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# City of Detroit

## CITY COUNCIL

LEGISLATIVE POLICY DIVISION  
208 Coleman A. Young Municipal Center  
Detroit, Michigan 48226  
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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director   
Legislative Policy Division Staff

DATE: September 7, 2022

RE: **Marrow Detroit Provisions, LLC Public Act 198 Certificate Request**

### **Industrial Facility Abatements (Public Act 198 of 1974)**

Public Act 198 of 1974, as amended, is the primary tool local units of government use as an incentive to renovate and expand manufacturing plants or to build new plants. The local legislative body grants the abatement, which reduces local property taxes by roughly 50% on new plants. In the case of a rehabilitation project, the obsolete State Equalized Value (SEV) is frozen and the investment on improvements is 100% exempt from property taxes. Abatements cover both real and personal property and can run from 1 to 12 years at the option of the local unit of government.

### **Marrow Detroit Provisions, LLC**

The project developer is Marrow Detroit Provisions, LLC.<sup>1</sup> is the project developer of the property located at 2442 Riopelle, The project as proposed consists of a former meat processing property with approximately 14,196 square feet on 0.200 acres of land. The owner proposes to convert the property into meat processing, retail butcher, and tasting room/restaurant/bar space. The restoration requires extensive reconfiguration, including mechanical upgrades. This PA 255 certificate request is solely for the **industrial/processing portion of the property**. The DEGC has recommended a full 12-year PA 198 certificate. In addition, the developer is also seeking the approval of a PA 255 certificate, which covers solely *the non-industrial/processing portion of the property*.

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<sup>1</sup> Development Team Principal(s): Jon Updyke and Ping Ho

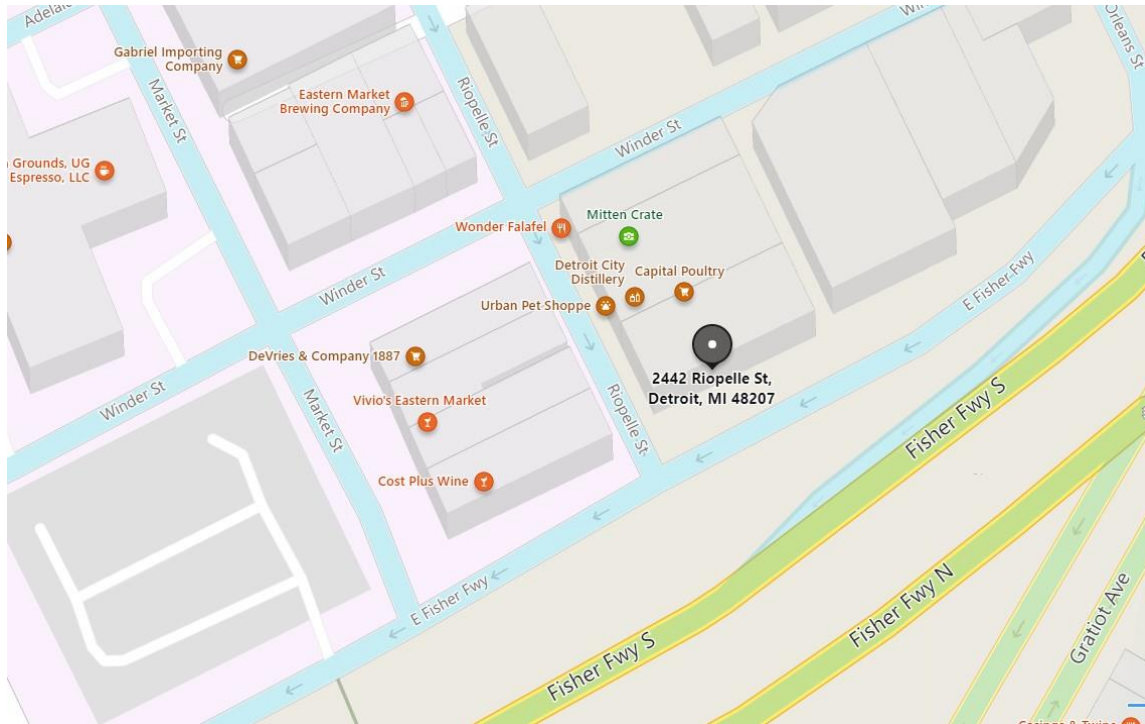
**DEGC Property Tax Abatement Evaluation**

