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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director
Legislative Policy Division Staff

DATE: May 8, 2019

RE: **Fiat Chrysler Automobiles (FCA) Mack Avenue Expansion¹**

On Feb. 26, 2019, the City of Detroit Fiat and Chrysler Automobiles (FCA) announced plans for FCA to invest **\$1.6 billion** to convert the current Mack Avenue Engine Complex into a new vehicle assembly plant for production of the next generation Jeep Grand Cherokee and an all-new 3-row full-size SUV along with plug-in hybrid (PHEV) models, thereby facilitating the creating of **3,850 new jobs**. In addition, it was also announced that FCA plans to invest an additional **\$900 million** to modernize the Jefferson North assembly plant, resulting in the creation of another **1,100 new jobs**.

City of Detroit's Contribution

In order to facilitate the project FCA is requesting two Michigan Public Act 198 Abatement Certificates² from the City of Detroit, with a net estimated value to FCA of approximately \$13 million. In addition, the City of Detroit agreed to acquire and assemble land adjacent to FCA's existing facilities for the project. Specifically, the City has agreements to assemble 214.6 acres of land for the FCA Assembly plant project. Of the 214.6 acres of land assembled, the City owned or controlled land that will be made available totalling 55.6 acres, which includes a portion of St. Jean which will be closed. The agreements also provided for another 154.7 acres of City-owned land located elsewhere in the city which will be swapped out for other property

¹ This report is based on the information we have to-date, however, we may issue a revised report.

² PLANT REHABILITATION AND INDUSTRIAL DEVELOPMENT DISTRICTS Act 198 of 1974 AN ACT to provide for the establishment of plant rehabilitation districts and industrial development districts in local governmental units; to provide for the exemption from certain taxes; to levy and collect a specific tax upon the owners of certain facilities; to impose and provide for the disposition of an administrative fee; to provide for the disposition of the tax; to provide for the obtaining and transferring of an exemption certificate and to prescribe the contents of those certificates; to prescribe the powers and duties of the state tax commission and certain officers of local governmental units; and to provide penalties. MCL 207.551- 207.572

adjacent to the FCA property, along with \$48 million in cash that be used to secure the total of 214.6 acres of land that FCA required to complete the project. The City is also providing \$59.5 for environmental cleanup, site preparation and other related project costs. The transactions are to take pace as follows:³

Summary of Land Acquisition Agreements

The City of Detroit has agreements to assemble approximately 215 acres of land for the FCA Assembly Plant project. To the maximum extent possible, the city swapped vacant city-owned land for land in the FCA project area in order to reduce the cash needed.

In total, the agreements provide for 155 acres of city-owned land to be swapped and \$48 million of cash to be used in the acquisition of the 214.6 acres.

In addition, environmental clean-up, site preparation and other project costs are estimated to be \$60 million.

The total land acquisition and site preparation and improvement commitment is approximately \$108 million in cash and 155 acres of city-owned property.

Site Acreage	Owner	Cash (\$MM)	Land Swaps	
			Acreage	Value
55.6	City	\$0		\$1.0
41.4	DTE	\$0	25.1	\$3.6
10.8	Great Lakes Water Authority	\$1		
5.3	Soave Enterprises LLC	\$0.1	9.5	\$0.3
3.9	Hantz Group	\$0	1.7	\$0.0
0.1	Detroit Public Community School District	\$0.01		
82.2	Crown Enterprises, Inc.	\$43.5	117	\$10.5
6.9	Conrail	\$0.5		
8.1	Yahiahan	\$3		
0.3	Kelly	\$0	1.4	\$0.0
214.6	Acquisition Total	\$48.11	154.7	\$15.4
	Site Preparation and Other Project Costs	\$59.5		
	Total	\$107.6		

The City of Detroit (City) on February 26, 2019, signed a memorandum of understanding (MOU) with Fiat Chrysler Automobiles (FCA), which included terms that committed the City to act within 60 days to secure binding agreements to deliver title to 200 plus acres of property within the vicinity of Mack site, inside the timeframe and conditions required for FCA to construct a new assembly plant and other facilities.⁴ The MOU also indicated that the City would begin the Community Benefits Ordinance⁵ process in the neighborhood most impacted

³ Source: The Mayor's Press Package of May 3, 2019

⁴ In order to accomplish this expansion, FCA will need approximately 200 additional acres of land to accommodate plant expansion, parking, trailer marshalling, and vehicle storage needs. The City of Detroit has committed to acquire the necessary acreage and contribute the land to FCA project.

⁵ The Community Benefits Ordinance (CBO) is a law that requires developers to proactively engage with the community to identify community benefits and address potential negative impacts of certain development projects. The ordinance was approved by Detroit voters in 2016.

and immediately adjacent to the project, to proactively engage with the community, identify community benefits and address potential negative development impacts. In addition, the community benefits and impacts would be included in a final development agreement to be approved by the Detroit City Council.

According to the MOU, the City and its related agencies had 60 days from the date of announcement – until April 27th, to accomplish and to present to Council the following:

- a) Execute binding agreements to deliver clear title to sufficient acreage adjacent to or in close proximity to the project site to meet FCA's expansion needs.
- b) Complete appropriate environmental reviews and develop any necessary remediation plans to deliver the properties in appropriate environmental condition for FCA's manufacturing and related purposes.
- c) Complete the process for a PA 198 tax abatement agreement (expected to be worth approximately **\$12 million** to FCA over 12 years).
- d) Have the City and FCA will work closely together to support Detroit's Community Benefits process and reach the final recommendations

Based on the tight timelines spelled out in the MOU between the City and FCA, the Community Benefits Ordinance (CBO) process and the City's efforts to negotiate land deal agreements were conducted concurrently. Typically, the full amount of benefits given to a developer are disclosed at the beginning of the CBO process. Unfortunately however, in order for the City to reduce the cost of land acquisition and assemblage to as low as possible in its leveraging its to negotiations with several entities of sophisticated land owners, the City was compelled to keep its land acquisition and preparation budget confidential. Therefore, sharing this information for CBO purposes, could have compromised the City's negotiating position. Based on the initial assumption that the City's contribution would be a contribution of \$12 million in tax breaks from the City and the City providing over 200 acres of land, the initial request of the CBO Board, at the CBO Meeting #6, of April 17, 2019, was **\$50 million**, which included: WORKFORCE / EDUCATION \$15 million, HOUSING \$15 million and NEIGHBORHOOD IMPROVEMENTS \$20 million.

