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TO: COUNCIL MEMBERS
FROM: David Whitaker, Director
Legislative Policy Division Staff
DATE: October 16, 2019
RE: Jefferson Van Dyke 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, in order to promote the revitalization of environmentally distressed and blighted areas within the City of Detroit.

Jefferson Van Dyke Brownfield Redevelopment Plan

The project developer is Jefferson Van Dyke 2, LLC. The property is located in multiple revitalization districts.¹ It is adjacent to West Village Historic Neighborhood in the East Jefferson Commercial Corridor; bounded by an alleyway to the north, Van Dyke to the east, East Jefferson Avenue to the South and a parking lot to the west. The plan entails the rehabilitation of 4 existing commercial buildings, demolition of the existing parking structure, construction of a 136 space parking structure, adding approximately 36 1-bedroom mixed-income residential units above the parking structure at a blend of 50%-120% AMI.²

In addition, the project includes 14,000 square feet of retail/restaurant space on the ground level, and improvements to the existing pedestrian plaza on Jefferson Ave. The development may also include green features, such as a green rooftop and a green alley running west from Van Dyke.

¹ The districts include the Detroit Target Multi-Family Housing Development Area, the Strategic Neighborhood Fund area, a Detroit Revitalization District, and an Opportunity Zone.

² Half of the units are under 80% AMI.

The project consists of two parcels: 7891 and 7903 East Jefferson Avenue. 7891 is considered a “facility” and 7903 is adjacent and continuous. Construction is set to begin in January 2020 and is expected to be completed by June 2021. Some “eligible activities” began prior to the adoption of this plan.

Located on the eastern half of the property are two dwellings that were originally constructed in 1910. One of which was formerly a residence, but is presently a part of the existing “infill retail building.”³ Both dwellings have been used as a tavern/club in the past and may be connected via an underground tunnel. Another dwelling to the north of the aforementioned dwellings was converted into a garage, however, it has also been used as a studio, salon, and retailer. The property also has commercial storefronts that are a part of the existing “infill retail building,” which has been used as a tavern, drycleaner, retailers, offices, and a florist since their construction in the late 1920s. The parking deck was built in 1935. At least four gasoline underground storage tanks (USTs) were located south of the parking deck that were used for greasing operations. Currently, the buildings are vacant and the parking structure is not in use.

According to the Building Safety Engineering, and Environmental Department (B-SEED) the Property is considered an “eligible property” as defined by Act 381, Section 2 e: (a) the Property was previously utilized for a commercial purpose; (b) it is located within the City of Detroit, a qualified local governmental unit under Act 381; (c) the parcel at 7891 East Jefferson Avenue was determined to be a facility in accordance to Part 201 of Michigan’s Natural Resources and Environmental Protection Act, 1994 PA 451, and the parcel at 7903 East Jefferson Avenue is adjacent and contiguous and the development of the adjacent and contiguous parcel is estimated to increase the captured taxable value of the remainder of the Property.

According to a 2019 assessment, the current taxable value is \$145,048 and the projected future taxable value is \$3,505,913. The developer is eligible for and is requesting a 12- year Obsolete Property Rehabilitation Act (OPRA) Tax Abatement⁴, including a 6-year 50% school tax capture for the rehabilitated portion of the project only⁵ and a Brownfield TIF that is set to begin capture in 2021. **The capture period for this Brownfield request is 30 years.**⁶

The estimated total capital investment from the developer is approximately \$21,000,000. The development team has secured a \$2.5 million low interest loan from the Community Revitalization Program. And may receive financing from Invest Detroit, LISC, MEDC, AHLF, HRD, Affordable Housing Leverage Fund, and Capital Impact Partners. It is estimated that 84 temporary construction jobs will be needed to complete the project and 36 permanent positions at the buildings and in the tenant buildings will be created post-construction. The development team is working with Focus: HOPE, Detroit Employment Solutions Network, DEGC, the Skilled Trades Council, and others (attachment H) to engage and hire Detroit Residents for construction

³ An “infill retail building” is the process of turning vacant buildings or parking lots into new residential communities, business parks, retail shopping centers or mixed-use developments in urban areas.

