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# City of Detroit

## CITY COUNCIL

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TO: COUNCIL MEMBERS 

FROM: David Whitaker, Director  
Legislative Policy Division Staff

DATE: November 20, 2019

RE: Dakkota Integrated Systems, Inc., Application for a Next Michigan Development Act Renaissance Zone PA 275 of 2010

### Next Michigan Development Act Renaissance Zone PA 275 of 2010

Public Act 275 of 2010<sup>1</sup> is an act to encourage the creation of next Michigan development corporations by interlocal agreement and to prescribe their powers and duties, to foster economic opportunities and prevent conditions of unemployment and underemployment. The *Detroit Next Michigan Development Corporation, Renaissance Zone*, the seventh and last corporation allowed under the act, allows for property taxes to be abated at 100%, corporate income taxes and utility users excise taxes are also abated.<sup>2</sup> Debt millages & special enhancement millages are excluded.

Dakkota Integrated Systems, a joint venture with majority partners Rush Group LLC and Magna International Inc., was established in 2001 to manage the complete assembly and sequencing of modules for OEMs<sup>3</sup> and Tier One suppliers.<sup>4</sup> Andra Rush<sup>5</sup> is founder, chair and CEO of the Rush Group of Companies, which include: Dakkota Integrated Systems, RushTrucking Corporation and Rush Supply Chain Management. Dakkota Integrated Systems, is seeking the approval of the Detroit City Council for a Next Michigan Development Act Renaissance Zone.

<sup>1</sup> NEXT MICHIGAN DEVELOPMENT ACT (MCL 125.2951 - 125.2959)

<sup>2</sup> The taxes of the City of Detroit, Wayne County, Detroit Public Schools, State Education, Wayne RESA, Wayne County Comm. College, Wayne County Zoo, and the Detroit Institute of Arts are impacted by the Ren Zone.

<sup>3</sup> (OEM) An original equipment manufacturer traditionally is defined as a company whose goods are used as components in the products of another company, which then sells the finished item to users.

<sup>4</sup> <https://dakkota.com/about-us/>

<sup>5</sup> Rush Group specializes in large-scale component manufacturing, complex assembly and sequencing, supply chain management, logistics and land transportation for global brands, and employs 3,000 team members. It is one of the largest Native American-owned and woman-owned enterprises in the U.S. <https://dakkota.com/staff-member/andra-rush/>

If approved, the abatement will allow for Dakkota Integrated Systems to invest in building a new OEM factory on the site of the former Kettering High School and Rose Elementary School, respectively located at 6101 Van Dyke St & 5840 Field St., approximately “three miles from where Fiat Chrysler Automobiles plans to build the city's first new automotive plant in nearly three decades.”<sup>6</sup> Dakkota’s total investment in this project is estimated at **\$36 million**. The DEGC has recommended a 15-year term Renaissance Zone for this project, with an estimated value of **\$7,293,434**.

The Detroit Brownfield Redevelopment Authority (DBRA) is acquiring from Detroit Public Schools the Kettering High School site (32 acres) for \$2.6 million. The northern 13-acre portion of the site will be retained by DBRA (on behalf of the City of Detroit) with the goal to demolish the existing structures and prepare the site for another to-be-identified end user that will ideally result in a substantial investment and employment opportunities for Detroiters. The southern 19-acre portion of the site will be sold for \$1.5 million to Trinity Investments Limited, LLC,<sup>7</sup> less a \$660k purchase price credit. The purchase price credit is a negotiated amount to partially offset expensive site-readiness costs, such as demolition of the Rose Elementary School and the relocation of DTE’s gas main. DBRA will first close with DPS, then sell the 19-acre site to Trinity. Further, DBRA will participate in 50% of the costs for site preparation:

- The screening apparatus that will be a portion of concrete, greenery, and fence that runs along the western portion of the site which will cost \$420k.
- A shared storm water detention pond where Rose School currently exists today. The pond will be large enough to support the operations of both the 13-acre retained site and the 19-acre site being operated by Dakkota. The cost is \$759k.
- The increased truck traffic to the site results in a number of right-of-way and street improvements to accommodate operations, including: creating deceleration lanes, widening the lanes on Van Dyke, adding traffic lights, and improving the existing Conger street. A large portion of these costs will be paid for by a MDOT grant, however, \$375k will be paid by DBRA.
- A contingency of \$396k has been added to cover these costs. The shared expenses for site preparation total \$1.95 million. Dakkota has agreed to cover the ongoing costs until a user is identified on the northern 13-acre site.

The total site preparation activities therefore total \$660k + \$1.95 million = \$2.61 million, the remainder of the costs are for the retained parcel that remains with DBRA. Once the site has been prepared, Dakkota will construct a \$38 million, 300,000 sq. ft. manufacturing facility that will produce instrument panels to support FCA’s operations at their new Mack facility. Dakkota will commence construction in December 2019 and the facility will become operational by December 2020, when Dakkota will hire approximately 165 full-time employees. The remainder of the 419 full-time employees will be hired in 2021. The estimated salaries will be \$45,000 for the 369 hourly employees and \$75,000 for the 50 salaried employees. Dakkota has made strong commitments to hiring local Detroit talent.

