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City of Detroit
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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: July 12, 2023

RE: **10:15 Public Hearing Avanath North End Parcel Owner 1, LLC PA 210 Certificate Request (202 Smith) Petition # 2023-100-A**

The Commercial Rehabilitation Act, PA 210 of 2005, is a tax incentive for the rehabilitation of commercial property for the primary purpose and use of a commercial business or a multi-family residential facility. The property must be located within an established Commercial Rehabilitation District. Exemptions are approved for a term of 1-10 years, as determined by the local unit of government. The property taxes are based upon the prior year's taxable value.

Avanath North End Parcel Owner 1, LLC, is the project developer of the parcel located at **202 Smith**, which is included in the current PA 210 certificate request. This is a single element of the larger **North End Landings¹** project. The developer intends to redevelop the site, currently a 0.467 acre parking lot, into 33 apartments, including 20% of the units available at affordable rental rates. The developers have also requested approvals of both a Brownfield TIF and Neighborhood Enterprise Zone tax abatement.²

Building Use Multi-Family

Total Residential Square Footage	18,817 SF
Total Residential Units	33 units (20% affordable @ 80% AMI)
Studio	9 units; 363 avg. SF; \$1,050-\$1,250/mo rent
1 Bedroom	20 units; 600 avg. SF; \$1,252-\$1,670/mo rent
2 Bedroom	4 units; 825 avg. SF; \$1,501-\$2,200/mo rent

¹ **North End Landings:** Avanath North End Parcel Owner 1, LLC, joined by Civic Tekton North End LLC, each propose to construct residential units on the property. Civic Tekton North End LLC proposes to construct a total of eight (8) affordable for-sale attached townhomes on the property (incentivized via the NEZ). The new development proposed to be constructed on the property is expected to create a total of eight (8) affordable for-sale townhomes and one hundred seventy seven (177) apartments of which ninety five (95) are proposed to be intended for occupancy by senior citizens. Overall, the North End project is expected to create 185 new households. The overall project is expected to create 200 temporary construction job and 4 FTE's. The property consists of twenty-five (25) tax parcels.

² The NEZ is related to the eight (8) affordable for-sale townhomes.

DEGC Project Evaluation Checklist

North End Landings

Developer: Avanath North End Parcel Owner I, LLC & Civic Tekton North End LLC

Principals: Daryl Carter, CEO of Avanath; Everett Stone, Vanguard Community Development; Jason Jones, Tekton

Commercial Rehabilitation Act, **PA 210 of 2005 as amended** – Current taxes frozen at pre-rehab construction values, local taxes abated for up to 10 years

Request Type	PA 210 Certificate
DEGC Recommendation	10-Year Approval of PA 210 Certificate
Location	
Address	202 Smith
City Council District	District 5
Neighborhood	North End
Building Use	
Total Residential Square Footage	18,817 SF
Total Residential Units	33 units (20% affordable @ 80% AMI)
Studio	9 units; 363 avg. SF; \$1,050-\$1,250/mo rent
1 Bedroom	20 units; 600 avg. SF; \$1,252-\$1,670/mo rent
2 Bedroom	4 units; 825 avg. SF; \$1,501-\$2,200/mo rent
Project Description	
<p>North End Landings (the “Project”) is a proposed mixed income (market rate and affordable) multifamily development in the historic North End, which is located just north of Downtown Detroit and near Wayne State University. The full project is new construction that will consist of 177 multifamily units across a scattered site in an area generally bound by John R, E. Bethune, Chandler, and St. Antoine streets, to be delivered starting in September of 2024 with construction expected to be complete in early 2025.</p> <p>For the purpose of economic impact reporting, the investment and tax incentive have been broken out per site. The overall project investment is \$42.2M; total acquisition \$1.7M, total hard costs \$33.5M, total soft costs \$7M. The total value of the PA 210 abatement from the city is estimated at \$1,881,671. The total net benefit to the city is estimated at \$1,491,737 over the life of the abatement.</p>	
Sources and Uses	
Total Investment	\$7.3M
Sources	\$7.3M Equity (100%)
Uses	\$303K Acquisition (4%); \$5.8M Hard Costs (79%); \$1.2M Soft Costs (17%)
Project Benefits	
Estimated Jobs	4 FTE (Overall Project) / 35 Construction
Estimated City benefits before tax abatement	\$712,408
Total estimated City value of PA 210 abatement	\$326,730
Less cost of services & utility deductions	\$137,134
Net Benefit to City	\$248,544