The City's complete contribution to the project includes **two PA 198 abatement certificates** valued at \$4.8 million. The City also contributed with **land acquisition costs** of \$48.11 million, **site remediation and preparation costs** of \$59.5 million, which totals \$107.6 million in land assemblage costs; and adding **land swaps of 154.7 acres of City owned land** valued at \$10.5 million, resulted in a grand total of **approximately \$122.9 million** for the City of Detroit's support to the project. The project represents the first new assembly plant to be built in the City of Detroit in nearly three decades. In total, the project should result in the creation of **4,950 new jobs** and **\$2,515,106,000** in capital investment in the city of Detroit.

Economic Impact of the FCA Expansion

The incentives for the FCA Expansion project include two industrial facilities exemption certificates (Michigan Public Act 198 of 1974) for the **Mack Plant Property** and the **Jefferson North Automotive Plant (JNAP) Property**, each with a fifty (50) percent tax abatement for twelve (12) years, which will take effect after the completion of construction of all project facilities.

Mack Facility

Purchased in 1953 from Briggs Manufacturing Co., the Mack facility continued to produce car bodies and frames. In 1998, the Mack facility began producing V-8 engines and later transitioned to the Pentastar line of V-6 engines used in the Chrysler 300, Jeep Grand Cherokee, Jeep Wrangler, Jeep Cherokee, Dodge Grand Caravan and Dodge Journey. The Company plans to reopen its long-idled the Mack II plant, as well as convert the Mack I plant from producing engines and thereby transforming the plants into a full assembly facility that will produce the next generation Jeep Grand Cherokee and an all-new 3-row full-size SUV, along with plug-in hybrid (PHEV) models. Construction of the new facility could begin in the second quarter of 2019.⁶

Jefferson North Automotive Plant (JNAP)

Built in the city of Detroit in 1991, with production beginning in 1992, JNAP sits on 283 acres and is around 3,000,000 square feet of grounds that produce employee parking, new vehicle storage along with other uses. JNAP currently produces the Jeep Grand Cherokee, Jeep Grand Cherokee SRT and Dodge Durango. The Company is looking to retool and modernize JNAP.

The anticipated job and investment impact of the FCA project is illustrated below:

FACILITY	INVESTMENT	JOBS
Mack Avenue	\$1,600,000,000	3,850
Jefferson North	<u>\$900,000,000</u>	<u>1,100</u>
Project Totals	\$2,500,000,000	4,950

The total land assembly and site preparation is expected to cost \$107.6 million. The City and the Detroit Brownfield Redevelopment Authority (DBRA) have committed to provide approximately \$50.6 million for land acquisition in the form of uncommitted City bond funds, a \$7.5 million loan from the City to the DBRA and \$7.1 million from the sale of the City’s Millennium Garage. The DBRA is requesting assistance from the Michigan Strategic Fund (MSF)⁷ to pursue land assembly activities (consisting of land acquisition, site preparation and soft costs) to be transferred to FCA, in order to construct an assembly plant and related improvements for the Mack Assembly Plant.

DBRA will request assistance from the State to assist with site preparation costs, which will allow FC to expand its Mack and JNAP facilities. The State will be repaid utilizing tax increment revenues generated from the Mack Assembly Plant to be further defined in the Act 381 Work Plan. LPD will provide a report on the plan when it is submitted to Council.

⁶ No homes, churches, or businesses will be acquired for this project. <https://detroitmi.gov/departments/planning-and-development-department/citywide-initiatives/community-benefits-ordinance/ongoing-cbo-engagement/flat-chrysler-jefferson-north-assembly>

⁷ The Michigan Strategic Fund (MSF) was created by P.A. 270 of 1984 and has broad authority to promote economic development and create jobs.

Local Fiscal Impacts

City of Detroit: Benefits, Costs, and Net Benefits Over the Next 30 Years

	Amount
Real Property Taxes	\$28,392,975
Personal Property Taxes	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$160,607,637
Municipal Income Taxes - Indirect Workers	\$130,041,532
Municipal Income Taxes - Corporate Income	\$0
Municipal Income Taxes - Construction Period	\$1,504,468
Municipal Income Taxes - New Res. Inhabitants	\$0
Utility Revenue	\$0
Utility Users' Excise Taxes	\$20,183,190
State Revenue Sharing - Sales Tax	\$0
Building Permits and Fees	\$1,828,130
Miscellaneous Taxes & User Fees	\$0
<u>Subtotal Benefits</u>	<u>\$342,557,931</u>
Cost of Providing Municipal Services	(\$151,417,701)
Cost of Providing Utility Services	\$0
Total PA 198 Mack	(\$4,197,706)
Total PA 198 JNAP	(\$606,915)
Total Brownfield TIF	(\$14,322,032)
Land Acquisition Costs	(\$48,100,000)
<u>Subtotal Costs</u>	<u>(\$218,644,353)</u>
Net Benefits	\$123,913,578

Detroit Public Schools: Benefits, Costs, and Net Benefits Over the Next 30 Years

	Amount
Real Property Taxes, before abatement	\$27,869,125
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Additional State and Federal Funding	\$148,428,199
<u>Subtotal Benefits</u>	<u>\$176,297,324</u>
Cost of Educating New Students	(\$153,189,125)
<u>Subtotal Costs</u>	<u>(\$153,189,125)</u>
Net Benefits	\$23,108,199

