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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
CM Brooklyn, 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 CM Brooklyn, LLC. The project is located at 1441 & 1451 Brooklyn,¹ which consists of a 4-story vacant industrial building with 15,689 square feet of building area, and a 2-story vacant mixed-use building with 2,568 square feet of building area on 0.149 acres of land. The buildings will be rehabbed into office space and retail/residential housing. The major renovations to the two buildings will include, window & floor replacements, roof replacements, all major mechanical, plumbing and electrical systems replacements, and the installation of new furniture and fixtures.

DEGC Project Evaluation Checklist

1441 Brooklyn

Developer: Brooklyn LLC

Principle: Rocky Lala

Obsolete Property Rehabilitation Act, PA 146 of 2000 as amended – Current taxes frozen at pre-rehab construction values, local taxes abated for up to 12 years	
DEGC Recommendation	12 Years
Request Type	Certificate
Location	

¹ **1441 Brooklyn St:** rehab building into an office use & **1451 Brooklyn St:** renovate the building into a retail use with 2, 2-bedroom residential units on the 2nd floor. 1 of the 2 residential units is at 80% AMI.

Address	1441 & 1451 Brooklyn
City Council District	District
Neighborhood	Corktown
Building Use	
Total Rentable Square Footage	23,535
Retail Square Footage	500
Commercial Square Footage	21,046
Residential Square Footage	1,989
Project Description	
<p>1441 Brooklyn St: The development plan is to rehab building into an office use for creative tenants and established businesses who want to be in Corktown.</p> <p>Building is currently vacant. Developer plans to upgrade building with all new mechanicals, plumbing, electrical systems, new elevator, all new windows, new roof membrane, tuck pointing, exterior and interior paint, and updated flooring. Developer is planning to white box the space and market to space to potential tenants with a tenant allowance.</p> <p>1451 Brooklyn St: The development plan is to renovate the building into a retail use with 2, 2-bedroom residential units on the 2nd floor. 1 of the 2 residential units is at 80% AMI. Concept is for a neighborhood retailer that the community approves and deems beneficial for the area.</p> <p>The general nature of building is obsolete and non-functional. It will need a complete gut rehab with all new building systems and roof. The exterior will need tuck pointing and require demo. There are no working systems in the building so it will require all mechanicals, plumbing, and electrical. It will also require complete framing, new flooring and windows. Parking will be located at 1444 Brooklyn</p>	
Project Costs	
Total Investment	\$6.5M
Uses	\$2.6M Acquisition (39%), \$3.5M Hard Construction (53%), \$0.5M Soft Costs (8%)
Sources	\$1.1M Senior Loan (16%), \$5.4M Owner's Equity (84%)
Project Benefits (12 years)	
Estimated jobs	1 FTE, 70 construction jobs
Estimated City benefits before tax abatement	\$571,015
Total nominal value of OPRA	\$398,741
Less cost of services & utility deductions	\$28,516
Net benefit to City	\$143,757

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

	Amount
Real Property Taxes, before abatement	\$469,329
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$9,415
Municipal Income Taxes - Indirect Workers	\$2,827
Municipal Income Taxes - Corporate Income	\$3,018
Municipal Income Taxes - Construction Period	\$27,733
Municipal Income Taxes - New Res. Inhabitants	\$13,744
Utility Revenue	\$17,852
Utility Users' Excise Taxes	\$1,279
State Revenue Sharing - Sales Tax	\$4,942
Building Permits and Fees	\$15,000
Miscellaneous Taxes & User Fees	\$5,874
Subtotal Benefits	\$571,015
Cost of Providing Municipal Services	(\$10,664)
Cost of Providing Utility Services	(\$17,852)
Subtotal Costs	(\$28,516)
Net Benefits	\$542,499

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	\$571,015	(\$28,516)	(\$398,741)	\$0	\$0	\$143,757
Wayne County	\$113,505	(\$1,237)	(\$95,372)	\$0	\$0	\$16,897
Detroit Public Schools	\$446,298	(\$13,036)	(\$154,354)	\$0	\$0	\$278,908
State Education	\$83,852	\$0	\$0	\$0	\$0	\$83,852
Wayne RESA	\$72,472	\$0	(\$64,880)	\$0	\$0	\$7,592
Wayne County Comm. College	\$45,291	\$0	(\$38,479)	\$0	\$0	\$6,812
Wayne County Zoo	\$1,398	\$0	(\$1,187)	\$0	\$0	\$210
Detroit Institute of Arts	\$2,795	\$0	(\$2,375)	\$0	\$0	\$420
Total	\$1,336,626	(\$42,789)	(\$755,389)	\$0	\$0	\$538,448