City of Detroit: Benefits, Costs, and Net Benefits over the Next 10 Years

	Amount
Real Property Taxes, before abatement	\$326,730
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$6,208
Municipal Income Taxes - Indirect Workers	\$1,637
Municipal Income Taxes - Corporate Income	\$2,874
Municipal Income Taxes - Construction Period	\$35,050
Municipal Income Taxes - New Res. Inhabitants	\$163,743
Utility Revenue	\$134,988
Utility Users' Excise Taxes	\$12,242
State Revenue Sharing - Sales Tax	\$849
Building Permits and Fees	\$26,046
Miscellaneous Taxes & User Fees	\$2,040
Subtotal Benefits	\$712,408
Cost of Providing Municipal Services	(\$2,146)
Cost of Providing Utility Services	(\$134,988)
Subtotal Costs	(\$137,134)
Net Benefits	\$575,274

Impacted Taxing Units: Incentive Summary over the First 10 Years ³

	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	\$712,408	(\$137,134)	(\$326,730)	\$0	\$0	\$248,544
Wayne County	\$78,297	(\$660)	(\$77,636)	\$0	\$0	\$0
Detroit Public Schools	\$303,066	(\$10,756)	(\$126,479)	\$0	\$0	\$165,832
State Education	\$58,375	\$0	\$0	\$0	\$0	\$58,375
Wayne RESA	\$52,805	\$0	(\$52,805)	\$0	\$0	\$0
Wayne County Comm. College	\$31,330	\$0	(\$31,330)	\$0	\$0	\$0
Wayne County Zoo	\$965	\$0	(\$965)	\$0	\$0	\$0
Detroit Institute of Arts	\$1,932	\$0	(\$1,932)	\$0	\$0	\$0
Total	\$1,239,178	(\$148,550)	(\$617,877)	\$0	\$0	\$472,751

DEGC Chart of Taxes Before, During & After the Incentive ⁴

City of Detroit	\$3,364	\$3,445	\$29,309
Library	\$538	\$551	\$4,688
Wayne County	\$927	\$950	\$8,078
Detroit Public Schools	\$3,491	\$18,800	\$30,413
State Education	\$697	\$6,074	\$6,074
Wayne RESA	\$631	\$646	\$5,494
Wayne County Comm. College	\$374	\$383	\$3,260
Wayne County Zoo	\$12	\$12	\$100
Detroit Institute of Arts	\$23	\$24	\$201
Total	\$10,057	\$30,884	\$87,618

³ Charts courtesy of the DEGC

⁴ Existing Annual Taxes: \$10,057 - New Annual Taxes DURING the Incentive: \$30,884 & Taxes after the Incentive EXPIRES: \$87,618

Conclusion

The estimated total capital investment for this project is **\$7.3 million**. It is also estimated that the completed project will create 35 temporary construction jobs.⁵ The total value of the 10-year Commercial Rehabilitation tax savings is estimated at **\$617,877**.

Based on the investment and jobs, this project is estimated to provide the City of Detroit a net benefit of **\$248,544**, and all of the impacted taxing units, a net benefit of **\$472,751** over the 10 years of the Commercial Rehabilitation tax abatement.

However, if the developer does not proceed in good faith to complete the project, pursuant to Act, the City Council may revoke the certificate: *“The legislative body of the qualified local governmental unit may, by resolution, revoke the commercial rehabilitation exemption certificate of a facility if it finds that the completion of rehabilitation of the qualified facility has not occurred within the time authorized by the legislative body in the exemption certificate, or a duly authorized extension of that time, or that the holder of the commercial rehabilitation exemption certificate has not proceeded in good faith with the operation of the qualified facility in a manner consistent with the purposes of this act and in the absence of circumstances that are beyond the control of the holder of the exemption certificate.”*⁶

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

Attachments: May 10, 2023 - Letter from Finance Assessors
March 23, 2023 - CRIO⁷ Employment Clearance

cc: Auditor General’s Office
Donald Rencher, Chief of Services and Infrastructure
Antoine Bryant, Planning and Development Department
Julie Schneider, HRD
Veronica Farley, HRD
Stephanie Grimes Washington, Mayor’s Office
Gail Fulton, Mayor’s Office
Malik Washington, Mayor’s Office
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC

⁵ 4 FTE’s (Overall Project)

⁶ COMMERCIAL REHABILITATION ACT (Act 210) MCL. 207.852(1)

⁷ CRIO- Civil Rights, Inclusion & Opportunity Department



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

May 10, 2023

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

RE: Commercial Rehabilitation Certificate – **Avanath North End Parcel Owner I, LLC**
 Property Address: 202 Smith
 Parcel Number: 01002184-209

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the Commercial Rehabilitation certificate application for the properties located at **202 Smith** in the **North End** area in the City of Detroit.

