement	\$899,643
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$6,591
Municipal Income Taxes - Indirect Workers	\$1,679
Municipal Income Taxes - Corporate Income	\$3,018
Municipal Income Taxes - Construction Period	\$57,172
Utility Revenue	\$17,852
Utility Users' Excise Taxes	\$1,279
State Revenue Sharing - Sales Tax	\$4,921
Building Permits and Fees	\$46,127
Miscellaneous Taxes & User Fees	\$6,911
Subtotal Benefits	\$1,045,193
Cost of Providing Municipal Services	(\$8,346)
Cost of Providing Utility Services	(\$17,852)
Subtotal Costs	(\$26,199)
Net Benefits	\$1,018,994

Impacted Taxing Units: Incentive Summary over the First 12 Years

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Downtown Development Authority Capture	Brownfield TIF Capture	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$1,045,193	(\$26,199)	(\$684,900)	(\$214,743)	\$0	\$119,351
Wayne County	\$216,436	(\$1,604)	(\$163,539)	(\$37,376)	(\$13,247)	\$670
Detroit Public Schools	\$812,226	(\$11,693)	(\$265,128)	(\$237,878)	(\$296,855)	\$673
State Education	\$160,733	\$0	\$0	(\$1,800)	(\$158,933)	\$0
Downtown Dev. Authority	\$24,873	\$0	(\$18,936)	\$0	\$0	\$5,937
Wayne RESA	\$146,281	\$0	(\$111,364)	(\$1,638)	(\$33,279)	\$0
Wayne County Comm. College	\$86,817	\$0	(\$66,094)	(\$20,723)	\$0	\$0
Wayne County Zoo	\$2,679	\$0	(\$2,039)	\$0	\$0	\$639
Detroit Institute of Arts	\$5,358	\$0	(\$4,079)	\$0	\$0	\$1,279
Total	\$2,500,596	(\$39,496)	(\$1,316,079)	(\$514,158)	(\$502,314)	\$128,549

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	Downtown Development Authority Capture	Brownfield TIF Capture	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$921,142	(\$26,199)	(\$590,460)	(\$185,132)	\$0	\$119,351
Library	\$124,051	\$0	(\$94,440)	(\$29,611)	\$0	\$0
Wayne County	\$216,436	(\$1,604)	(\$163,539)	(\$37,376)	(\$13,247)	\$670
Detroit Public Schools	\$812,226	(\$11,693)	(\$265,128)	(\$237,878)	(\$296,855)	\$673
State Education	\$160,733	\$0	\$0	(\$1,800)	(\$158,933)	\$0
Downtown Development Authori	\$24,873	\$0	(\$18,936)	\$0	\$0	\$5,937
Wayne RESA	\$146,281	\$0	(\$111,364)	(\$1,638)	(\$33,279)	\$0
Wayne County Comm. College	\$86,817	\$0	(\$66,094)	(\$20,723)	\$0	\$0
Wayne County Zoo	\$2,679	\$0	(\$2,039)	\$0	\$0	\$639
Detroit Institute of Arts	\$5,358	\$0	(\$4,079)	\$0	\$0	\$1,279
Total	\$2,500,596	(\$39,496)	(\$1,316,079)	(\$514,158)	(\$502,314)	\$128,549

