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TO: COUNCIL MEMBERS
FROM: David Whitaker, Director 
Legislative Policy Division Staff
DATE: September 3, 2019
RE: 40 Hague 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, and in order to promote the revitalization of environmentally distressed and blighted areas including those within the City of Detroit.

40 Hague Brownfield Redevelopment Plan

The Developer and owner of the property is RainCheck Development, LLC. The property consists of 3 adjoining parcels located in the North End Neighborhood. The building at 40 Hague is a 37,000 square foot two-story, residential dwelling that is considered a “facility”¹ and “functionally obsolete.” The properties located on 8524 Woodward and 59 E. Philadelphia are currently parking lots that are adjacent and contiguous to 40 Hague. The .16 acre parking lot located to the west of Hague on Woodward will be converted into a fenced-in private park and a dog park for use. The .86 acres of land to the south of the building at 59 E Philadelphia will

¹ The State of Michigan defines a “Brownfield” site as a “facility” as defined by Part 201 of Natural Resources and Environmental Protection Act (NREPA) (contaminated at levels above generic residential use criteria).

continue to be a parking lot for resident use by residents of this development, but it will be reconfigured so, as to accommodate more parking spaces. The property will be converted into 38 loft-style residential apartments, with 2 studios, 32 one bedroom units, and 4 two-bedroom units. The building will have a living space of approximately 26,900 square feet, with an interior courtyard including eating areas, and a rooftop garden. The Woodward Ave. corridor and the surrounding neighborhood has many vacant and blighted properties. This project may encourage additional redevelopment in the area. Construction is set to begin in the fall of 2019, and is anticipated to be completed within 18 months of the start date.

The Property is considered “eligible property” as defined by Act 381, Section 2 because (a) the Property was previously utilized for industrial and commercial purposes; (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” as defined by Act 381 and in accordance with Part 201 of Act 451; and (d) the Property is adjacent and contiguous to a “facility” and the development of the adjacent and contiguous parcels is estimated to increase the captured taxable value of that eligible property. 40 Hague, 8524 Woodward Ave., and East Philadelphia St. were all built prior to 1910. Both, 40 Hague and 59 E. Philadelphia were home to three residential dwellings. 8524 Woodward previously had two residential dwellings. After the demolition of the original building at 40 Hague, the current building was constructed between 1915 and 1926. The residential dwellings at 8524 Woodward were demolished in 1957. The parking lot that currently exists on the property was constructed in 1961. The two residential dwellings that existed on 59 E. Philadelphia were demolished in 1962 and 1963. It is now a parking lot as well, which was constructed between 1967 and 1972.

In 2014, the non-profit World Hope, Inc., moved into the building at 40 Hague. The current property owner, and developer, RainCheck subsequently purchased the property from World Hope, Inc., thereby, no businesses will be dislocated as a result of this project. Prior to World Hope’s occupancy, 40 Hague was utilized by several printing and engraving companies, an automotive sales and services company, several professional offices, and a training school, all occupied this space at one time or another. The new building will offer five 1-bedroom units and three 2-bedroom units at 60% Area Median Income (AMI), which is about 20% of the 38 total units available. Buildings, Safety, Engineering & Environmental Department (BSEED) confirmed, that the other properties included are adjacent and contiguous to a property that qualifies as functionally obsolete or a facility. According to the plan, the developer is requesting a 12-year Obsolete Property Rehabilitation Tax Act (OPRA), PA 146 of 2000,² along with the Brownfield TIF. Tax capture is set to begin in 2020. **The capture period for this Brownfield request is 26 years.**³

² Obsolete Property Rehabilitation Tax Act (OPRA), PA 146 of 2000, as amended provides property tax exemptions for commercial and commercial housing properties that are rehabilitated and meet the requirements of the Act. Properties must meet eligibility requirements including a statement of obsolescence by the local assessor.

³ The DBRA public hearing for the Plan was held on Tuesday, July 18, 2019 at 5:30 pm at DBRA, 500 Griswold, Suite 2200, in Detroit, Michigan. The developer provided an overview of the project and answered questions. 3 people expressed support for the project. There were no comments opposed to the project.

