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TO: COUNCIL MEMBERS
FROM: David Whitaker, Director
Legislative Policy Division Staff
DATE: October 11, 2018
RE: Eastern Market Gateway Brownfield Redevelopment Plan
PA 381 of 1996 PUBLIC HEARING

The Brownfield Redevelopment Financing Act 381 of 1996

The Brownfield Redevelopment Financing Act 381 of 1996 provides tax incentives (i.e. tax increment financing) to develop brownfields properties in an area at or on which there has been a release (or threat of release) or disposal of a hazardous substance.

Eastern Market Gateway Brownfield Redevelopment Plan

Dev Detroit 1346 Gratiot LLC, an affiliate of Develop Detroit and Town Partners, is the project developer. The project, located at the southern gateway of Detroit's Eastern Market, involves the construction of approximately 200 residential units, with a minimum of 20% of those units priced to meet affordable unit requirements for 80% of the Area Median Income. The developer has indicated that the project at a minimum, will include approximately 20,000 square feet of retail and commercial space, inclusive of live/work spaces as well as restaurant/bar uses and additional tenants. The project will entail a mix of new construction and the rehabilitation of existing structures. A parking structure will be constructed in the central portion of the property with a minimum of 200 parking stalls, of both structured and surface parking to accommodate the development. The capture period is for 30 years.

The total investment is estimated to be \$70 million. The Developer is requesting a \$16,531,896 TIF¹ reimbursement and the total costs to under the plan is a \$20,510,091² TIF.

¹ Tax Increment Financing (TIF) subsidizes an entity by refunding or diverting a portion of their taxes to help finance development in an area or on a project site.

² Including the Authority Administrative costs at \$2,760,691, the State Brownfield Redevelopment Fund at \$1,107,017 and the Local Brownfield Revolving Fund at \$110,487.

There will be 70 temporary construction jobs and 40 FTE jobs. The 70 temporary construction jobs are expected to be created over a 2-year period once construction begins. The 40 FTE jobs are associated with the commercial and retail components of the project.

The eligible property consists of twenty-one (21) parcels, which will be combined into one parcel prior to City Council approval of the Plan: bounded loosely by Gratiot Avenue to the north, Russell Street to the east, Maple Street to the south, and Rivard Street to the west and includes the right-of-way in Detroit’s Eastern Market neighborhood. The Property is considered “eligible property” as defined by Act 381, Section 2 because (a) the Property was previously utilized or is currently utilized for a commercial and industrial use; (b) it is located within the City of Detroit, a qualified local governmental unit under Act 381; and (c) the Property is determined to be a “facility.”

The “eligible activities” that are intended to be carried out at the Property are considered “eligible activities” as defined by Section 2 of Act 381, because they include Pre-Approved Activities, Department Specific Activities (such as environmental remediation and abatement), Demolition Activities, Asbestos and Lead Abatement, Infrastructure Improvements, Site Preparation Activities, and Preparation and Implementation of a Brownfield Plan/Act 381 Work Plan. The eligible activities and budgeted costs are intended as part of the development of the Property and will be financed solely by the developer. The Authority is not responsible for any costs of eligible activities and will incur no debt. Construction is anticipated to begin in the spring of 2019 and eligible activities are slated to be completed within 24 months.

The developer is seeking reimbursement for the costs of eligible activities via the brownfield development plan. Tax increment revenue generated by the property will be captured by the DBRA and used to reimburse the cost of the eligible activities completed on the property after approval of this Plan pursuant to the terms of a Reimbursement Agreement with the DBRA.³

COST TO BE REIMBURSED WITH TIF	Tax Capture
1. Environmental Investigation and BEA	\$80,000
2. Demolition	\$300,000
3. Lead and Asbestos Activities	\$110,000
4. Site Preparation	\$2,183,913
5. Infrastructure Improvements	\$11,020,160
6. Brownfield Plan & Act 381 Work Plan	\$60,000
7. Department Specific Activities	\$639,750
8. Contingency – (15%)	\$2,138,073
*Total Reimbursement to Developer	<u>\$16,531,896</u>
10. Authority Administrative Costs	\$2,760,691
11. State Brownfield Redevelopment Fund	\$1,107,017
12. Local Site Remediation Revolving Fund	\$110,487
TOTAL Estimated Costs	<u>\$20,510,091</u>

³ The actual cost of those eligible activities encompassed by this Plan that will qualify for reimbursement from tax increment revenues of the DBRA from the property shall be governed by the terms of the Reimbursement Agreement.