City of Detroit: Incentive Summary Over the First 30 Years

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Brownfield TIF Capture	Land Acquisition Costs	Net Benefits After Tax Abatements & Incentives
Year 1	\$3,344,057	\$0	\$0	\$0	(\$48,100,000)	(\$44,755,943)
Year 2	\$7,872,498	(\$3,605,177)	(\$348,006)	\$0	\$0	\$3,919,315
Year 3	\$8,936,395	(\$4,187,414)	(\$357,215)	\$0	\$0	\$4,391,766
Year 4	\$9,119,438	(\$4,271,163)	(\$366,517)	(\$257,183)	\$0	\$4,224,575
Year 5	\$9,305,955	(\$4,356,586)	(\$375,911)	(\$261,370)	\$0	\$4,312,088
Year 6	\$9,496,015	(\$4,443,718)	(\$385,400)	(\$265,599)	\$0	\$4,401,299
Year 7	\$9,689,686	(\$4,532,592)	(\$394,983)	(\$269,870)	\$0	\$4,492,241
Year 8	\$9,887,039	(\$4,623,244)	(\$404,663)	(\$274,183)	\$0	\$4,584,949
Year 9	\$10,088,146	(\$4,715,709)	(\$414,439)	(\$278,540)	\$0	\$4,679,458
Year 10	\$10,293,079	(\$4,810,023)	(\$424,313)	(\$282,941)	\$0	\$4,775,802
Year 11	\$10,501,913	(\$4,906,223)	(\$434,285)	(\$287,385)	\$0	\$4,874,019
Year 12	\$10,714,725	(\$5,004,348)	(\$444,358)	(\$291,874)	\$0	\$4,974,145
Year 13	\$10,931,591	(\$5,104,435)	(\$454,531)	(\$296,408)	\$0	\$5,076,218
Year 14	\$11,152,591	(\$5,206,523)	\$0	(\$601,974)	\$0	\$5,344,094
Year 15	\$11,377,806	(\$5,310,654)	\$0	(\$611,223)	\$0	\$5,455,928
Year 16	\$11,600,238	(\$5,363,760)	\$0	(\$620,566)	\$0	\$5,615,912
Year 17	\$11,826,839	(\$5,417,398)	\$0	(\$630,001)	\$0	\$5,779,439
Year 18	\$12,057,689	(\$5,471,572)	\$0	(\$639,531)	\$0	\$5,946,585
Year 19	\$12,292,869	(\$5,526,288)	\$0	(\$649,157)	\$0	\$6,117,424
Year 20	\$12,532,464	(\$5,581,551)	\$0	(\$658,878)	\$0	\$6,292,035
Year 21	\$12,776,560	(\$5,637,366)	\$0	(\$668,697)	\$0	\$6,470,496
Year 22	\$13,025,242	(\$5,693,740)	\$0	(\$678,614)	\$0	\$6,652,888
Year 23	\$13,278,601	(\$5,750,677)	\$0	(\$688,630)	\$0	\$6,839,293
Year 24	\$13,536,726	(\$5,808,184)	\$0	(\$698,747)	\$0	\$7,029,795
Year 25	\$13,799,710	(\$5,866,266)	\$0	(\$708,964)	\$0	\$7,224,480
Year 26	\$14,067,646	(\$5,924,929)	\$0	(\$719,284)	\$0	\$7,423,434
Year 27	\$14,340,632	(\$5,984,178)	\$0	(\$729,707)	\$0	\$7,626,748
Year 28	\$14,618,765	(\$6,044,020)	\$0	(\$740,234)	\$0	\$7,834,512
Year 29	\$14,902,145	(\$6,104,460)	\$0	(\$750,866)	\$0	\$8,046,819
Year 30	\$15,190,872	(\$6,165,504)	\$0	(\$761,605)	\$0	\$8,263,763
Total	\$342,557,931	(\$151,417,701)	(\$4,804,620)	(\$14,322,032)	(\$48,100,000)	\$123,913,578

Wayne County: Benefits, Costs, and Net Benefits Over the Next 30 Years

	Amount
Real Property Taxes, before abatement	\$7,494,098
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Miscellaneous Taxes & User Fees	\$25,448,806
Subtotal Benefits	\$32,942,903
Cost of Providing County Services	(\$25,610,630)
Subtotal Costs	(\$25,610,630)
Net Benefits	\$7,332,273

Other Taxing Districts: Benefits Over the Next 30 Years

	Amount
State Education, before abatement	\$5,394,024
Downtown Dev. Authority, before abatement	\$0
Wayne RESA, before abatement	\$4,912,428
Wayne County Comm. College, before abatement	\$2,913,492
Wayne County Zoo, before abatement	\$89,900
Detroit Institute of Arts, before abatement	\$179,801
Benefits	\$13,489,645

Incentive Summary Over the First 30 Years

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Brownfield TIF Capture	Land Acquisition Costs	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$342,557,931	(\$151,417,701)	(\$4,804,620)	(\$14,322,032)	(\$48,100,000)	\$123,913,578
Wayne County	\$32,942,903	(\$25,610,630)	(\$1,268,141)	(\$4,856,605)	\$0	\$1,207,527
Detroit Public Schools	\$176,297,324	(\$153,189,125)	(\$4,715,975)	(\$10,486,910)	\$0	\$7,905,314
State Education	\$5,394,024	\$0	(\$1,825,539)	(\$2,820,686)	\$0	\$747,800
Downtown Dev. Authority	\$0	\$0	\$0	\$0	\$0	\$0
Wayne RESA	\$4,912,428	\$0	(\$831,274)	(\$3,183,535)	\$0	\$897,619
Wayne County Comm. College	\$2,913,492	\$0	(\$493,017)	(\$1,888,110)	\$0	\$532,365
Wayne County Zoo	\$89,900	\$0	(\$15,213)	\$0	\$0	\$74,688
Detroit Institute of Arts	\$179,801	\$0	(\$30,426)	\$0	\$0	\$149,375
Total	\$565,287,804	(\$330,217,457)	(\$13,984,205)	(\$37,557,878)	(\$48,100,000)	\$135,428,265