**Property Address:** 2442 Riopelle  
**Developer:** 2442 Riopelle LLC  
**Development Team Principal(s):** Jon Updyke and Ping Ho  
**Prepared By:** Catherine Frazier

<b>Description of Incentive: PA 198 Industrial Development District AND PA 255 Commercial Redevelopment - Restoration</b>		
<b>DEGC Abatement Term Recommendation</b>	<b>12 years</b>	
<b>Location</b>		
Address	2442 Riopelle	
City Council District	5	
Neighborhood	Eastern Market	
Located in HRD/SNF Targeted Area	NA	
<b>Building Use</b>		
Total Industrial Square Footage	6,968	
Total Retail Square Footage	13,017	
Total Square Feet	19,985	
Parking Spaces	77	
<b>Project Description</b>		
<p>This development is seeking the establishment of two different abatement districts for portions of the building. The district will apply to the full parcel boundary. At the future time of the certificate application, separate certificates will be requested for designated use square footage as appropriate.</p> <p>The \$5.4M rehabilitation of the approximately 19,000 SF building will house Marrow Detroit Provisions (MDP), a USDA meat processing facility for ethically and sustainably sourced meat, focusing on a variety of premium raw and processed beef and pork products. Complementing the meat processing facility will be a retail butcher shop and tasting room/restaurant/bar. The concept is similar to a winery or distillery where consumers can see the products being made, as well as sample and buy the products under a single roof. MDP is inspired by Marrow (partly owned by project investors), which is a highly successful restaurant and butcher shop in Detroit’s West Village.</p> <p>The restaurant and tasting room will highlight the products of MDP, which customers can then purchase at the retail butcher shop. The restaurant will have a first-floor bar, second floor dining room and rooftop seating with a more extensive menu featuring MDP meats. The kitchen will be overseen by Marrow’s acclaimed Executive Chef, Sarah Welch, who is James Beard nominated and is a contestant on the 2022 season of Top Chef. The upstairs and rooftop will be rented out for events on selected days. All in all, we expect the businesses will be significant new employers in the market, creating new jobs in management, meat processing, logistics, marketing, restaurant food preparation, restaurant service, and retail service. Anticipated employee hiring will start with 20 employees and grow to 35 or more employees.</p>		
<b>Sources and Uses of Capital Summary</b>		
Total Investment	\$5,430,692	
Sources	Member Loan \$3M, Equity \$1M, Tenant TI Contributions, \$1,430,692	
Uses	Acquisition \$1.7M, Hard Costs \$3,158,692, Soft Costs \$572K	
<b>Project Economic Benefits Summary</b>		
Estimated Jobs (FTE/Construction)	35 FTE / 35 Construction	
	PA 255	PA 198
Estimated City benefits before tax abatement	<b>\$668,166</b>	<b>\$725,763</b>

Total estimated City value of abatement	(\$179,522)	(\$96,666)
Less cost of services & utility deductions	(\$118,890)	(\$157,517)
Net Benefit to City with abatement	\$369,754	\$471,580

### Site Plan



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

	Amount
Real Property Taxes, before abatement	\$99,648
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$209,019
Municipal Income Taxes - Indirect Workers	\$72,124
Municipal Income Taxes - Corporate Income	\$55,084
Municipal Income Taxes - Construction Period	\$12,503
Utility Revenue	\$48,182
Utility Users' Excise Taxes	\$23,357
State Revenue Sharing - Sales Tax	\$90,215
Building Permits and Fees	\$8,400
Miscellaneous Taxes & User Fees	\$107,230
<b>Subtotal Benefits</b>	<b>\$725,763</b>
Cost of Providing Municipal Services	(\$109,336)
Cost of Providing Utility Services	(\$48,182)
<b>Subtotal Costs</b>	<b>(\$157,517)</b>
<b>Net Benefits</b>	<b>\$568,246</b>

Chart 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	\$725,763	(\$157,517)	(\$96,666)	\$0	\$0	\$471,580
Wayne County	\$48,460	(\$24,441)	(\$23,062)	\$0	\$0	\$956
Detroit Public Schools	\$219,415	(\$130,548)	(\$85,944)	\$0	\$0	\$2,923
State Education	\$17,803	\$0	(\$17,271)	\$0	\$0	\$533
Wayne RESA	\$16,177	\$0	(\$15,693)	\$0	\$0	\$484
Wayne County Comm. College	\$9,607	\$0	(\$9,320)	\$0	\$0	\$288
Wayne County Zoo	\$296	\$0	(\$287)	\$0	\$0	\$9
Detroit Institute of Arts	\$592	\$0	(\$574)	\$0	\$0	\$18
<b>Total</b>	<b>\$1,038,113</b>	<b>(\$312,506)</b>	<b>(\$248,817)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$476,790</b>

	Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive
City of Detroit	\$3,413	\$3,424	\$21,129
Library	\$546	\$548	\$3,380
Wayne County	\$945	\$948	\$5,847
Detroit Public Schools	\$3,520	\$3,531	\$21,791
State Education	\$707	\$710	\$4,379
Wayne RESA	\$643	\$645	\$3,979
Wayne County Comm. College	\$382	\$383	\$2,363
Wayne County Zoo	\$12	\$12	\$73
Detroit Institute of Arts	\$24	\$24	\$146
<b>Total</b>	<b>\$10,191</b>	<b>\$10,223</b>	<b>\$63,086</b>

Charts courtesy of the DEGC

**Conclusion**

The estimated total investment is approximately \$5,430,692. The developer has committed to create 35 temporary construction jobs and 20 FTE positions.<sup>3</sup> The total value of the twelve-year PA 198 tax abatement is estimated at **\$248,817**.

Based on the investment and jobs, the new industrial operation is projected to provide the City of Detroit a net benefit of **\$471,580** and all of the impacted taxing units, a net benefit of **\$476,790** over the 12 years of the PA 198 abatement, which is inclusive of a net benefit of **\$2,923** to the Detroit Public Schools (DPS old).

The City’s IFEC tax abatement contract with Marrow Detroit Provisions, LLC, based on the provisions in PA 198, allow for revocation and or clawback,<sup>4</sup> if the written promises made by Marrow Detroit Provisions, LLC, the recipient of the abatement, are not met. The current proposed project, subject to Council approval, is bound by the provisions of PA 198 (MCL 207.572 (1)).

<sup>2</sup> Existing Annual Taxes: \$10,191 - New Annual Taxes AFTER (During) Incentive: \$10,223 New taxes Without Incentive (after the incentive expires): \$63,086

<sup>3</sup> The letter from the developer mentions 20 industrial related jobs, but the actual certificate application lists 16 employees in the first two years.

<sup>4</sup> The term **clawback** refers to any money or benefits that have been given out, but the money or benefits are required to be returned due to special circumstances or events, or where there is a clawback provision in a contract.

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

**Attachment:** Assessor's Letter dated October 7, 2020<sup>5</sup>

cc: Auditor General's Office  
Donald Rencher, Chief of Services and Infrastructure  
Antoine Bryant, Planning and Development Department  
Julie Schneider, HRD  
Veronica Farley, HRD  
Charles Ericson, Office of the CFO/Office of the Assessors  
Stephanie Grimes Washington, Mayor's Office  
Gail Fulton, Mayor's Office  
Malinda Jensen, DEGC  
Kenyetta Bridges, DEGC  
Jennifer Kanalos, DEGC  
Brian Vosburg, DEGC



**Current street view of 2442 Riopelle <sup>6</sup>**

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<sup>5</sup> The date of the letter may be a scrivener's error.

<sup>6</sup> Source: 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

October 7, 2020

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

Re: **Industrial Facilities Tax Exemption (PRD) Certificate – Marrow Detroit Provisions LLC**  
 Address: 2442 Riopelle  
 Parcel 07001964.

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the application by **Marrow Detroit Provisions LLC** for approval of an Industrial Facilities Tax (IFT) Plant Rehabilitation District (PRD) certificate as it relates to the Plant Rehabilitation and Industrial Development District Act, PA 198 of 1974, as amended.

The rationale for approving IFT PRD certificates under PA 198 of 1974, as amended, is based upon the anticipation that the subsequent tax abatement will benefit the city and that expansion, retention, or location of an eligible business will not occur without this exemption. PA 198 of 1974, as amended, also provides a tax incentive to manufacturers in order to enable renovation, restoration, and expansion of aging facilities, building of new facilities, and to promote establishment of high tech facilities. "Restoration" means changes to obsolete industrial property other than replacement as may be required to restore the property, together with all appurtenances to the property, to an economically efficient functional condition.