The developer is also seeking additional incentives, which will include the approval of Commercial Rehabilitation Act (PA 210 of 2005)⁴ for up to ten years, Michigan Community Revitalization Program funds,⁵ Project Based Vouchers (PBV),⁶ Low Income Housing Tax Credits (LIHTC),⁷ and HOME funds.⁸

Tax increments are projected to be captured and applied to (1) reimbursement of eligible activity costs and payment of DBRA administrative and operating expenses, (2) make deposits into the State Brownfield Revolving Fund (SBRF), and (3) make deposits into the DBRA's Local Site Remediation Revolving Fund (LSRRF), as follows:

	Reimbursements Costs	Admin. Costs	State Revolving Fund	Revolving Fund
City Operating	\$4,496,797	\$1,258,204	-	\$56,365
Library	\$1,043,671	\$292,019	-	\$13,082
Wayne County	\$1,762,928	\$493,267	-	\$22,098
HCMA	\$48,367	\$13,533	-	\$606
RESA	\$780,787	\$218,464	-	\$9,787
WCCC	\$730,414	\$204,370	-	\$9,155
School Operating	\$5,751,700	-	-	-
SET	\$1,917,233	-	\$1,107,017	-

In addition, the following taxes are projected to be generated but shall not to be captured during the life of the Plan:

City Debt	\$ 2,435,581
School Debt and Judgment	\$ 3,843,943
Wayne County DLA	\$ 59,138
Wayne County Zoo	\$ 29,569
Total	\$ 6,368,230

Source: Detroit Brownfield Redevelopment Authority

In no event shall the duration of this Plan exceed thirty-five (35) years following the date of the governing body's resolution approving this Plan, nor shall the duration of the tax capture exceed the lesser of the period authorized under subsection (5) of Section 13 of Act 381 or 30 years. Further, in no event shall the beginning date of the capture of tax increment revenues be later than five (5) years after the date of the governing body's resolution approving this Plan or such other date as authorized by Act 381.

⁴ Commercial Rehabilitation Act, PA 210 of 2005 MCL 207.841 et.al. (a tax incentive for the rehabilitation of commercial property) LPD will provide a report on this under a separate cover.

⁵ The Michigan Community Revitalization Program (MCRP) is an incentive program available from the Michigan Strategic Fund (MSF), in cooperation with the Michigan Economic Development Corporation (MEDC), designed to promote community revitalization that will accelerate private investment in areas of historical disinvestment

⁶ The Project Based Voucher (PBV) of the Michigan State Housing Development Authority's (MSHDA) Housing Choice Voucher (HCV) Program. The HCV program is federally funded by HUD and is the primary resource for providing rental assistance to very low to moderate income families.

⁷ The Low-Income Housing Tax Credit (LIHTC)

⁸ HOME Rent Limits <https://www.hudexchange.info/programs/home/home-rent-limits/>

Parcel Information:

Parcel Address	Parcel ID Number	Current Owner
Russell Street Building -- Phase 1A		
2011 Russell Street	05003462-76	Dev Detroit 1346 Gratiot LLC
2033 Russell Street	05003461.00 2L	Dev Detroit 1346 Gratiot LLC
2105 Russell Street	5003461	Dev Detroit 1346 Gratiot LLC
1301 Maple Road	05000618-9	Dev Detroit 1346 Gratiot LLC
1325 Maple Road	5000620	Dev Detroit 1346 Gratiot LLC
1337 Maple Road	5000621	Dev Detroit 1346 Gratiot LLC
1399 Maple Road	5000623	Dev Detroit 1346 Gratiot LLC
Gratiot Building -- Phase 1B		
1314 Gratiot Avenue	05000642-6	Dev Detroit 1346 Gratiot LLC
1328 Gratiot Avenue	5000641	Dev Detroit 1346 Gratiot LLC
1334 Gratiot Avenue	5000640	Dev Detroit 1346 Gratiot LLC
1336 Gratiot Avenue	5000639	Dev Detroit 1346 Gratiot LLC
1340 Gratiot Avenue	5000638	Dev Detroit 1346 Gratiot LLC
1346 Gratiot Avenue	5000637	Dev Detroit 1346 Gratiot LLC
1352 Gratiot Avenue	5000636	Dev Detroit 1346 Gratiot LLC
1358 Gratiot Avenue	5000635	Dev Detroit 1346 Gratiot LLC
1364 Gratiot Avenue	5000634	Dev Detroit 1346 Gratiot LLC
1380 Gratiot Avenue	5000633	Dev Detroit 1346 Gratiot LLC
1384 Gratiot Avenue	5000632	Dev Detroit 1346 Gratiot LLC
1388 Gratiot Avenue	5000631	Dev Detroit 1346 Gratiot LLC
1350 Service Street	5000625	Dev Detroit 1346 Gratiot LLC
1366 Service Street	5000624	Dev Detroit 1346 Gratiot LLC