Fiscal Summary

PROJECT	PROJECT INVESTMENT	TAXING UNIT	GROSS BENEFIT	COST OF SERVICES	BROWNFIELD TIF	LAND ACQUISITION COSTS	PA 198 VALUE	NET BENEFIT **
Mack & JNAP (FCA)	\$2.5 Billion	Detroit	\$342,557,931	(\$151,417,701)	(\$14,322,032)	(\$48,100,000)	(\$4,804,620)	\$123,913,578
		All Taxing Units*	\$565,287,804	(\$330,217,457)	(\$37,557,878)	\$0	(\$13,984,205)	\$183,528,264
		*Including Detroit						
		**Figures may be subject to rounding						

8

In regard to the local incentives to FCA, for a period of 30 years, when taking into account the cost of providing services, the projected brownfield tif (which will repay the City for costs incurred), and acquisition costs and two PA 198 tax abatements⁹ with an estimated value of \$13,984,205; the Detroit Public Schools System is projected to receive an unrealized net benefit of \$7,905,314 and the City of Detroit, an unrealized net benefit of \$123,913,578. Also included in the deal is a projected additional 4,950 new jobs at the Mack and JNAP FCA facilities.

Investment Monitoring

As a method to demonstrate the City's return on investment, FC will report the revenues produced by the project.

- Income tax from new jobs (Including FC and 50% credit for suppliers)
- Property tax increases Net of abatements and TIF capture)
- Growth in corporate City income tax as a result of expanded operations

If the City does not recoup its approximately \$57.4 million direct investment within thirty years, FCA will pay the City the shortfall.

⁸ City of Detroit PA 198 Value: PA 198: Mack (\$4,197,706), PA 198 JNAP: (\$606,915)

⁹ The abatement period is for 12 years.

The Mack Assembly Plant - Development Agreement¹⁰ includes a provision that indicates that if FCA does not commence operations of the Mack Plant by December 1, 2023, title to the property contributed for the project may re-vest to DBRA through a right of reverter.¹¹ There are also provisions which protect the City if FCA ceases operations on the site prior to 15 years, or ceases operations of the plant for a period of 60 months, DBRA has the opportunity to repurchase a 58 acre portion of the assembled land, including the former Conor Creek Power Plant property for fair market value. If FCA sells the property prior to the City's recoupment of its investment, it may result in the City receiving up to 75% of the sale proceeds, if the City does not approve of the sale.

The development also requires FCA to supply the City and DBRA a series of reports which will be monitored and reported to Council on an annual basis by DBRA. DBRA has indicated that if there are significant shortfalls, clawbacks may be recommended. Council may want to ask for more specifics on this process. The documents and the information required includes the following:

Project Data Reports

“Project Data” to be reported annually by FCA

- Total City Income Tax withheld from New Employees- FCA
- Average number of Project construction workers as of July 1 and December 31 of each year, including the following information for such time periods:
 - o Average City taxable wages
 - o Percentage City residents
- Average number of New Employees- suppliers (FCA dedicated plants and/or on FCA dedicated production lines at supplier facilities located in the City of Detroit) as of July 1 and December 31 of each year, including the following information for such time periods:
 - o Average City taxable wages
 - o Percentage City residents
- Corporate City Income Tax liability in excess of 2018 liability
- Net New City Property Taxes paid on owned or leased property

Annual City Revenue Report

“Annual City Revenue” to be calculated annually

- Total City income tax received from New Employees- FCA* (100%)
- Total City income tax received from Project construction workers** (100%)
- Total City income tax received from New Employees- suppliers** (FCA dedicated plants and/or on FCA dedicated production lines at supplier facilities located in the City of Detroit) (50%)
- Net New City Property Taxes received on Mack Assembly Plant
- Net New City Property Taxes received on JNAP Plant Property
- Net New City Property Taxes received on any other facility owned by FCA
- Net New City Property Taxes received on any facility leased by FCA for which FCA is responsible for paying the property taxes pursuant to the terms of the lease
- Increase in Corporate City Income Tax liability in excess of amount of 2018 liability
- Shared Net Cash Proceeds paid to City, if any, under applicable provision of this Agreement

Other Information to be included in each Annual City Revenue Report

- Cumulative Annual City Revenue

*Imported directly from Project Data Report

** Calculated based on semi-annual averages provided, applying a 10% discount to account for tax deductions

¹⁰ The agreement is analyzed by LPD under a separate cover,

¹¹ Reverter, in the context of real property, means the return to the grantor or his/her heirs of real property after all interests in the property given to others have terminated.

Below, is the list of local and State incentives applied for by FCA to complete the project. When taking account of the estimated value of the items below, valued at \$159 million (59.6%) and the land acquisition, remediation and preparation costs of \$107.6 million, the potential incentive package totals approximately \$266.6 million:

List of Local and State Incentives¹²

Incentive	Estimated Values
Michigan Business Development Program	\$10,000,000
Good Jobs for Michigan (10 years)	\$99,000,000
Talent	\$6,300,000
PA 198 Property Tax Abatement (Real Property, 12 years)	\$12,159,000
6 Mill State Education Tax Abatement (12 years)	\$1,826,000
State Essential Services Assessment (SESA) Exemption (MACK 2 Plant - 100% for 15 years)	\$18,088,000
State Essential Services Assessment (SESA) Exemption (JNAP - 100% for 15 years)	\$11,017,000
State Essential Services Assessment (SESA) Exemption (Warren Stamping Plant - 100% for 5 years)	\$472,000
Alternative State Essential Services Assessment (SESA) Exemption (Sterling Stamping- 50% for 5 years)	\$200,000
Total Value of Proposed Incentives	\$159,062,000

¹² Source: Mack Assembly Plant - Development Agreement (2019-05-03 w Exhibits)

¹³ According to the chart above, which includes one City of Detroit incentive, PA 198 listed at \$12,159,000 (with an updated figure of \$13,984,205), is approximately 8% of the Local and State incentive programs involved in the project.