⁴ **Obsolete Property Rehabilitation Act (OPRA) Tax Abatement**, PA 146 of 2000, as amended (MCL 125.2781-125.2797). The tax exemption freezes the taxable value of the rehabilitated portion of the facility for up to 12 years. If approved, it will lower the taxable value of the property for the approved time period of exemption.

⁵ The State Treasurer may approve reductions of half of the school operating and state education taxes for a period not to exceed 6 years for 25 applications annually.

⁶ The DBRA public hearing for the Plan was held on Tuesday, September 10, 2019 at 5:30 pm at the Metro Central Church of Christ, 1511 Van Dyke in Detroit, Michigan. There were 2 commenters that offered project suggests. Nine people were in support and no comments were received in opposition to the project.

and permanent jobs. The development team is also working with Detroit Motor City Match and ProsperUS Detroit to bring a small business incubator, pop-up retail and food development. The Detroit Historic Commission held a special meeting on April 10, 2019. All commissioners were in support of the proposed project.

1. Baseline Environmental Assessment Activities	\$28,833
2. Due Care Activities	\$751,667
3. Additional Response Activities	\$125,222
4. Demolition	\$350,000
5. Infrastructure Improvements	\$2,806,000
6. Site Preparation	\$62,278
7. Brownfield Plan & Work Plan Preparation	\$32,000
8. Contingency (15%)	\$618,600
Total Reimbursement to Developer	\$4,774,600
9. Authority Administrative Costs	\$1,056,095
10. State Brownfield Redevelopment Fund	\$343,016
11. Local Brownfield Revolving Fund	\$866,924
TOTAL Estimated Costs	\$7,040,636

The Developer is requesting a \$4,774,600 TIF⁷ reimbursement and the total costs under the plan is a \$7,040,636 for “eligible activities” as illustrated below:

COSTS TO BE REIMBURSED WITH TIF

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:

Tax Capture for This Plan (30 Year Plan)							
School Capture	Millage Rate	Total Capture	Reimburse	Brownfield Authority	State BRF	LBRF	
School Operating Tax	18.0000	\$ 2,058,096	\$ 1,761,009	\$ -	\$ -	\$ 297,094	
State Education Tax (SET)	6.0000	\$ 686,032	\$ 293,500	\$ -	\$ 343,016	\$ 49,516	
School Total	24.0000	\$ 2,744,128	\$ 2,054,509	\$ -	\$ 343,016	\$ 346,609	
Local Capture	Millage Rate						
WAYNE COUNTY	0.9897	\$ 102,904	\$ 65,148	\$ 25,294	\$ -	\$ 12,462	
W C JAILS	0.9301	\$ 97,538	\$ 61,751	\$ 29,975	\$ -	\$ 11,812	
W C PARKS	0.2459	\$ 25,567	\$ 16,187	\$ 6,285	\$ -	\$ 3,096	
W C HCMA	0.2129	\$ 22,136	\$ 14,014	\$ 5,441	\$ -	\$ 2,681	
W C RESA	0.0965	\$ 10,034	\$ 6,352	\$ 2,466	\$ -	\$ 1,215	
W C RESA SP ED	3.9678	\$ 350,165	\$ 221,688	\$ 86,072	\$ -	\$ 42,406	
W C COMM COLLEGE	3.2408	\$ 336,961	\$ 213,928	\$ 82,826	\$ -	\$ 40,807	
GENERAL CITY	19.9520	\$ 2,074,499	\$ 1,313,355	\$ 509,919	\$ -	\$ 251,226	
LIBRARY	4.6307	\$ 481,475	\$ 304,819	\$ 118,348	\$ -	\$ 58,307	
W COUNTY TAX	5.6483	\$ 587,279	\$ 371,803	\$ 144,955	\$ -	\$ 71,121	
W C RESA ENH	2.0000	\$ 207,949	\$ 131,651	\$ 51,115	\$ -	\$ 25,183	
Local Total	41.3227	\$ 4,296,508	\$ 2,720,097	\$ 1,056,095	\$ -	\$ 520,315	
Total Above	65.6227	\$ 7,040,636	\$ 4,774,600	\$ 1,056,095	\$ 343,016	\$ 866,924	

⁷ 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.

As illustrated below, the following taxes are projected to be generated but shall not be captured by the DBRA during the life of the Plan.