Source: Detroit Brownfield Redevelopment Authority

Feasibility of the Brownfield Approval

The proposed residential use will be situated along Gratiot Avenue and Russell Street. Retail and commercial spaces will front Gratiot Avenue and Maple Street and will be inclusive of live/work spaces. Office space is also proposed within the building along Maple Street. The overall project will provide additional tenants and merchants to support the Eastern Market. Currently 20 of the 21 parcels are eligible either because they are determined to be a “facility” or adjacent and contiguous to a “facility”. Once the parcel combination occurs, the entire Property will meet the definition of a “facility.” In 2014, a Phase II Environmental Site Assessment (ESA)⁹ was conducted on 1346-1364 Gratiot Avenue and 1350-1366 Service Street. BVNA completed a scope of work consisting of advancing 12 soils borings, installing one temporary monitoring well, and collecting 12 soil samples and one groundwater sample for analysis.

PM Environmental, Inc. (PM) conducted a Phase II ESA in 2015 on the parcels identified as 1314-1340 and 1380-1388 Gratiot Avenue, 2011-2105 Russell Street, and 1301-1337 and 1399 Maple Street. The 2015 Phase II ESA consisted of 28 soil borings and collection of 40 soil samples. In addition, two temporary monitoring wells were installed in the subject building identified as 1325-1337 Maple Street to assess the non-aqueous phase liquid (NAPL)¹⁰ identified, and a liquid sample and a groundwater sample were collected for laboratory analysis.

The soil and groundwater samples collected exceed the Michigan Department of Environmental Quality (MDEQ) Part 201 Residential and Nonresidential (Drinking Water Protection/Drinking Water (DWP/DW), cleanup criteria from the subject property and the presence of NAPL.

The list of eligible activities follow on the next page.

Conclusion

The plan for Eastern Market Gateway, which includes a mixed-use project at the southern gateway of Eastern Market, will consist of 200 new residential units, of which 20% of the rental units are affordable. The project, which will also incorporate, live/work, retail, commercial uses and a parking structure, is a viable alternative to a contaminated site and its completion, would be in the best interest of the city of Detroit. Therefore, given the **\$70 million investment**, the 200 new units of housing, the creation of 70 temporary construction jobs and 40 FTE jobs and the remediation of a contaminated site, **LPD recommends approval** of the Eastern Market Gateway Brownfield Redevelopment Plan.