Summary of Community Benefits (CBO) and Impacts ((M) = millions of \$)¹⁴

	City (M)	FCA (M)	City + FCA (M)	Leveraged Funding (M)	Total Impact (M)
Workforce & Education	\$4.0	\$10.8	\$14.8	\$4.0	\$18.8
Housing	\$5.9	\$1.8	\$7.7	-	\$7.7
Impact Neighborhood Fund	\$0.5	\$1.1	\$1.6	-	\$1.6
Construction Impacts	\$7.0	\$0.1	\$7.1	-	\$7.1
Total	\$17.4	\$13.8	\$31.2	\$4.0	\$35.2

ENTITY	TOTAL	% of TOTAL
City	\$17.4	49.4%
FCA	\$13.8	39.2%
City & FCA	\$31.2	88.6%
Leveraged Funding	\$4.0	11.4%
TOTAL*	\$35.2	100%

¹⁵

**TOTAL includes the totals of City, FCA & Leveraged Funding*

CBO Implementation Timeline:



The Legislative Policy Division has provided a report which analyzed the FCA CBO process under a separate cover.

¹⁴ Source: FCA CBO Presentation for Public Meeting #8, April 24, 2019.

¹⁵ LPD provided a full CBO report under a separate cover.

According to the MOU FCA has the following obligations:

FCA to make the following investments in the Jefferson/Mack area:

- a) Construct a new assembly plant north of Mack Avenue (the Mack Project) with investment of approximately **\$1.6 billion** and expected to add **3,850 net new full time employees**.
- b) Investment in the existing Jefferson North Assembly Plant (JNAP) of approximately **\$900 million**, expected to add **1,100 net new full-time employees**.
- c) The overall expected new employment is **4,950 full time employees** with an expected average wage of approximately **\$58,000 per year**.

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

**Attachments: Sources and Uses for the \$107.6 million in land assemblage costs
Questions from LPD on the FCA Project addressed by the Administration**

cc: Auditor General's Office
Arthur Jemison, Chief of Services and Infrastructure
Maurice Cox, Planning and Development Department
Donald Rencher, HRD
Veronica Farley, HRDt
Stephanie Grimes Washington, Mayor's Office
Malinda Jensen, DEGC
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC



Exhibit 1.01(13) Sources and Uses of Funds Worksheet

Source	Amount	Commitment Date	Anticipated Funding Available Date	Milestones Required for Funding	Expenditures
City of Detroit Est. Financing Bonds	\$10,000,000	November 2018	December 2018	Funded - \$30 million moved to DBRA in DMC	All Project Costs
City of Detroit Unlimited Tax General Obligation Bonds	\$24,000,000	May 2019	May 2019	City Council Approval of Fund Transfer Agreement - 5/14/19 DBRA Board Approval to accept funds - 5/19 Verification of signed RA w/ Company - 5/19	all Project costs
MSF Grant Part I	\$15,000,000	May 2019	June 2019	Verification of executed purchase agreements on at least 3 properties - 5/19 Documentation that \$30M of City Funds have been committed - 6/19	Site Prep costs, but MDC may provide flexibility if needed
MSF Grant Part II	\$11,000,000	May 2019	June 2019	MSF Approval - 5/19 Documentation that \$40M of City Funds & \$12M of State MSF Funds have been committed to eligible expenses - 6/19	Site Prep costs, but MDC may provide flexibility if needed
Michigan EGLE Grant	\$2,000,000	May 2019	May 2019 - \$1 million October 2019 - \$1 million	EGLE Grant Approval - 12/16 EGLE Workplan Approval - 5/29 DBRA Board Approval - 5/19	Site Prep Costs
Millennium Parking Deck Sale (Currently City Owned)	\$7,000,000	May 2019	July 2019	City Council Approval of Sale - 5/19 City Council Approval of Appropriation - 5/19 City Council Approval of Fund Transfer Agreement - 5/19 Transfer of Ownership - 6/16 Receipt of Funds - 6/19	All Project Costs
MSF Investment	\$20,000,000	August 2019	September 2019	MSF Approval - 5/29 Complete Brownfield Plan - 4/19 DBRA Board Approval - 5/19 City Council Approval 6/19 MSF Work Plan Approval - 6/20 DBRA Approval for bond issuance - 7/19 issuance of bonds - 8/19 Documentation that \$27 million of the State MSF Funds have been committed - 9/19	Site Prep Costs
City Loan to Detroit Brownfield Redevelopment Auth (DBRA)	\$7,500,000	July 2019	August 2019	City Council Approval of Loan - 5/19 City Council Approval of Appropriation - 4/19 (COMPLETE) Complete Brownfield Plan - 5/19 DBRA Board Approval - 5/19 City Council Approval - 6/12/19 MSF Work Plan Approval - 6/22/19 DBRA Approval for Loan - 7/19 City CFO Approval to give Loan - 7/19 issuance of Loan - 8/19	All Project costs
MSF Grant Part III	\$5,000,000	May 2019	February 2020	MSF Approval - 5/19 Documentation that \$48M of City Funds and \$46.9M of State MSF Funds have been committed - 7/29	Site Prep Costs
	\$107,500,000				

The chart above illustrates that the majority of the in land assemblage funds are derived from the State. Source: Development Agreement

Questions from the LPD on the FCA Project addressed by the Administration

1. Have appraisals been done on the City owned land that would be contributed to the FCA project? If so, please provide a copy of those appraisals asap when the City's negotiations on this land is complete.

The only City owned property that received an appraisal is the DWSD/GLWA property at 11880 & 11900 Freud (see attached Exhibit A).

2. Please explain how any City owned land that did not receive an appraisal and is being contributed to the FCA project was valued.

The final "value" for the current City-Owned parcels that's being conveyed to FCA were valued in accordance with the "land values" from the City Assessor records. (see attached Exhibit B).

3. Have appraisals been done on any private property that is being purchased by the City and being contributed to the FCA project? If so, please provide a copy of those appraisals asap when the City's negotiations on this land is complete.

Appraisals of private property were conducted on the DTE Conners Creek (see attached Exhibit C).

4. Please explain how any private property that did not receive an appraisal and is being contributed to the FCA project was valued.

