

David Whitaker, Esq.  
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Irvin Corley, Jr.  
Executive Policy Manager  
Marcell R. Todd, Jr.  
Senior City Planner  
Janese Chapman  
Deputy Director

John Alexander  
LaKisha Barclift, Esq.  
M. Rory Bolger, Ph.D., AICP  
Elizabeth Cabot, Esq.  
Tasha Cowen  
Richard Drumb  
George Etheridge  
Deborah Goldstein

# City of Detroit

## CITY COUNCIL

### LEGISLATIVE POLICY DIVISION

208 Coleman A. Young Municipal Center  
Detroit, Michigan 48226

Phone: (313) 224-4946 Fax: (313) 224-4336

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Marcel Hurt, Esq.  
Kimani Jeffrey  
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TO: COUNCIL MEMBERS  
FROM: David Whitaker, Director *DW*  
Legislative Policy Division Staff  
DATE: November 20, 2019  
RE: 511 Woodward Avenue 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 economically distressed and blighted areas within the City of Detroit.

### **511 Woodward Avenue Brownfield Redevelopment Plan**

The project developer is ICONIC 511, LLC. The property consists of one parcel located at 511 Woodward Avenue in Detroit's Central Business District, bounded by Woodward to the east, Congress to the north, Larned to the south, and the Guardian Building to the west. This project is known as the "Dream 511" project. The Dream project is a partnership between the Elia Group and the Downtown Detroit Partnership (DDP)<sup>1</sup>, which involves the rehabilitation of the vacant and obsolete building at 511 Woodward for commercial and retail use. The 4-story building is 30,240 square feet. Approximately 19,207 sq. ft. will be used as office space<sup>2</sup> and the remaining 11,129 sq. ft. will be used for retail. ICONIC 511, is currently under purchase agreement<sup>3</sup> for the

<sup>1</sup> Elia Group and the Downtown Detroit Partnership (DDP) has collaborated on other properties in the city, including the creation of the Parc restaurant in 2016 and Fountain Detroit restaurant in Campus Martius. They are also the driving force behind turning Campus Martius into an all-season community gathering place.

<sup>2</sup> The Downtown Detroit Partnership will occupy 7,584 sq. ft. of the office space available.

<sup>3</sup> The purchase agreement is with the current owner of the property, Wayne County.

eligible property and intends to close in November 2019. Construction will begin immediately after the close and is expected to be completed within 9 months of commencement<sup>4</sup>.

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 purpose; (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 functionally obsolete<sup>5</sup> and blighted as defined by Act 381. Act 381 defines “functionally obsolete” as a building that is unable to adequately perform the function for which it was intended due to substantial loss in value resulting from factors such as over capacity, changes in technology, deficiencies or superadequancies in design, or other similar factors that affect the property itself or the properties relationship with other surrounding property.

511 Woodward was constructed in 1972. Various professional offices and a financial institution from 1973 occupied the building until at least 2006. The building has been vacant since 2006, causing substantial deterioration and loss in value. No persons or businesses will be displaced or will be in need of relocation as a result of this project. The developer anticipates the approval of a 12- year Obsolete Property Rehabilitation Act (OPRA) tax abatement<sup>6</sup>. The developer is requesting a Brownfield TIF that is set to begin capture in 2020. **The capture period for this Brownfield request is 30 years.**<sup>7</sup>

The estimated total capital investment from the developer is approximately \$18,061,583. It is estimated that a minimum of 75 temporary construction jobs needed to complete the project. The new space will create approximately 100 new retail and office space employees post-construction and the new owner plans to hire one employee for property management. The Elia Group-DDP team is committed to providing opportunities for workforce training, growth and employment in Detroit<sup>8</sup>. The purchase agreement with Wayne County requires the developer to engage with:

- SER Metro’s Motor City Empresa program to employ young adults in the construction trade.
- Southeast Michigan Alliance (SEMCA), Detroit Employment Solutions Corporation (DESC), the State of Michigan’s MITalent and Wayne County Community College, to create permanent job opportunities for locals
- Detroit Economic Growth Corporation D2D, Michigan Minority Supplier Development Council, and Pure Michigan Business Connect.