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

cc: Auditor General's Office
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Maurice Cox, Planning and Development Department
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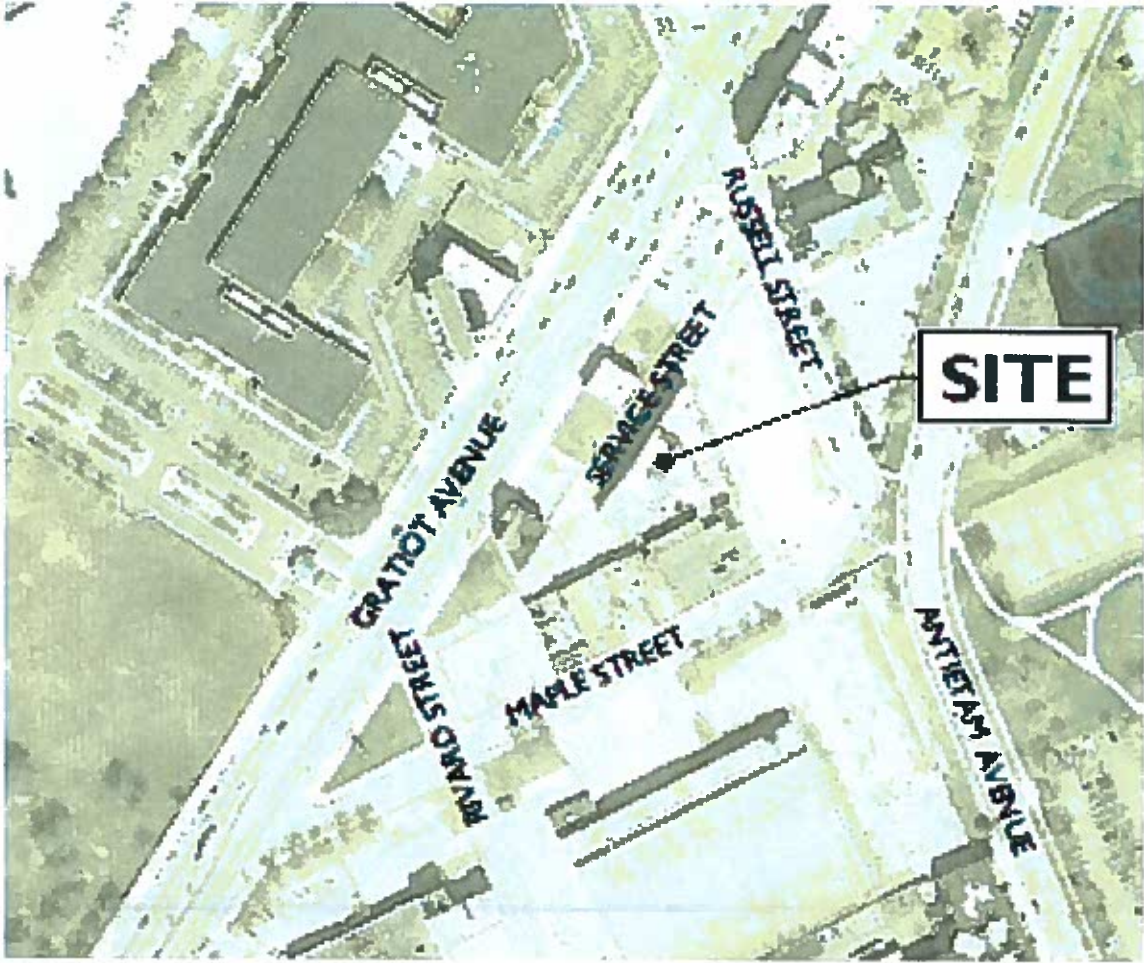
⁹ Phase II Environmental Site Assessment is an "intrusive" investigation which collects original samples of soil, groundwater or building materials to analyze for quantitative values of various contaminants. This investigation is normally undertaken when a Phase I ESA determines a likelihood of site contamination.

¹⁰ Nonaqueous Phase Liquids (NAPLs) are hazardous organic liquids such as dry cleaning fluids, fuel oil, and gasoline that do not dissolve in water.