Private property that is being purchased and conveyed to FCA as result of this project were valued based upon current market valuations and on specific sites, valuations and methodologies were guided by a licensed appraisal firm.

5. Will Assessors be providing evaluations on any of the property that would be contributed to the FCA project?

See answer to question #2.

6. Of the 200 acres being contributed to the FCA project, how many acres represent City owned land and how many private property?

55.6 Acres of City property. 159 acres of private property. The private property acquisition includes 10.8 acres from Detroit Water Sewage Department/Great Lakes Water Authority (GLWA) and 0.1 from Detroit Public Schools.

7. Binding agreements will be executed to clear title on land being contributed to the FCA project. Which binding agreements have been executed so far? Which ones have yet to be executed?

Binding Agreements executed to date include: Detroit Water Sewage Department/Great Lakes Water Authority (GLWA) at Conner Creek, Detroit Public Schools Parcel along Beniteau, Hantz Farms, DTE Conner Creek, Soave Republic Services parcel, and various DLBA parcels.

8. Is the transfer agreement to transfer City owned property to the DBRA available for Council's review?

Yes, The Land Transfer Agreement is an exhibit of Resolution 2: Land Transfer Agreement with DBRA.

9. Have environmental reviews been conducted on the 200 acres that is being contributed to the FCA project?

Yes. Environmental reviews and clean up is being completed on all sites that are owned by the City of Detroit including sites that are being acquired by the City of Detroit for the project. On sites that will be a direct title turnover to FCA, we have performed environmental review, however, site remediation and clean up is the responsibility of FCA.

10. Is there an estimate on the required amount of environmental cleanup on property that would be contributed to the FCA project?

The sites require environmental clean up, removal of the berms, environmental due diligence, demolition, site preparation, and other project costs. The total cost of site preparation and other project costs are \$59 million.

11. Would FCA seek a brownfield to help finance its environmental cleanup/remediation associated with FCA owned property for the FCA project?

No, the Brownfield Authority is completing a Brownfield Plan to support to support the DBRA's costs for these sites. The TIF revenue will repay City and State loans as well as the city for land contributed.

12. Does the Administration anticipate that the establishment of the PA 198 district for the FCA project and the PA 198 tax abatement certificate would be before City Council for approval simultaneously?

The PA 198 District and Certificate process will follow normal city guidelines, wherein the district and the certificate are evaluated and decided upon on different public hearing dates. However, we do not expect any lapse in time, as the Certificate is expected to be voted on the week following the district hearing.

13. When does the Administration anticipate the final development agreement between the City and FCA will be presented to City Council for approval?

It will be submitted during the week of April 29.

14. Only part of the berm along St. Jean between E. Warren and Mack Ave. has been removed so far. How much did it cost to remove this portion of the berm? What City dollars were used to pay for the removal of this portion of the berm? Please provide the appropriation and cost center these monies came from.

The cost for the City to remove the north berm was approximately \$2.3 million. In November, the City Council approved a funding agreement between the City and the

DBRA payable from appropriation 13284. Funding from that agreement supported this activity.

15. What is the estimated cost of removing the remaining portion of the berm, between Mack Ave. and Kercheval/Jefferson? Is it still the intention of the Administration to remove the berm north of Mack Avenue?

The cost of removing the South Berm is currently estimated at \$7 million. The berm between Mack Avenue and Warren has been removed.

16. Please explain why it's okay to remove the berm on St. Jean. Wasn't the berm created to serve as a buffer against noise created by trucks and trains? With berm being done, how will noise pollution be mitigated?

A sound barrier wall is proposed to be constructed along the eastern boundary of the alleyway adjacent to where the berms were located to serve as a visual and acoustic barrier between the proposed FCA parking areas and the adjacent neighbors.

Kolano and Saha Engineers, a consulting firm specializing in acoustics, noise and vibration analysis has been retained to undertake the study and will make recommendations regarding the height of the structure required to maintain sound at or below existing levels.

17. Has all City or Detroit Land Bank Authority owned properties been identified that will be used to exchange for the acquisition of private property for the FCA project?

All City and DLBA properties required for exchanges have been identified. A due diligence period will commence to verify title to City properties, which may remove some properties from final transfer agreements.

18. Will the land swaps be done as an even exchange? The Administration needs to explain the methodology for the land swaps. -

Yes. The DTE and Soave deals include mechanisms to ensure that both sides are getting equal value from the deal. The Hantz swap was part of a broader deal that the city was required to do under an agreement negotiated by the previous administration.

19. The City is going to fund the construction of the stormwater retention pond per the CBO report. Has FCA agreed to maintain the retention pond? Who would be responsible for any liability associated with the retention pond, the City or FCA?

FCA will develop, own, and maintain the retention pond at the completion of the project.

20. Would the retention pond be designed in such a way that storm water runoff will not adversely impact the homes west of the retention pond?

The design of the pond will provide for a volume greater than the 100 year storage volume required for the area that the pond is designed to serve during a storm event. In addition, the design of the pond will allow for an overflow route in the case of pond malfunction that would direct water away from residences to the west.

21. The retention pond could attract an inordinate amount of geese, other types of birds, mosquitoes, etc. What are the plans to mitigate these invasions?

Although the area of the pond is large enough to readily accommodate anticipated stormwater runoff up to and including 100 year flood levels, the amount of permanent water in the pond will be quite small. The pond will be designed to be 15 to 20 feet below existing grade levels with only the lowest 4 feet or so containing permanent water. Water in the upper levels will vary with each storm event and then slowly return to normal levels. The small amount of water in the pond will limit its attractiveness to geese. Mosquitos require 7 to 10 days in shallow stagnant water under 3 feet deep to breed. Since the permanent pool is deeper than 3 feet and constantly varying due to storm events makes it unlikely to be suitable for breeding mosquitoes.

22. Please explain what FCA will put in place to mitigate air pollution created by the FCA project. Will FCA pay for the installation of air quality monitors for the FCA project?