Impacted Taxing Units: Incentive Summary over the First 12 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	\$506,299	(\$28,516)	(\$343,759)	\$0	\$0	\$134,024
Library	\$64,716	\$0	(\$54,982)	\$0	\$0	\$9,734
Wayne County	\$113,505	(\$1,237)	(\$95,372)	\$0	\$0	\$16,897
Detroit Public Schools	\$446,298	(\$13,036)	(\$154,354)	\$0	\$0	\$278,908
State Education	\$83,852	\$0	\$0	\$0	\$0	\$83,852
Wayne RESA	\$72,472	\$0	(\$64,880)	\$0	\$0	\$7,592
Wayne County Comm. College	\$45,291	\$0	(\$38,479)	\$0	\$0	\$6,812
Wayne County Zoo	\$1,398	\$0	(\$1,187)	\$0	\$0	\$210
Detroit Institute of Arts	\$2,795	\$0	(\$2,375)	\$0	\$0	\$420
Total	\$1,336,626	(\$42,789)	(\$755,389)	\$0	\$0	\$538,448

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² Charts courtesy of the DEGC

DEGC Chart of Taxes Before, During & After the Incentive³

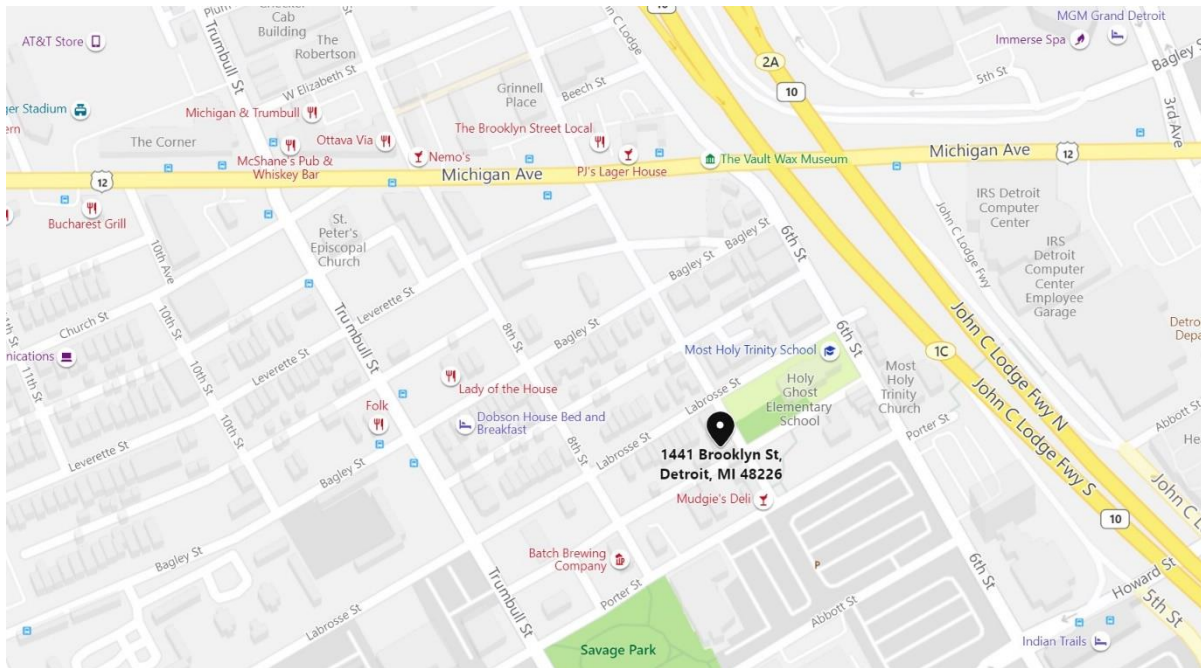
Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive	
City of Detroit	\$5,032	\$5,038	\$31,182
Library	\$805	\$806	\$4,987
Wayne County	\$1,396	\$1,398	\$8,651
Detroit Public Schools	\$5,388	\$21,649	\$33,387
State Education	\$1,043	\$6,462	\$6,462
Wayne RESA	\$950	\$951	\$5,885
Wayne County Comm. College	\$563	\$564	\$3,490
Wayne County Zoo	\$17	\$17	\$108
Detroit Institute of Arts	\$35	\$35	\$215
Total	\$15,228	\$36,920	\$94,368

Conclusion

The estimated total capital investment for this project is **\$6.5 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 **\$755,389**.