Table 1: Eligible Activities Cost Estimates

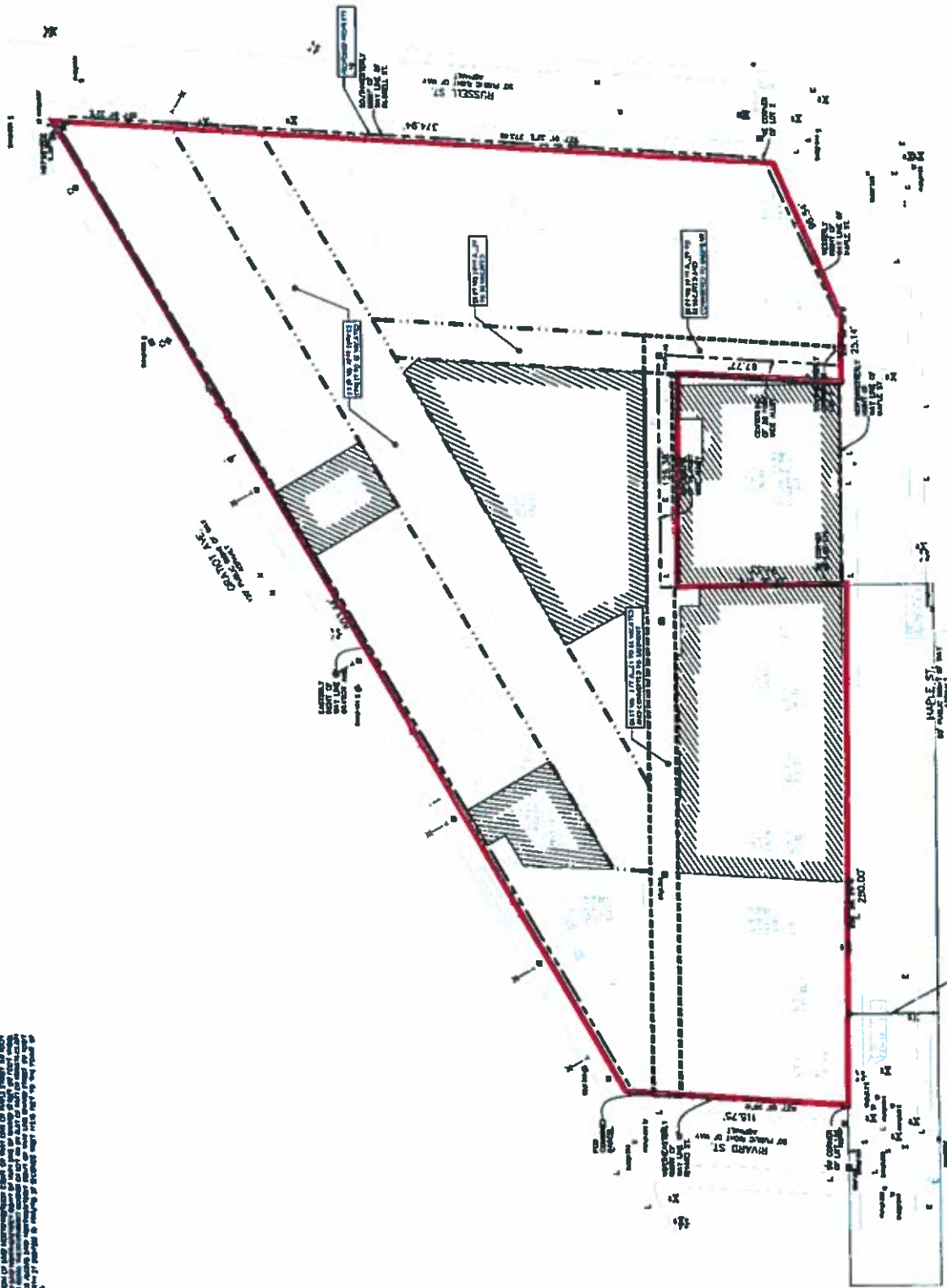
Item/Activity	Total Request	MSF Act 381 Eligible Activities - Russell	MDEQ Act 381 Eligible Activities - Russell	MSF Act 381 Eligible Activities - Gratiot	MDEQ Act 381 Eligible Activities - Gratiot
Pre-Approved Activities					
Phase I ESAs	\$ 30,000	\$ -	\$ 15,000	\$ -	\$ 15,000
Phase II ESA/BEA/DDCC	\$ 40,000	\$ -	\$ 20,000	\$ -	\$ 20,000
Hazardous Materials Survey	\$ 10,000	\$ -	\$ 5,000	\$ -	\$ 5,000
Baseline Environmental Assessments Sub-Total	\$ 80,000	\$ -	\$ 40,000	\$ -	\$ 40,000
Department Specific Activities					
Contaminated Soil Excavation, Transport, and Disposal (Russell St/Service St and Maple Road)	\$ 437,250	\$ -	\$ 247,500	\$ -	\$ 189,750
Excavation, transport, and disposal of hazardous material, removal of NAPL (liquid) at 1325-1337 Maple Rd)	\$ 90,000	\$ -	\$ 90,000	\$ -	\$ -
Excavation equipment decon and decon wastewater handling	\$ 7,500	\$ -	\$ 7,500	\$ -	\$ -
Management and disposal of up to 2,000 gallons of contaminated groundwater	\$ 3,000	\$ -	\$ 3,000	\$ -	\$ -
Orphan Tank Removal (1364 Gratiot Ave)	\$ 22,000	\$ -	\$ -	\$ -	\$ 22,000
Oversight, sampling, reporting	\$ 50,000	\$ -	\$ 50,000	\$ -	\$ -
Demarcation barriers for landscaped areas to address direct runoff	\$ 30,000	\$ -	\$ 15,000	\$ -	\$ 15,000
Department Specific Activities Sub-Total	\$ 638,750	\$ -	\$ 413,000	\$ -	\$ 228,750
Demolition					
Building/Site Demolition Activities	\$ 300,000	\$ 136,500	\$ -	\$ 163,500	\$ -
Demolition Sub-Total	\$ 300,000	\$ 136,500	\$ -	\$ 163,500	\$ -
Asbestos, Mold, and Lead Activities					
Asbestos Abatement	\$ 110,000	\$ -	\$ 55,000	\$ -	\$ 55,000
Asbestos and Lead Activities Sub-Total	\$ 110,000	\$ -	\$ 55,000	\$ -	\$ 55,000
Infrastructure Improvements					
Urban Storm Water Management Systems - Green Roof Stormwater Retention	\$ 198,360	\$ 198,360	\$ -	\$ -	\$ -
Former Busy Bee Building Multi-level Parking Structure	\$ 9,500,000	\$ -	\$ -	\$ 9,500,000	\$ -
Podium Parking Cost Differential - Russell Building	\$ 1,026,780	\$ 1,026,780	\$ -	\$ -	\$ -
Curbs and Gutters and Sidewalks	\$ 110,000	\$ 55,000	\$ -	\$ 55,000	\$ -
Improvements to Public Right of Ways and Alleys	\$ 105,000	\$ 25,000	\$ -	\$ 80,000	\$ -
Public Right of Ways - Paving	\$ 80,000	\$ -	\$ -	\$ 80,000	\$ -
Infrastructure Sub-Total	\$ 11,028,160	\$ 1,305,160	\$ -	\$ 9,718,000	\$ -
Site Preparation					