The 2020 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
07001964.	2442 Riopelle	\$ 57,800	\$ 57,800	\$ 9,100	\$ 9,100

The project as proposed by **Detroit Marrow Provisions LLC** consists of a former meat processing property with approximately 14,196 square feet on 0.200 acres of land. The owner proposes to convert the property into meat processing, retail butcher, and tasting room/restaurant/bar space. The restoration requires extensive reconfiguration, including mechanical upgrades. This IFT request is solely for the industrial/processing portion of the property.





June 9, 2022

Detroit City Council  
Coleman A. Young Municipal Center  
Two Woodward Avenue  
Detroit, Michigan 48226

Re: Rehabilitation and Reopening of 2442 Riopelle Street

Honorable City Council:

I am writing to voice my wholehearted support of the new Marrow project led by Detroit-based restaurateur Ping Ho at 2442 Riopelle Street in Eastern Market and its request for property tax abatements. I own Bea's Detroit at 1533 Winder Street nearby in the district.

This area of Eastern Market has grown in vibrancy over the past few years and I expect the Marrow group to add several new and welcomed dimensions to the activity:

- The restaurant and bar will add a quality dining option to the area, in particular given the esteemed culinary reputation of the flagship Marrow restaurant in the West Village. A successful restaurant serving both lunch and dinner will help attract and keep visitors in the area on weekdays and weekends, creating a cross-benefit to other businesses in the area like mine.
- The retail butcher shop will be a welcome addition as it will attract new visitors to this area of the market, especially during the day and on weekdays when the street tends to be quiet. Marrow's butcher shop is in line with Eastern Market's legacy and mission to be a destination for local and specialty food vendors.
- I believe the Marrow Detroit Provisions meat processing operation adds to the rich history and authenticity of the market as a food production area. Plus, more daytime employees in the area mean more patrons of businesses in the market like mine.

Ping, her business partners and team have also demonstrated a true desire to be good neighbors and do the right things to help make Eastern Market an even better place than it is today. I am excited for their operations to commence.

If you have any questions, please free to contact me.

Sincerely,

Eli Wolnerman, Co-Owner Bea's Detroit



April 29, 2022

Jayda Philson  
Zoning Manager  
Buildings, Safety Engineering and Environmental Department  
Coleman A. Young Municipal Center  
2 Woodward Avenue, Suite 407  
Detroit, MI 48226

**Re: Letter of Support for project at 2442 Riopelle St.**

Dear Ms. Philson

The Eastern Market Partnership strongly supports the proposed project by Ping Ho and associates at 2442 Riopelle Street.

Since 2007, Eastern Market Partnership has been the non-profit corporation that promotes and manages Eastern Market on behalf of the City of Detroit and serves as the official business support organization of the Eastern Market District.

Over the past five years we have been working to retain and enhance the authenticity of Eastern Market as a working food district. This project is exactly the kind of new investment we seek in that it combines a USDA licensed food production facility along with restaurant uses.

Our support for this project includes providing parking in Lots 1, 2, and 3 all located within two blocks of the property.

We thank you in advance for your thoughtful and careful review of their plans along and urge your support for this exciting project.

Sincerely,

Daniel Carmody  
Chief Executive Officer





Detroit City Council  
Coleman A. Young Municipal Center  
Two Woodward Avenue  
Detroit, Michigan 48226

Re: Rehabilitation and Reopening of 2442 Riopelle Street

Honorable City Council:

We support the new Marrow project led by Detroit-based restaurateur Ping Ho at 2442 Riopelle Street in Eastern Market and its request for property tax abatements. We operate Detroit City Distillery next door. We believe this important redevelopment project will increase the vibrancy of our block and Eastern Market overall. This project will have a positive impact on our business as well as our neighbors.

- The restaurant and bar will add a quality dining option to the area that fills an unmet demand in Eastern Market. A successful restaurant serving both lunch and dinner will help attract and keep visitors in the area on weekdays and weekends, creating a cross-benefit to other businesses.
- The retail butcher shop elevates Eastern Market's legacy and mission as a destination for food producers and manufacturers. It's a perfect fit for the Market and the addition of a new butcher shop demonstrates that this essential use can continue to thrive in the future.

Ping, her business partners and team have been good neighbors and want to make Eastern Market an even better place than it is today. If you have any questions, please free to contact me.

Sincerely,

Michael Forsyth, Owner

Detroit City Distillery  
2462 Riopelle, Detroit, MI 48207  
(o) 313.338.3760 (c) 313.610.0655  
forsyth@detroitcitydistillery.com