The estimated total capital investment from the developer is approximately \$8.05 million. It is estimated that 18 temporary construction jobs⁴ will be needed to complete the project. Post-construction operations will create 2 part-time property management jobs, which is equivalent to 1 permanent professional FTE job. The development team has selected Monahan Company as the general contractor, and Detroit-based Christian Hurttienne Architects to assist in advancing the project. Monahan intends to use Detroit-based subcontractors during the redevelopment process and will present at a skilled trades task force meeting, if additional subcontractors are needed.

Capital Cost	Total Cost
Renovation/Rehab	\$1,275,000
Acquisition Cost	\$5,585,000
Soft Cost	\$1,199,000
Total Capital Cost	\$8,059,000

The Developer is requesting a \$731,906 TIF⁵ reimbursement and the total costs under the plan is \$1,258,275 for “eligible activities” as illustrated below:

COSTS TO BE REIMBURSED WITH TIF

1. Environmental Assessments	\$23,693.00
2. Department Specific Activities (EGLE)	\$114,500.00
3. Demolition	\$298,900.00
4. Asbestos Abatement	\$22,000.00
5. Infrastructure Improvements	\$68,000.00
6. Site Preparation	\$86,350.00
7. Brownfield Plan & Work Plan Preparation	\$20,000.00
8. Brownfield Plan & Work Plan Implementation	\$10,000.00
9. Contingency (15%)	\$88,463.00
Total Reimbursement to Developer	\$731,906.00
10. Authority Administrative Costs	\$189,903.00
11. State Brownfield Redevelopment Fund	\$41,917.00
12. Local Brownfield Revolving Fund	\$294,549.00
TOTAL Estimated Costs	\$1,258,275.00

⁴ Incentive Chart on page 8

⁵ 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.

Tax increments are projected to be captured and applied to (i) reimbursement of eligible activity costs and payment of DBRA administrative and operating expenses, (ii) make deposits into the State Brownfield Redevelopment Fund, and (iii) make deposits into the DBRA's Local Brownfield Revolving Fund, as follows:

	<u>Reimbursement Costs</u>	<u>Admin. Costs</u>	<u>State Brownfield Fund</u>	<u>Local Revolving Fund</u>
School Operating Tax	\$201.680	\$0.00	\$0.00	\$0.00
State Education Tax	\$67.227	\$0.00	\$41.917	\$0.00
City Operating	\$234.921	\$96.355	\$0.00	\$149.452
Library	\$54.523	\$22.363	\$0.00	\$34.687
County (Summer)	\$66.505	\$27.278	\$0.00	\$42.309
County (Winter)	\$11.653	\$4.780	\$0.00	\$7.413
County Public Safety	\$11.045	\$4.530	\$0.00	\$7.027
Wayne County Parks	\$2.895	\$1.188	\$0.00	\$1.842
HCMA	\$2.507	\$1.028	\$0.00	\$1.595
RESA Enhancement	\$0	\$0	\$0.00	\$0
RESA ISD	\$40.790	\$16.730	\$0.00	\$25.950
Wayne County Community College	\$38.158	\$15.651	\$0.00	\$24.275
TOTALS	\$731,906	\$189,903	\$37,549	\$294,549

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

City Debt	\$165,675
School Debt and Judgment	\$307,682
Wayne County DIA	\$4,734
Wayne County Zoo	\$2,367
Total	\$480,457

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Legal Description of the Eligible Property

Address	Parcel ID	Owner	Description
40 Hague	01002660-0	RainCheck Development, LLC	S. HAGUE 20 E 150 FT 21 EXC W 50 FT OF S 16 FT HAIGHS L13 P29 PLATS, W C R 1/112 SPLIT/COMBINED ON 03/23/2017 FROM 01002600., 01004332;
8524 Woodward Ave	01004332	RainCheck Development, LLC	E. WOODWARD W 110 FT 20HIAGHS SUB L13 P29 PLATS, W C R 1/112 65 X 110 Split on 03/23/2017 with 01002660. Into 01002600-0;
59 East Philadelphia St	01002605-7	RainCheck Development, LLC	N. PHILADELPHIA 5 THRU 7BELA HUBBARDS L21 P7 PLATS, W C R 1/111 150 X 125

⁶ Totals may be subject to rounding.