² Charts courtesy of the DEGC

DEGC Chart of Taxes Before, During & After the Incentive³

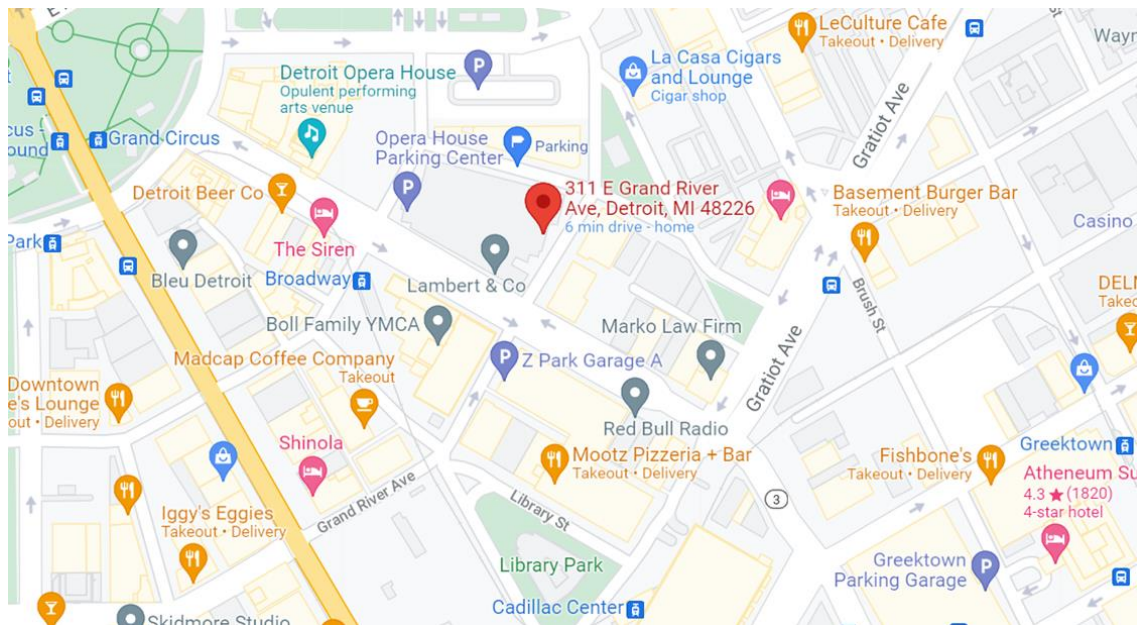
Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive	
City of Detroit	\$13,880	\$14,143	\$59,048
Library	\$2,220	\$2,262	\$9,444
Wayne County	\$3,844	\$3,917	\$16,354
Detroit Public Schools	\$14,314	\$40,732	\$60,895
State Education	\$2,876	\$12,237	\$12,237
Wayne RESA	\$2,618	\$2,667	\$11,137
Wayne County Comm. College	\$1,554	\$1,583	\$6,610
Downtown Development Authority	\$445	\$454	\$1,894
Wayne County Zoo	\$48	\$49	\$204
Detroit Institute of Arts	\$96	\$98	\$408
Total	\$41,894	\$78,141	\$178,230

Conclusion

The estimated total capital investment for this project is **\$11.4 million**. It is also estimated that the completed project will create 1 FTE, 34 temporary construction (expected 122 tenant jobs). The total value of the 12-year OPRA tax abatement is estimated at **\$1,316,079**.

Based on the investment and jobs, this project is also estimated to provide the City of Detroit a net benefit of **\$119,351**,⁴ and all of the impacted taxing units, a net benefit of **\$128,549**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: \$41,894 - New Annual Taxes DURING the Incentive: \$78,141 & Taxes after the Incentive EXPIRES: \$178,230

⁴ This City benefit estimate of \$119,351, is based on the one FTE provided by the developer, however, DEGC has also estimated that when accounting for the additional 122 tenant jobs, the City benefit increases to **\$1,923,803**.

⁵ This impacted taxing units benefit estimate of \$128,549, is based on the one FTE provided by the developer, however, DEGC has also estimated that when accounting for the additional 122 tenant jobs, the City benefit increases to **\$1,969,162**.



267 E Grand River ⁷

The secondary street sign honors “Reparations Ray” Jenkins, the man who inspired Democratic Congressman John Conyers to propose reparations bills. Ray Jenkins, a former Detroit real estate agent, was among the nation's first individuals to devote his life to calling for the American government to pay the descendants of slavery for their ancestors' labor. Affectionately called "Reparations Ray," Jenkins began his activism in the 1960s when reparations (were) pushed by the Nation of Islam and only a few other organizations as part of their larger Black liberation strategies. But without major support or resources for his single commitment to seeing Blacks compensated nationwide, Jenkins was a sort of voice in the wilderness. <https://www.bet.com/news/news/2009/04/20/newsarticlewellknownreparationsactivistdies.html#!>

Attachment: Assessor’s Letter, dated October 1, 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

⁶ Area Map courtesy of DEGC

⁷ Source: <http://www.dailydetroit.com/2016/06/29/paradise-valley-cultural-entertainment-district-getting-facelift/>



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

October 1, 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 – 311 Grand River LLC**
 Addresses: 267 E Grand River
 Parcel Number:

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 **267 E Grand River** located in the **Central Business District** 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
01004041-2	267 E Grand River	\$ 1,726,600	\$ 1,726,600	\$ 454,400	\$ 454,400

The project as proposed by the **311 Grand River LLC** consists of a 4-story building built in 1894 with 35,632 square feet on 0.205 acres of land. The proposed project consists of rehabilitating and converting the property into a mixed use property with restaurant, lounge, office, and event space. The building will undergo major renovations including all major mechanical, HVAC, plumbing and electrical systems replacement, and upgrading restroom facilities, fire protection systems, and elevators.

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
311 Grand River 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 **267 E Grand River** 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
311 Grand River LLC
Page 3

Property Address: 267 E GRAND RIVER
Parcel Number: 04004041-2
Property Owner: 311 GRAND RIVER LLC
Legal Description: NE CENTRE 71&70 PLAT OF SEC 9 GOVERNOR & JUDGES PLAN L34 P552 DEEDS, W C R 1/56 124.22
IRREG