According to FCA, Mack will have state-of-the-art emission control equipment to combat emissions and any possible odors while using a water-based paint process. FCA will also incorporate three common work practices designed to reduce emissions. The commitment is included in the air emission permit negotiated with the Michigan DEQ Air Quality Division. The permit application and associated permit submittals document compliance with strict Michigan DEQ health-based requirements for air quality at the property line, even under “worst-case” conditions. Upon completion, Mack will have the lowest emissions of any full-production automotive assembly plant in Michigan.

23. It has been reported that the average wage is \$58,000 associated with the 4,950 jobs that would be created from the FCA project. Please provide how this \$58,000 figure was derived.

The company submitted information to MEDC, which was shared with DEGC indicating the job breakdown by job category, number of jobs, hiring phasing, and average wage. A weighted average calculation was used to consider all three of those data points and provide a project wide average wage.

To be specific, the company submitted information indicating there would be 387 Professional positions, 345 Skilled Labor/Trades positions, and 4,218 Non Skilled Labor/Production positions for a total of 4,950 net new jobs. A weighted average accounts for the higher frequency of operator positions.

24. Does the 4,950 jobs to be created include white collar jobs? If so, how many of these jobs represent white collar jobs? If the 4,950 jobs do not include white collar jobs, please provide an estimate of the number of white collar jobs that would be created from the FCA project.

White collar jobs are typically defined as those jobs where individuals perform professional, managerial, or administrative work. In the occupation information submitted by the company to MEDC and shared with the DEGC, the company indicates that there will be 387 professional positions hired as a part of this project.

As noted in question #23, please see jobs by category below:

Non Skilled Labor (Production) - 4,218

Skilled Labor (Skilled Trades) - 345

Professional - 387 **Total 4,950**

25. Could FCA provide a brief summary explaining the marketability of the new vehicle products would be produced by FCA project?

According to FCA:

a. The move would increase capacity to meet growing demand for Jeep® and Ram brands, including production of two new Jeep-branded white space products, as well as new electrified Jeep models, including at least four plug-in hybrid vehicles and the flexibility to produce fully battery-electric vehicles.

b. The Mack investment represents the next steps in a U.S. manufacturing realignment that FCA began in 2016. In response to a shift in consumer demand toward SUVs and trucks, the Company discontinued compact car production and retooled plants in Illinois, Ohio and Michigan to make full use of available capacity to expand the Jeep and Ram brands.

26. To the extent possible, please provide a breakdown of the \$2.5 billion investment FCA will make in the City in terms of real property investment, personal property investment and other costs.

According to FCA:

Hard Construction	\$300,837,000	Special Tooling	\$635,940,000
Machinery & Equip	\$1,424,520,000	Demolition	\$24,207,000
Computers	\$12,510,000	Site Preparation	\$18,205,000
Pollution Equip	\$11,700,000	Soft Costs	\$21,753,000
Site Improvements	\$65,434,000	Total	\$2,515,106,000

27. How many shifts would be associated with the FCA project?

According to FCA, shifts for new operations are to be determined. JNAP currently runs 3 (crews), 2 (shifts), 120 (hours per week). Operating patterns for the new Mack facility has not been determined.

28. The DEGC estimated the total economic impact of the combined FCA projects (Jefferson North Assembly Plant improvement and the rehabilitation and improvement of the Mack

Engine Plant) to be \$300 million over 30 years. For LPD's edification but not for public disclosure, LPD would like the DEGC to explain its rationale for the \$300 million estimate.

The total economic impact before incentives (including indirect and induced effects) is estimated to be \$300 million over 30 years. The \$300 million represents gross revenues that FCA's investment would generate. The majority of the revenues would come from the workers' city income taxes (estimated at \$290.6 million) with a conservative estimate on the percentage of new Detroit residents. These income taxes would be both from direct job creation (4,950 new jobs) and an estimated amount of indirect workers. A small percentage of revenues comes from property tax collection and utility excise taxes. Note, the net benefit takes into account the costs associated with providing services to new Detroit residents (tbd) as well as the value of the (\$12.1 million) abatement. Therefore, it's important to make the distinction between gross revenues and net benefits.

29. Of the 4,950 jobs, how many could be absorbed by employees currently laid off at FCA and potentially by laid off employees at GM? As a result, how many net new jobs would be created from the FCA project? **FCA is providing an answer to this question.**

30. How many of the 4,950 jobs could be filled with temporary workers?

The company has indicated that all 4,950 jobs are permanent jobs.

31. Will FCA provide more apprenticeships and internships to help Detroiters obtain the new FCA project jobs?

The majority of the 4,950 jobs available at the Mack and JNAP facilities are Production Worker Trainees (PWTs). PWTs are entry-level jobs that do not require prior experience. Other jobs on-site include skilled trades workers and management positions. At present, those categories represent fewer than 10% of the jobs available. Once hired at FCA, Production Workers are eligible to apply to internal FCA apprenticeship programs across six trades after completing three courses. FCA has indicated a desire to partner with Grow Detroit's Young Talent for internship opportunities. We have not yet discussed internship opportunities outside of that program. FCA has indicated they will implement an advanced manufacturing co-op program with Wayne County Community College.

32. What type of training will be made available to help Detroiters better apply and obtain the new FCA project jobs?

DESC will conduct a city-wide outreach campaign to make Detroiters aware of the FCA job opportunities and the requirements for those jobs. Specific outreach will be conducted for impact area residents, Returning Citizens, and Veterans whose populations will receive priority access to the FCA application (in addition to Detroit residents more generally). Prior to the application period, we will offer a wide-range of services to ensure as many residents are prepared as possible, including FCA application assistance, workshops on soft and essential skills, interview skills, and High School diploma completion programs. Additionally, DESC will hold pre-application information fairs in the impact area and across the City to help Detroiters successfully complete the online

FCA job application during the priority access period, and to ensure that potential applications get a head-start on securing any documentation required to apply (e.g., Social Security Card, photo identification, etc.). Access to technology (laptops, Wi-Fi, etc.) will be provided. Lastly, a customized work readiness training program will be offered to candidates who meet FCA’s hiring criteria.