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<sup>4</sup> It is anticipated the first tenant will move in June 2020.

<sup>5</sup> The office of the Chief Financial Officer confirmed this property is considered functionally obsolete based upon the definitions found in Section 2(s) of Act 381 (MCL 125.2652) and The Michigan Assessors Manual Vol. 1, p.239.

<sup>6</sup> **Obsolete Property Rehabilitation Act (OPRA)**, PA 146 of 2000, as amended, provides tax exemptions for commercial properties that are rehabilitated. Taxable value is frozen at the value prior to rehabilitation for 1-12 years. If approved, it will reduce the amount tax increment revenues available.

<sup>7</sup> The DBRA public hearing for the Plan was held on Monday, November 4, 2019 at 5:30 pm at Detroit Economic Corporation 500 Griswold, Suite 2200 in Detroit, Michigan. Three were no comments in support or in opposition.

<sup>8</sup> The developers’ commitment to hiring Detroiters is exemplified with their relationship with Grow Detroit’s Young Talent program from which several graduates have been hire at the Fountain Detroit restaurant.

The Developer is requesting a \$1,564,142 TIF<sup>9</sup> reimbursement and the total costs under the plan is a \$2,126,414 for “eligible activities” as illustrated below:

**COSTS TO BE REIMBURSED WITH TIF**

1. Demolition	\$597,770
2. Site Preparation	\$220,063
3. Infrastructure Improvements	\$524,900
4. Brownfield Plan & 381 Preparation	\$20,000
5. Contingency (15%)	\$201,410
<b>Total Eligible Activities</b>	<b>\$1,564,142</b>
6. BRA Administration Fee	\$318,962
7. State Brownfield Redevelopment Revolving Fund	\$191,294
8. Local Brownfield Revolving Fund	\$52,016
<b>TOTAL Estimated Costs</b>	<b>\$2,126,414</b>

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:

511 Woodward	Reimbursements Costs	Admin. Costs	State Brownfield Fund	Local Revolving Fund
School Operating Tax	\$1,262,265.87	\$0.00	\$0	\$0
State Education Tax	\$229,461.29	\$0.00	\$191,294	\$0
County (combined)	\$4,078.40	\$107,303.64	\$0.00	\$14,803.24
RESA	\$ -	\$4,944.73	\$0.00	\$657.18
WC Special Ed	\$ -	\$172,568.62	\$0.00	\$22,935.26
WC RESA ENH	\$ 68,336.44	\$34,145.08	\$0.00	\$13,620.32
<b>TOTALS</b>	<b>\$1,564,142</b>	<b>\$318,962</b>	<b>\$191,294</b>	<b>\$52,016</b>

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

City Debt	\$ 522,458
School Debt	\$ 754,662
Wayne County DIA	\$ 11,610
Wayne County Zoo	\$ 5,805
<b>Total</b>	<b>\$ 1,294,535</b>

<sup>9</sup> 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.

### Legal Description of the Eligible Property

Address	511 Woodward
Parcel ID	02001900-9
Owner	Wayne County Land Bank
Legal Description	W WOODWARD W 30 FT OF LOTS 58 THRU 62 PLAT OF SEC 2 GOVERNOR & JUDGES PLAN L34 P549 DEEDS, W C R 2/38 270 X 30

### Feasibility of the Brownfield Approval

- ✚ Phase I Environmental Site Assessment<sup>10</sup> was submitted to BSEED for review on 9/30/19<sup>11</sup>.
- ✚ A level III or IV assessor
- ✚ The site is currently vacant and functionally obsolete.
- ✚ Eligible activities include: interior demolition, lead and asbestos abatement, infrastructure improvement and site preparation.
- ✚ Mechanical and electrical systems must be replaced and upgraded
- ✚ The elevators must brought up to code.
- ✚ Interior finishes have been stripped.
- ✚ Life safety systems must be installed (i.e. fire alarms, smoke detectors, etc.).
- ✚ A new security system must be installed.
- ✚ The windows must be rehabilitated or replaced.
- ✚ The entire roof must be replaced.
- ✚ Exterior façade renovation
- ✚ Infrastructure updates to sidewalks

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  
 Katy Trudeau, 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

<sup>10</sup> The Phase I ESA (Environmental Site Assessment) is generally considered the first step in the process of environmental due diligence.