Millages Not Captured	Millage Rate	Increment Not Captured (30 Year Plan)
W C ZOO	0.1000	\$ 10,397
W C DIA	0.2000	\$ 20,795
DEBT SERVICE	7.0000	\$ 727,822
SCHOOL DEBT	13.0000	\$ 1,351,669
Total Above	20.3000	\$ 2,110,683

Legal Description of the Eligible Property

Address	7891 East Jefferson Avenue
Parcel ID	17000048
Acreage	.59
Owner	PALMER, GEORGE P. 333 LAS OLAS WAY APT. 1103 FORT LAUDERDALE, FL 33301
Legal Description	N JEFFERSON 50 EXC W 41 FT ON S LINE BG W 40 FT A RIGHT ANGLES ON N LINE OF S 70 FT ON W LINE S 61 FT ON E LINE 49&48 CHAS BEWICKS SUB L21 P39 PLATS, W C R 17/550 105.13 IRREG

Address	7903 East Jefferson Avenue
Parcel ID	17000049
Acreage	.39
Owner	PALMER, GEORGE P. REV. TRUST 333 LAS OLAS WAY APT. 1103 FORT LAUDERDALE, FL 33301
Legal Description	N JEFFERSON 47&46 CHAS BEWICKS SUB L21 P39 PLATS, W C R 17/550 97.42 IRREG

Feasibility of the Brownfield Approval

- ✚ The City of Detroit Building, Safety Engineering, and Environmental Department has received the **Phase I Environmental Site Assessment**⁸ pursuant to USEPA's and **Baseline Environmental Site Assessment**⁹ pursuant to Part 201 of Michigan's Natural Resources and Environmental Protection Act.
- ✚ Due Care activities include excavation, transportation, and disposal of soils for remediation activities, closure of historical underground storage tanks.
- ✚ Demolition of the parking structure.
- ✚ Constructing a new 136-space parking structure.
- ✚ Infrastructure improvements and renovating the existing buildings.
- ✚ Construction of 36 new residential units (42 units are also identified in the plan).
- ✚ Renovation of the existing pedestrian plaza.
- ✚ The site is currently vacant.
- ✚ Concentrations of volatile organic compounds (VOCs) and polynuclear aromatic hydrocarbons (PNAs) were found that exceed the applicable Generic Residential Clean-up Criteria (GRCC)¹⁰.
- ✚ Recognized environmental conditions (RECs)¹¹ were identified in connection with the former on-site dry cleaner, former on-site auto/engine related services, the known release at the east adjoining Sunoco filling station, and the use of at least 4 gasoline USTs at the property.

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

Attachments: **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

⁸ **The Phase I ESA** (Environmental Site Assessment) is generally considered the first step in the process of environmental due diligence.

⁹ **BEAs** A person can buy, lease, or foreclose on contaminated property and be protected from liability for cleanup of existing contamination on the property if they: 1) conduct a baseline environmental assessment (BEA) and 2) disclose it to EGLE and subsequent purchasers and transferees of the property, as outlined in Part 201 (Environmental Remediation) and Part 213 (Leaking Underground Storage Tanks) of the Natural Resources and Environmental Protection Act.

¹⁰ *Generic Cleanup Residential Criteria (GRCC)* developed to determine the amount of hazardous materials that may be present. Based on the results of analytical soil sampling, the Property is classified as a "facility" under Part 201 of the Natural Resources and Environmental Protection Act, 451 P.A. 1994, as amended.

¹¹ **RECs** are a foreseeable presence of any hazardous substances or petroleum products that have released or is a threat to releasing hazardous materials into structures on the property, into the ground, ground water, or surface water on the property.

ATTACHMENT E
Estimated Cost of Eligible Activities Table

The estimated cost of eligible activities is \$4,774,600. The total amount of increment tax revenues are \$7,040,636. For informational purposes, the eligible activities intended to be paid for with tax increment revenues are presented below:

Environmental Eligible Activities	Cost
Department-Specific Activities	
Environmental Site Assessments	\$ 28,833
Due Care Activities	\$ 751,667
Additional Response Activities	\$ 125,222
<i>Subtotal Environmental Eligible Activities</i>	\$ 905,722
Contingency (15%)	\$ 135,858
Environmental Eligible Activities Total	\$ 1,041,580