33. The legalization of recreational marijuana in Michigan could make it more difficult for Detroiters to obtain jobs at the FCA project. What education efforts will FCA/City/DESC undertake to discourage recreational marijuana use that could disqualify individuals from obtaining these new jobs created by the FCA project?

Shortly after the approval of the FCA Development Agreement by City Council, the City and DESC will begin a public information campaign to ensure that Detroiters know the drug-testing requirements associated with all positions at FCA. We will direct Detroiters to resources for support with marijuana cessation, and will use media-buys, literature drops, community meetings, faith-based convenings, and other public and private venues to ensure that the public is educated on the negative short and long-term career impact of marijuana use for recreational and/or medicinal purposes.

34. What amount of dollars has FCA spent in 2017, 2018 and so far in 2019 (if available) on Detroit community related items such as for schools, neighborhood redevelopment, career job events, grants, donations, etc?

See attached Exhibit D.

Year	Corporate Donations	FCA Foundation Donations	Brand Donations	Total
	(ie Eastside Comm Network, NAACP, SER Metro, UNCF, etc...)	(ie. City Year, PAL, DPS Foundation, Focus Hope, Gleaners, Cass Community Social Svcs, etc....)	Jalen Rose Academy only	
2017	\$242,000	\$3,390,000	\$150,000	\$3,782,000
2018	\$220,000	\$2,477,000	\$150,000	\$2,847,000
TOTAL	\$462,000	\$5,867,000	\$300,000	\$6,629,000

Motor Citizens Volunteer (Projects Supporting Detroit)

	2017	2018	Total
Volunteers	3,000	3,000	6,000
Hours Worked	14,775	15,630	30,405

35. Have all of Traffic Engineering’s concerns been addressed regarding the FCA project?

The professional engineering firm WSP was hired to perform a comprehensive traffic study of the entire area bounded by McClellan, I-94, Newport and the Detroit River to the South.

The study was to provide a clear understanding of traffic impacts resulting from (1) 4950 additional employees coming to and from the area, (2) increased truck traffic and (3) impact of closure of St. Jean from Warren to Kercheval.

The study included recommendations to modify pavement markings and traffic signal timings at key intersections adjacent to the plant, implementation of traffic calming infrastructure as well as recommending FCA take an aggressive and proactive role in ensuring their truck drivers as well as suppliers only utilize established truck routes coming to and from the plants.

The final Study has been accepted by Traffic Engineering and FCA with each entity fully committing to implementing the recommended changes.

The Study has been made available to the Community Benefits and CPC Zoning Committees and placed on the project’s website. Finally, key components of the report have been presented to neighborhood groups in the impact area.

36. What steps may need to be taken to minimize the FCA project potential environmental impact on the water system, namely the Conner Creek watershed feeding into the Detroit River?

Through alternative compliance, where feasible, FCA is managing their stormwater and such there is no “environmental impact” per DWSD.

37. Could the FCA project utilize the C.A. Young City airport more?

FCAs mode of logistics is truck and rail. The company does not utilize air freight transportation for parts and/or components. There is no expectation that the company’s mode of logistics will change in the future.

38. Where would FCA go if the FCA project cannot be completed in Detroit?

This project is a competitive project wherein Detroit is being evaluated against other locations such as Belvidere, IL. According to FCA, as the company considers increased investments and new production lines, the company conducts studies analyzing future industrial and production plans, facility locations, footprints, and plant loading schedules including locations in Michigan, Illinois, and Mexico. In this instance, the Illinois site presents the most optimal location as this site encompasses the availability of adequate land which does not require an urban land assembly initiative. However, FCA provided the City of Detroit with the opportunity to site the project in an effort to create nearly 5,000 new jobs in Detroit.

39. What are FCA construction timelines and new vehicle production timelines?

According to FCA, they intend to start construction of the new Detroit facility (Mack) by the end of Q2 2019, with the first three-row vehicles expected to roll off the line by the end of 2020; the all-new Grand Cherokee will roll off the line in the first half of 2021.

40. What are current annual units of production at FCA's Jefferson North's plant site? What are projected annual amounts of units of production at the new FCA project sites?

According to FCA:

a. In 2018, JNAP built 373,095 vehicles.

b. Due to confidentiality, FCA does not comment on future production volumes.

41. The current LDFA TIF expires in 2021, which benefit DPS/Library. What are the estimated amount of property taxes that would benefit DPS/Library when the LDFA TIF expires?

LDFA 2018 capture for the library is \$164,564 and DPS is \$409,085. Unfortunately, we do not have knowledge of year 2022 taxes and assessments but expect those numbers to increase.

42. Will the Administration/FCA make a thorough presentation to Council using visuals to help Detroiters especially in the impact area understand the merits of the FCA project?

Yes

43. To allow for an early education for all Council members, will the Administration request that the P&ED Committee be expanded to include all Council members for the FCA project presentation and issues?

We have been informing Council members that they can attend the PED hearing for the FCA project presentation.

44. The Administration needs to explain impact of Hantz Farm deal as it relates to land disposition in the FCA impact area.

As part of the FCA deal, the city needs to acquire 4 acres of land adjacent to Beniteau Street currently owned by John Hantz. Those parcels will be used by FCA for stormwater retention and additional parking. The city has reached a deal with Hantz to transfer those

parcels to DBRA as part of the broader deal with Hantz the city is required to do as part of a deal negotiated by the previous administration.

45. Please identify any concerns related to the utilities in the FCA impact area. How are these concerns being addressed by FCA and the City?

The City and FCA have met with all utility companies who have infrastructure in the expansion area.

There are two primary areas of focus: the utilities impacted by the vacation of St. Jean and the utilities in and along the alleyway adjacent to the berm locations.

FCA is working directly to secure approval from the utilities impacted by the St. Jean vacation. Those utilities will continue to be offered access and an easement to their infrastructure which will now be under a paved parking lot.

The City and FCA are working with the utilities in and along the alleyway to manage site prep activities and minimize impact.