<sup>11</sup> The Brownfield team is still waiting for a review letter from BSEED, which is usually attachment G: Environmental Assessment of this report. LPD reviewed the Environmental Assessment and confirm there were no RECs found on the property.

**ATTACHMENT E**  
**Estimated Cost of Eligible Activities Table**

The estimated cost of eligible activities is \$1,564,142. The total amount of increment tax revenues are \$2,126,414. For informational purposes, the eligible activities intended to be paid for with tax increment revenues are presented below:

<b>TIF Estimation of Eligible Activities</b>	<b>Estimated Activity Cost</b>	<b>MDEQ Reimbursement</b>	<b>MSF Reimbursement</b>
Demolition	\$ 597,770		\$ 597,770
Site Preparation	\$ 220,063		\$ 220,063
Infrastructure Improvements	\$ 524,900		\$ 524,900
Brownfield Plan & 381 Preparation	\$ 20,000	\$	\$ 20,000
15% Contingency on Eligible Act.	\$ 201,410	\$ -	\$ 201,410
<b>Total Eligible Activities</b>	<b>\$ 1,564,142</b>	<b>\$ 0</b>	<b>\$ 1,564,142</b>
BRA Administration Fee	\$ 318,962		\$ 318,962
State Revolving Fund	\$ 191,294		\$ 191,294
LSRRF	\$ 52,016		\$ 52,016
<b>Total Eligible Costs for TIF Reimbursement</b>	<b>\$ 2,126,414</b>	<b>\$ 0</b>	<b>\$ 2,126,414</b>
Developer Reimbursement	\$ 1,564,142		
LSRRF Collection	\$ 52,016		

**ATTACHMENT G**  
**Environmental Assessment**

Phase I ESA was submitted to BSEED for review on 9/30/19. The Brownfield team is still waiting for a review letter. The Environmental Assessment concluded there were *no* Recognizable Environmental Concerns (RECs) found on the property.

**ATTACHMENT H**  
**Incentive Information Chart**

Project Type	Incentive Type	Investment Amount	District
Rehabilitation	OPRA Abatement	18,061,583	

<b>Jobs Available</b>							
<b>Construction</b>				<b>Post Construction</b>			
Professional	Non-Professional	Skilled Labor	Non-Skilled Labor	Professional	Non-Professional	Skilled Labor	Non-Skilled Labor
8	34	36	22	75	25		

**1. What is the plan for hiring Detroiters?**

The purchase agreement for the property with Wayne County requires the developer to coordinate closely with local workforce agencies in relation to the project in order to promote the hiring of local workforce. It specifically requires the Developer to take the following actions:

- a. Engaging with SER Metro's Motor City Empresa program to employ young adults in Wayne County's construction trades;
- b. Engaging with Southeast Michigan Community Alliance (SEMCA), Detroit Employment Solutions Corporation (DESC), the State of Michigan's MiTalent and Wayne County Community College District, to create permanent job opportunities for local community members; and
- c. Considering opportunities with Wayne County businesses using platforms such as Detroit Economic Growth Corporation D2D, Michigan Minority Supplier Development Council and Pure Michigan Business Connect.

Through these activities, the Developer expects to identify local workforce for the project.

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

The Dream 511 project will produce a minimum of 75 construction jobs, one-third of which are anticipated to be specific to low-income Wayne County residents. The new space will allow for the hiring of approximately 100 new retail and office employees in Downtown Detroit. One Property Manager will be hired directly by the new Owner.

**3. Will this development cause any relocation that will create new Detroit residents? No**

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

See number 1.

**5. When is construction slated to begin? 12/1/2019**

**6. What is the expected completion date of construction? 7/1/2019**