Non-Environmental Eligible Activities	Cost
Demolition	\$ 350,000
Infrastructure Improvements	\$ 2,806,000
Site Preparation	\$ 62,278
<i>Subtotal Non-Environmental Eligible Activities</i>	\$ 3,218,278
Contingency (15%)	\$ 482,742
Non-environmental Eligible Activities Total	\$ 3,701,020
Total Environmental and Non-Environmental Eligible Activities	\$ 4,742,600
Brownfield Plan and/or Work Plan Preparation	\$ 20,000
Brownfield Plan and/or Work Plan Implementation	\$ 12,000
Total Eligible Activities Total	\$ 4,774,600
Interest to Developer	\$ -
DBRA Administrative Costs	\$ 1,056,095
Local Brownfield Revolving Fund	\$ 866,924
State Brownfield Fund	\$ 343,016
Total Estimated Cost to be Funded Through TIF	\$ 7,040,636

*Note: Some of the Environmental Site Assessments were completed prior to this plan.

ATTACHMENT G
Environmental Assessment

TO: THE DETROIT BROWNFIELD REDEVELOPMENT AUTHORITY

FROM: DETROIT, BUILDINGS, SAFETY ENGINEERING, AND ENVIRONMENTAL DEPARTMENT

PROJECT: Jefferson Van Dyke Project

DATE: August 21, 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 ASTI Environmental on behalf of Jefferson Van Dyke 2 LLC, as developer, as part of its Brownfield Plan submittal to the Detroit Brownfield Redevelopment Authority (DBRA), for the Jefferson Van Dyke 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
- 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).
- 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 a Phase II Environmental Site Assessment is recommended 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 May

Its: General Manager

**ATTACHMENT H
Incentive Information Chart**

Project Type	Incentive Type	Investment Amount	District
Rehabilitation/ New Construction	OPRA/ Brownfield TIF	\$20,800,000	5

Jobs Available							
Construction				Post Construction			
Professional	Non-Professional	Skilled Labor	Non-skilled Labor	Professional	Non-Professional	Skilled Labor	Non-skilled Labor
7	2	35	40	6		10	20

1. What is the plan for hiring Detroiters?

On the Permanent Jobs side, the developer is working closely with Detroit Motor City match and ProsperUS Detroit who provide enterprises and entrepreneurs career development, motivational engagement, orientation and on-boarding and Turnover Reduction/Morale-Building services.

We will hold 4 local hiring halls with local job placement firms and partner with at least 3 union training facilities: Laborers, Carpenters, Electricians and Plumbers. The union labor will span many of the skilled and unskilled trades with a specific focus on the larger trade specialties: painting, demolition, electrical, masonry.

The General Contractor, O'Brien Construction has managed successful projects with high levels of Detroit Labor Participation. O'Brien will develop in conjunction with the city of Detroit Human Rights Department and Detroit Economic Growth Corporation an Apprenticeship and Training Plan. We will work closely with the several skilled trades who operate local workforce training centers - Laborers, Electricians, Carpenters and others to facilitate placement of qualified candidates into apprenticeships.

The General Contractor will work with the Skilled Trades Task Force, the Detroit Contractors Network, Michigan Works!, Detroit Employment Training Network, Detroit Economic Growth Corporation, Booker T. Washington Business Association, The Hispanic Contractors Board of the Michigan Hispanic Chamber of Commerce and others to recruit Minority-Based and Women-Based Enterprises, with a focus on those firms based in the city of Detroit - Detroit-Based Enterprises.

All project hiring and employment opportunities will be published in The Michigan Chronical and Latino in Detroit.

2. Please give a detailed description of the jobs available as listed in the above chart, i.e.: job type, job qualifications, etc.

Construction positions will be created for the completion of the project and will include the following:

- Professional: planning, architecture and engineering, management;
- Non-Professional: engineering aides, drafters;
- Skilled Labor: restaurant front of the house, electricians, painters, supervisors
- Non-skilled Labor: general construction laborers, kitchen and wait staff

The Temporary Design and Construction jobs will be very large and will sustain 84 temporary jobs over a substantial period of construction of 18 months. The employment estimates of design, engineering, construction and administration have been developed with General Contractor-O'Brien Construction and Architects – Berardi Detroit. We also utilized data from the Detroit Building Trades Council, Association of General Contractors, US Department of Labor and others.