Based on the investment and jobs, this project is also estimated to provide the City of Detroit a net benefit of **\$143,757**, and all of the impacted taxing units, a net benefit of **\$538,448** over the 12 years of the OPRA tax abatement.

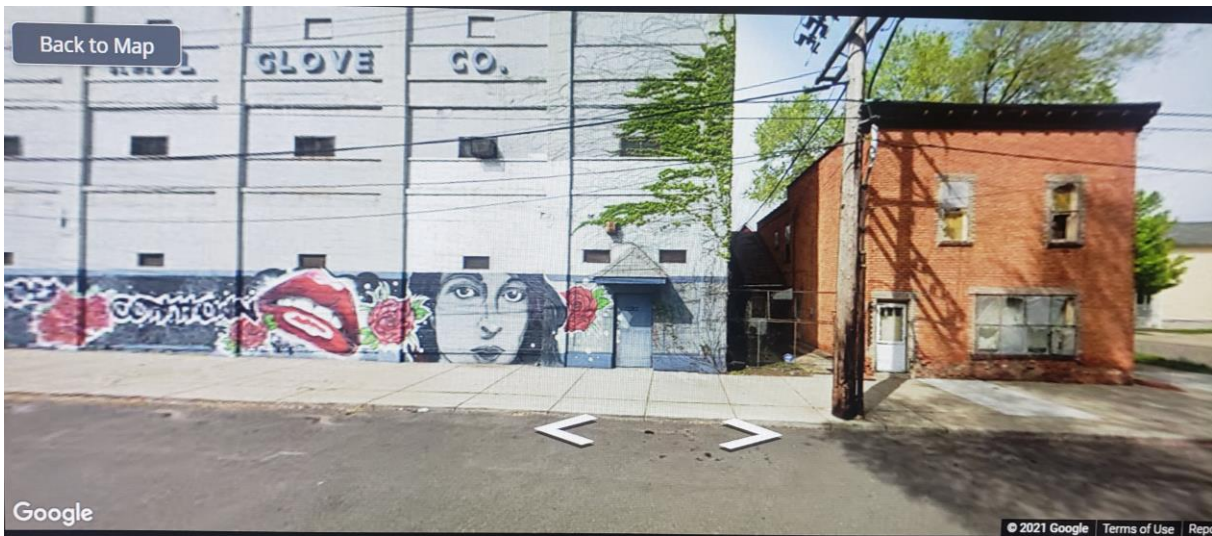
Please contact us if we can be of any further assistance.



Area Map⁴

³ Existing Annual Taxes: \$15,228 - New Annual Taxes DURING the Incentive: \$36,920 & Taxes after the Incentive EXPIRES: \$94,368

⁴ Area Map courtesy of DEGC



1441 & 1451 Brooklyn

Attachment: Assessor's Letter, dated September 24, 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

September 24, 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 – CM Brooklyn LLC**
 Addresses: 1441/1451 Brooklyn
 Parcel Number: 06005352/06005351.

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 **1441/1451 Brooklyn** located in the **Corktown** 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
06005352.	1441 Brooklyn	\$ 154,500	\$ 147,391	\$ 9,400	\$ 8,967
06005351.	1451 Brooklyn	17700	14841	3100	2599

The project as proposed by the **CM Brooklyn LLC** consists of a 4-story vacant industrial building with 15,689 square feet of building area and a 2-story vacant mixed use building with 2,568 square feet of building area on 0.149 acres of land. The proposed project consists of rehabilitating both building as office space and retail/residential housing. The buildings will undergo major renovations including window replacement, floor replacement, roof replacement, all major mechanical, plumbing and electrical systems replacement, and installation of new furniture and fixtures.

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
CM Brooklyn 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 **1441/1451 Brooklyn** 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
CM Brooklyn LLC
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Property Address: 1441 BROOKLYN
Parcel Number: 06005352.
Property Owner: CM BROOKLYN LLC
Legal Description: W BROOKLYN S 80 FT 1 BLK 60 COL D BAKER L17 P272-3 DEEDS, W C R 6/11 80 X 50

Property Address: 1451 BROOKLYN
Parcel Number: 06005351.
Property Owner: CM BROOKLYN LLC
Legal Description: W BROOKLYN N 50 FT 1 BLK 60 COL D BAKER L17 P272-3 DEEDS, W C R 6/11 50 X 50