Feasibility of the Brownfield Approval

- ✦ The City of Detroit Building, Safety Engineering, and Environmental Department acknowledged the receipt of the **Phase I Environmental Site Assessment**⁷, pursuant to USEPA's.
- ✦ **Phase II ESA**⁸, **Baseline Environmental Assessment**⁹, and a **Due Care Plan**¹⁰ was conducted for the property and submitted to B-SEED
- ✦ 40 Hague is considered a "facility" and functionally obsolete
- ✦ There will be a combination of pre-approved activities, department specific activities, demolition, asbestos activities, infrastructure improvements, site preparation and implementation of 381 work plan in order to complete the project
- ✦ 13 soil samples were obtained and submitted, which determined that there was a concentration of benzo(a)pyrene were detected above the Michigan Department of Environment, Great Lakes and Energy ("EAGLE") Part 201 Residential DC clean up criteria¹¹ making it a "facility"¹²
- ✦ PNAs (polynuclear aromatic hydrocarbons) were also detected, but it was below the restrictive clean-up criteria established in Part 201

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

Attachments: **ATTACHMENT B: BSE&E Acknowledgment and Environmental Documents**
ATTACHMENT E: Estimated Cost of Eligible Activities Table
ATTACHMENT H: Incentive Information Chart and Q & A

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

⁷ The **Phase I ESA** (Environmental Site Assessment) is generally considered the first step in the process of environmental due diligence to determine if there is any contamination on a site and its environmental impact.

⁸ **Phase II ESA** includes sampling and analysis to determine the level of contamination of a particular site.

⁹ **Baseline Environmental Assessment**, pursuant to Part 201 of Michigan's Natural Resources and Environmental Protection Act (MCL 324.20101), if needed is a written document that describes the results of sampling and analysis that confirms the property is or contains a facility.

¹⁰ **Due Care Plan**, pursuant to Part 201 of Michigan's National Resources and Environmental Protection Act (NREPA) MCL 20101

¹¹ The clean-up criteria requirements for unrestricted residential use, established under section 20120a (1) (a) and (b) of NREPA. If soil concentrations are above the clean-up criteria, then it is a "facility" in accordance with Part 201 of PA 451.

¹² A facility is any area, place, or parcel(s), or a portion of a parcel(s) where hazardous substance in excess of the concentrations that satisfy the clean-up criteria for unrestricted residential use has been released, deposited, disposed of, or otherwise comes to be located.

ATTACHMENT B

BSE&E Acknowledgment and Environmental Documents

TO: THE DETROIT BROWNFIELD REDEVELOPMENT AUTHORITY
FROM: DETROIT, BUILDINGS, SAFETY ENGINEERING, AND ENVIRONMENTAL DEPARTMENT
PROJECT: 40 Hague Street Project, RainCheck Realty LLC
DATE: July 2, 2019

The undersigned, from the City of Detroit, Buildings, Safety Engineering, and Environmental Department acknowledges the receipt of the environmental documents listed below, which have been submitted by PM Environmental on behalf of RainCheck Realty, LLC, as developer, as part of its Brownfield Plan submittal to the Detroit Brownfield Redevelopment Authority (DBRA), for the 40 Hague Street Project.

- 1 Phase I Environmental Site Assessment, pursuant to USEPA's. All Appropriate Inquiry using American Society of Testing Materials (ASTM) Standard E 1527-13
- 1 Phase II Environmental Site Assessment, pursuant to ASTM Standard 1903 (if appropriate)
- 1 Baseline Environmental Assessment, pursuant to Part 201 of Michigan's Natural Resources and Environmental Protection Act, MCL 324.20101 *et seq.* (if appropriate).
- 1 Due Care Plan, pursuant to Part 201 of Michigan's Natural Resources and Environmental Protection Act, MCL 324.20101 *et seq.* (if appropriate).

Based upon its review of the above environmental documents and the representations of the developer, the City of Detroit, Buildings, Safety Engineering, and Environmental Department agrees with the environmental consultant that the site is a facility and has determined that the documents received for this project satisfy the DBRA Guidelines.