Post Construction positions will be created by companies that lease the space and will vary based on the needs of the company. The following are the anticipated positions that will be created:

- Professional: restaurant management, chef, building management, retail management
- Skilled Labor: maintenance, craftsmen;
- Non-skilled Labor: retail staff, restaurant staff (cooks, servers, bartenders, cleaning staff, etc.)

3. Will this development cause any relocation that will create new Detroit residents?

The buildings at the site are currently vacant. This project will bring six former apartments back on-line and create an additional 36 units of mixed-income housing.

4. Has the developer reached out to any community groups to discuss the project and/or any potential jobs?

The developer has met with Council Member Sheffield and her staff; has met with District 5 Area Manager Melia Howard; has met with West Village Association, Detroit Historic District Commission – endorsed the project, and with city staff. We hosted in late May an event at Butzel Community Center, three blocks north of the development, that was attended by 50 residents. Ms. Howard and her outreach team helped mobilize this 2-hour informational meeting. The project was very well-received and additional contacts with several community leaders is on-going.

5. When is construction slated to begin?

Plans are to start construction January 2020, as soon as the Brownfield Work Plan is approved by the Michigan Strategic Fund.

6. What is the expected completion date of construction?

This project is expected to take 18 months to complete, through July 2021.

***Please contact Linda Wesley at (313) 628-2993 or wesleyl@detroitmi.gov to schedule a date to attend the Skilled Trades Task Force.**