The rationale for issuing Commercial Rehabilitation certificates under PA 210 of 2005, 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 developer intends to redevelop the site, currently a 0.467 acre parking lot, into 33 apartments, including 20% of the units available at affordable rental rates.

The 2023 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
01002184-209	202 Smith	\$0	\$0	\$116,200	\$116,200

This property meets the criteria set forth under PA 210 of 2005, as amended. It applies to a building or a group of contiguous buildings, a portion of a building or group of contiguous buildings previously used for commercial or industrial purposes, obsolete industrial property, and vacant property which, within the immediately preceding 15 years, was operating as a commercial business enterprise.

The property is currently owned by North End Landing LLC. The State Tax Commission (STC) has determined that applicants may proceed with obtaining local approval of the issuance of the certificate prior to acquiring title to the property, but that the certificate would be held in abeyance by the STC pending submission of proof of ownership.

A review of the general plans, along with the criteria set forth under the Commercial Rehabilitation Act, indicated that the proposed project located at **202 Smith** is eligible as it pertains to the Commercial Rehabilitation certificate criteria under P.A. 210 of 2005, as amended.

Sincerely,

Charles Ericson, MMAO
 Assessor, Board of Assessors



Commercial Rehabilitation Certificate
Avanath North End Parcel Owner I, LLC
Page 2

Parcel: 01002184-209
Owner: North End Landing LLC
Property Address: 202 Smith
Legal Description: S SMITH W 15 FT OF 139 140 THRU 144WM Y HAMLINS & S J BROWNS SUB L8 P72 PLATS W C R 1/103 176.84 X 115





COLEMAN A. YOUNG MUNICIPAL CENTER
2 WOODWARD AVENUE, SUITE 1240
DETROIT, MICHIGAN 48226
PHONE: 313.224.4950
FAX: 313.224.3434

Decision Regarding Employment Clearance for Tax Abatement Employment Commitment <5 Full-time Employees

Date: May 23, 2023

Tax Abatement Type: PA 210

New Renewal

Duration of Abatement: 10 years

Development Name: North End Landing

Development: A total of 177 new apartments in multiple buildings on adjacent or nearby vacant parcels on several blocks in the North End Neighborhood

Parcel/Facility Address: 36 parcels in area of 202 – 325 Smith, 309-331 and 501-561 E. Bethune

Applicant/Recipient: Richard Barr

Applicant Contact: rbarr@honigman.com 248-465-7308

Post-Construction Employment Commitments

If Developer Occupied is selected, the Developer will be responsible for both Developer and Tenant requirements listed below.

Developer Occupied Tenant Occupied

Total Employment: 4

Developer commits to

- 1) Report to CRIO annually;
 - a. Developer’s efforts regarding tenants
 - b. Tenant’s compliance with commitments stated below (3)
 - c. Total number of employees at the facility
 - d. Number of employees at the facility who are Detroit residents
- 2) Provide Detroit at Work (DAW) information to any/all tenant(s) for life of abatement
- 3) Work with Commercial Tenant(s) to do the following;
 - a. **Post all Detroit job openings through the DAW website;**
 - b. **Report to Developer annually;**
 - i. Tenant’s compliance with requirements
 - ii. The number of individuals employed by Tenant
 - iii. The number of employees who are Detroit residents

The Applicant/Recipient has provided the Civil Rights, Inclusion and Opportunity Department (CRIO) required information in accordance with specific current and future employment data and commitments as part of a tax abatement agreement with the City of Detroit.

Therefore my signature below grants **Approval** of the above tax abatement application/renewal based upon annual reports to and appraisals by this agency of the recipient’s employment measures projected and achieved for the duration of the abatement.



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**Decision Regarding Employment Clearance for Tax Abatement
Employment Commitment <5 Full-time Employees**

Tenika R. Griggs, Esq. _____

CRIO Deputy Director Name

DocuSigned by:

Tenika R. Griggs, Esq.

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CRIO Deputy Director Signature

5/24/2023

Date