City of Detroit, Buildings, Safety Engineering, and Environmental Department

By: Paul J. Max

Its: General Manager

ATTACHMENT E
Estimated Cost of Eligible Activities Table
RainCheck, LLC

The estimated cost of eligible activities is \$731,906. The total amount of tax increment revenues are \$1,258,275. For informational purposes, the eligible activities intended to be paid for with tax increment revenues are presented below:

Table 1: Eligible Activities Cost Estimates				
Item/Activity	Total Request	MSF Act 381 Eligible Activities	MDEQ Act 381 Eligible Activities	
Pre-Approved Activities				
Phase I ESA	\$ 2,200		\$ 2,200	
Phase II ESA/BEA/DDCC	\$ 10,035		\$ 10,035	
Hazardous Materials Survey	\$ 4,558		\$ 4,558	
Pre-Approved Activities Sub-Total	\$ 23,693	\$ -	\$ 23,693	
Department Specific Activities				
Contaminated Soil Excavation, Transport and Disposal	\$ 68,000		\$ 68,000	
Vapor Intrusion Pathway Confirmation Monitoring/Sampling	\$ 25,500		\$ 25,500	
Oversight, Sampling and Reporting by Environmental Professional	\$ 21,000		\$ 21,000	
Department Specific Activities Sub-Total	\$ 114,500	\$ -	\$ 114,500	
Demolition				
Building Demolition Activities	\$ 260,000	\$ 260,000		
Site Demolition Activities	\$ 10,000	\$ 10,000		
Roof Removal	\$ 6,500	\$ 6,500		
Oil/Water Separator Removal	\$ 6,500	\$ 6,500		
Removal of Under Ground Storage Tanks (non environmental costs)	\$ 15,000	\$ 15,000		
Demolition Sub-Total	\$ 298,900	\$ 298,900	\$ -	
Asbestos and Lead Activities				
Asbestos Abatement	\$ 22,000	\$ 22,000		
Asbestos and Lead Activities Sub-Total	\$ 22,000	\$ 22,000	\$ -	
Infrastructure Improvements				
Curbs and Gutters	\$ 5,000	\$ 5,000		
Side Walk Improvements	\$ 5,000	\$ 5,000		
Landscaping in ROW	\$ 15,000	\$ 15,000		
Public Alley Improvements	\$ 35,000	\$ 35,000		
Public Road/Street Repairs	\$ 8,000	\$ 8,000		
Infrastructure Sub-Total	\$ 68,000	\$ 68,000	\$ -	
Site Preparation				
Temporary Site Control (fencing, gates, signage and/or lighting)	\$ 10,000	\$ 10,000		
Temporary Facility	\$ 26,350	\$ 26,350		
Relocation of Active Utilities (Electric)	\$ 50,000	\$ 50,000		
Site Preparation Sub-Total	\$ 86,350	\$ 86,350	\$ -	
Preparation and Implementation of Brownfield Plan and Act 381 Workplan				
Brownfield Plan and Act 381 Work Plan Preparation	\$ 20,000	\$ 10,000	\$ 10,000	
Brownfield Plan and Act 381 Work Plan Implementation	\$ 10,000	\$ 5,000	\$ 5,000	
Brownfield Plan and Act 381 Workplan Sub-Total	\$ 30,000	\$ 15,000	\$ 15,000	
Eligible Activities Sub-Total	\$ 643,443	\$ 490,250	\$ 153,193	
15% Contingency*	\$ 88,463	\$ 71,288	\$ 17,175	
Developer Eligible Reimbursement Total	\$ 731,906	\$ 561,538	\$ 170,368	
TIF Capture for Local Brownfield Revolving Fund	\$ 294,549		\$ -	
Administrative Fee	\$ 180,903		\$ -	
State Brownfield Fund	\$ 41,917		\$ -	
Total	\$ 1,258,275	\$ 561,538	\$ 170,368	

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

ATTACHMENT H Incentive Table

Incentive Information Chart: 40 Hague Street, 8524 Woodward Avenue, and 59 East Philadelphia Street, Detroit

Project Type	Incentive Type	Investment Amount	District
Residential	Brownfield/Obsolete Property Rehabilitation Tax Abatement	\$5.5 Million Hard Cost Investment \$8.05 Million Total Investment	General Business District (B4) and Low Density Residential District (R3)

Jobs Available							
Construction				Post Construction			
Professional	Non-Professional	Skilled Labor	Non-Skilled Labor	Professional	Non-Professional	Skilled Labor	Non-Skilled Labor
1	1	8	8	1	0	0	0

40 Hague Property Redevelopment





Current Building



Planned Redevelopment