7903, 7891 E Jefferson

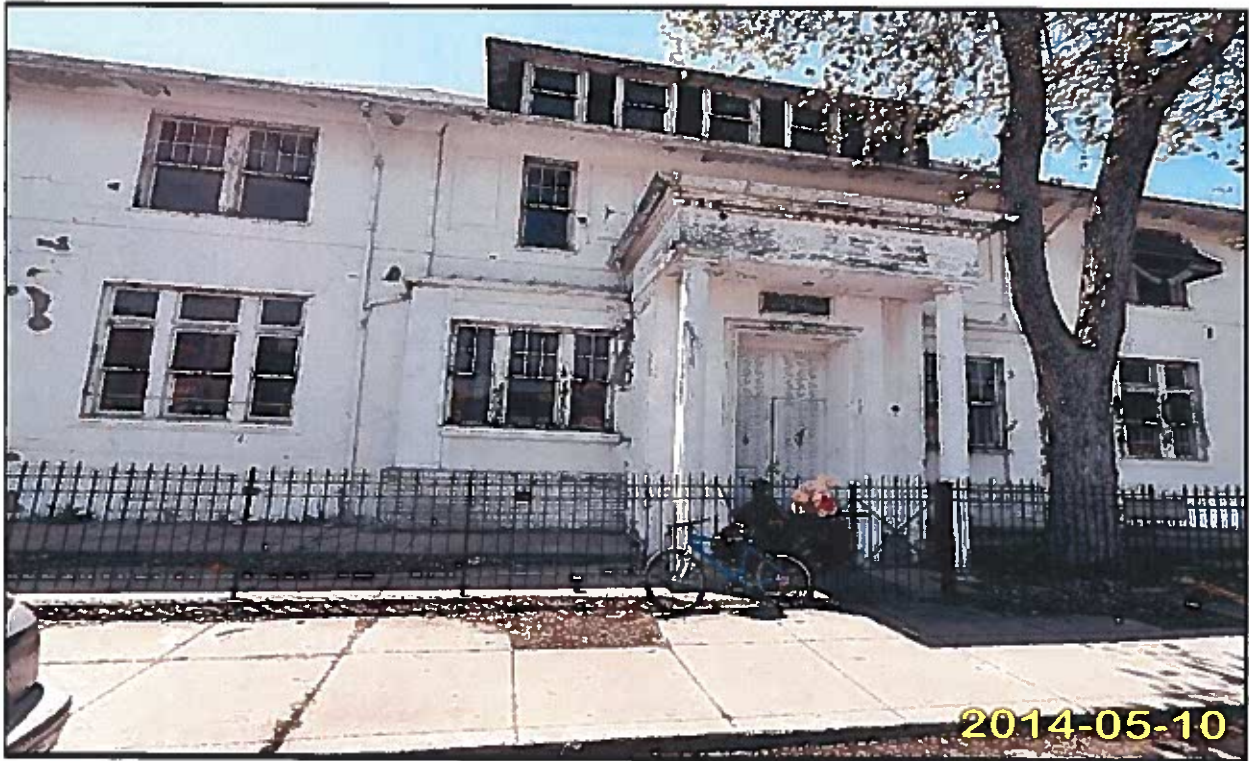
Detroit, MI



Created for: Jefferson Van Dyke 3 LLC
Created by: MAW, December 6, 2016



Figure 1: Property Location





7903, 7891 E Jefferson

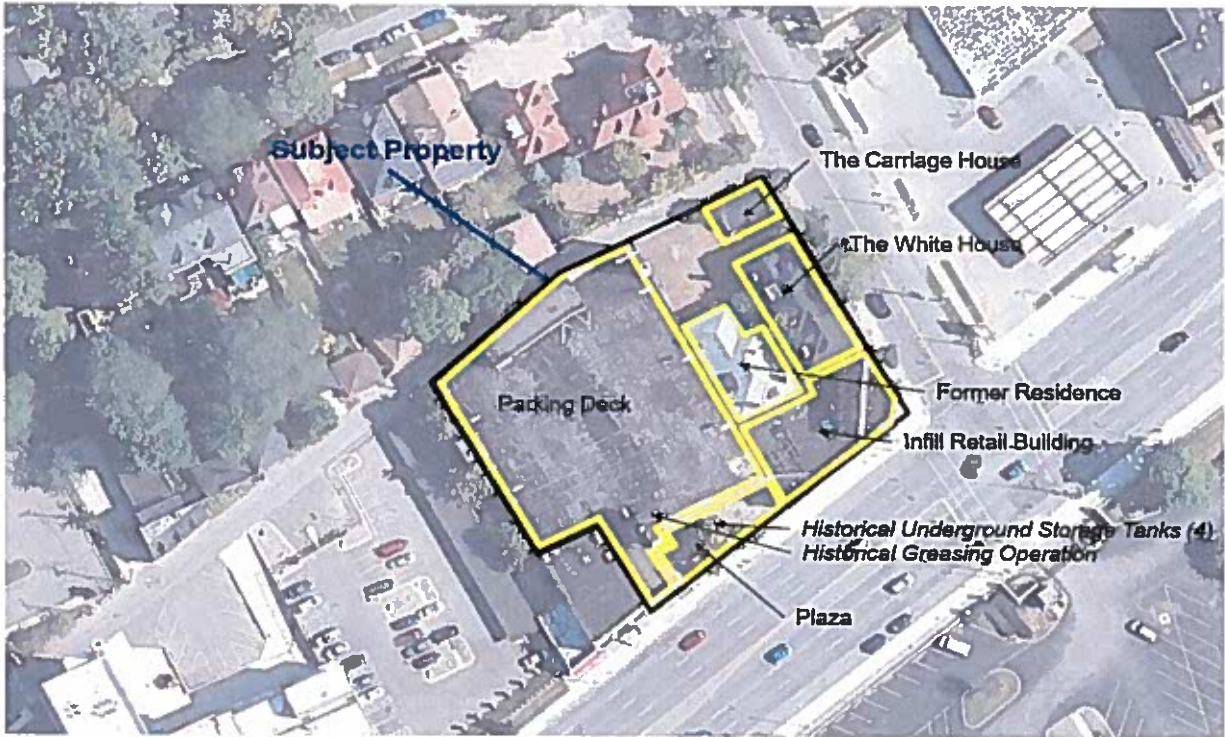
Detroit, MI



Created for: Jefferson Van Dyke 2 LLC
 Created by: MAW, December 6, 2018



Figure 2: Subject Property



7903, 7891 E Jefferson

Detroit, MI



Created for: Jefferson Van Dyke 2 LLC
Created by: TJW, June 10, 2019



Figure 3: Site Features



7903, 7891 E Jefferson

Detroit, MI



Created for: Jefferson Van Dyke 2 LLC
Created by: TJW, June 10, 2019



Figure 4b: Front Elevation Rendering



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7903, 7891 E Jefferson

Detroit, MI



Created for: Jefferson Van Dyke 2 LLC
Created by: TJJW, June 10, 2019



Figure 4c: Parking Rooftop Deck Rendering