Temporary Construction Access/Roads	\$ 71,500	\$ 35,750	\$ -	\$ 35,750	\$ -
Temporary Traffic Control	\$ 16,500	\$ 8,250	\$ -	\$ 8,250	\$ -
Temporary Site Control (fencing, gates, signage and/or lighting)	\$ 291,500	\$ 145,750	\$ -	\$ 145,750	\$ -
Temporary Facility	\$ 98,000	\$ 49,500	\$ -	\$ 49,500	\$ -
Temporary Sheeting and Shoring	\$ 330,000	\$ 66,000	\$ -	\$ 264,000	\$ -
Relocation of Active Utilities (Electric, Gas, Water, Sewer)	\$ 330,000	\$ 110,000	\$ -	\$ 220,000	\$ -
Geotechnical Engineering Including Investigating Existing Subsurface Conditions, Soil Sampling, Assessing Risks Posed by Site Conditions, Designing Earthworks and Structure Foundations	\$ 22,000	\$ 11,000	\$ -	\$ 11,000	\$ -
Excavation for Unstable Material (urban/historic fill) and related backfill	\$ 1,023,413	\$ 268,750	\$ -	\$ 754,663	\$ -
Site Preparation Sub-Total	\$ 2,163,913	\$ 716,000	\$ -	\$ 1,448,913	\$ -
Preparation of Brownfield Plan and Act 381 Workplan					
Brownfield Plan/381 Work Plan	\$ 30,000	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500
Brownfield Plan Implementation	\$ 30,000	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500
Brownfield Plan and Act 381 Workplan Sub-Total	\$ 60,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Eligible Activities Sub-Total	\$ 14,383,823	\$ 2,171,000	\$ 623,000	\$ 11,382,413	\$ 338,750
15% Contingency*	\$ 2,158,073	\$ 323,460	\$ 70,200	\$ 1,702,112	\$ 42,263
Developer Eligible Reimbursement Total	\$ 16,541,896	\$ 2,494,460	\$ 693,200	\$ 13,084,524	\$ 379,013
Total MDEQ Request	\$ 972,213		\$ 593,200		\$ 379,013
Total MEDC/MSF Request	\$ 15,550,683	\$ 2,495,150		\$ 13,094,524	

*15% Contingency excludes preparation of Brownfield Plan/381 Work Plan and Pre-Approved Activities



LOCATION MAP of the Eastern Market Gateway

The information shown on this plan is based on the records of the Department of Planning and Zoning, City of Baltimore, Maryland. It is not intended to be used for any other purpose. The information shown on this plan is not to be used for any other purpose. The information shown on this plan is not to be used for any other purpose.



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Site Plan for the Eastern Market Gateway

This document is a site plan for the Eastern Market Gateway. It shows the layout of the site, including buildings, parking areas, and streets. The plan is based on the records of the Department of Planning and Zoning, City of Baltimore, Maryland.