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<sup>6</sup> Auto supplier plans \$55M plant at Detroit Kettering High School site by Ian Thibodeau, The Detroit News July 9, 2019 <https://www.detroitnews.com/story/business/autos/2019/07/09/auto-supplier-dakkota-integrated-systems-plans-factory-detroit-kettering-high-school-site/1683615001/>

<sup>7</sup> Trinity Investments Limited, LLC is a Michigan Domestic Limited-Liability Company filed on July 3, 2019. The Registered Agent on file for this company is Andra M. Rush.

**DEGC Project Fact Sheet**  
**Dakkota @ Kettering**  
**Company: Dakkota Integrated Systems, Inc.**  
**CEO: Andra Rush**

**Industrial Facilities Exemption, PA 198 of 1974 as amended – Industrial Development District – millage rate is reduced by 50% for up to 12 years**

**Detroit Next Michigan Development Corporation, Renaissance Zone, PA 275 of 2010 – property taxes 100% abated excluding debt millages and special enhancement millages, corporate income taxes abated, utility users excise taxes abated**

<b>DEGC Recommendation</b>	<b>PA 198 Certificate – 12 Years Establishing the DNMDC District – 15 Year Benefit</b>		
<b>Location</b>			
Property	Kettering High School and Rose Elementary School		
Address	6101 Van Dyke St & 5840 Field St		
City Council District	District 3		
Located in HRD Targeted Area	Yes, Greater Downtown		
<b>Building Use</b>			
Site Acreage	19 acres		
Total Facility Square Footage	300,000		
<b>Project Description</b>			
<p>The Detroit Brownfield Redevelopment Authority (DBRA) is acquiring from Detroit Public Schools the Kettering High School site (32 acres) for \$2.6 million. The northern 13-acre portion of the site will be retained by DBRA with the goal to demolish the existing structures and prepare the site for another to-be-identified end user that will result in substantial investment and employment opportunities for Detroiters. The southern 19-acre portion will be sold to Dakkota for the construction of a 300,000 sqft manufacturing facility that will create 419 full-time employees. Further, DBRA will participate in 50% of the costs for site preparation: a screening apparatus along the western portion of the site, a shared stormwater retention pond where Rose School currently exists today, right-of-way and street improvements to accommodate operations. The shared expenses for site preparation total \$1.95 million. Dakkota has agreed to cover the ongoing costs until a user is identified on the northern 13-acre site. Dakkota plans to commence construction in December 2019 and become operational by December 2020. Dakkota has made strong commitments to hiring local Detroit talent. Dakkota has identified nearby locations that would provide a substantial operating savings in labor, rent, property taxes, and stormwater charges. The incentives are necessary to bring this investment and employment opportunity to Detroit instead of these other locales.</p>			
<b>But-For Analysis</b>			
	<b><u>Detroit</u></b>	<b><u>Toledo</u></b>	<b><u>Hazel Park</u></b>
Labor:	<b>\$19,042,098</b>	<b>\$14,701,608</b>	<b>\$16,965,967</b>
Rent:	<b>\$5,562,000</b>	<b>\$1,425,000</b>	<b>\$2,025,000</b>
Shipping:	<b>\$0</b>	<b>\$7,800,000</b>	<b>\$1,000,000</b>
Property Taxes:	<b>\$727,391</b>	<b>\$180,000</b>	<b>\$414,000</b>
24 Hour Security:	<b>\$594,000</b>	<b>\$396,000</b>	<b>\$0</b>
Stormwater:	<b>\$235,596</b>	<b>\$0</b>	<b>\$0</b>
<b>Annual Cost of Operating:</b>	<b>\$26,161,085</b>	<b>\$24,502,608</b>	<b>\$20,404,967</b>
<b>Annual Delta</b>		<b>\$1,658,478</b>	<b>\$5,756,118</b>

<b>Project Costs</b>	
Dakota Total Investment	\$36M
Uses	\$28M Hard Construction (78%), \$1.95M Site Preparation (5%), \$883K Site Acquisition (2%)
<b>Project Benefits (30 years)</b>	
Estimated jobs	419 FTE, 200 construction jobs ( <i>estimated</i> )
Estimated city benefits before tax abatement	<b>\$42,214,785</b>
Total nominal value of incentives	<b>\$9,334,432</b>
Less cost of services & utility deductions	<b>\$12,487,152</b>
Net benefit to city	<b>\$20,393,201</b>

### Project Cost/Benefit Analysis

#### City of Detroit: Incentive Summary over the First 30 Years<sup>8</sup>

	Amount
Real Property Taxes	\$4,570,127
Personal Property Taxes	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$7,675,249
Municipal Income Taxes - Indirect Workers	\$3,658,853
Municipal Income Taxes - Corporate Income	\$7,785,782
Municipal Income Taxes - Construction Period	\$193,122
Utility Revenue	\$2,258,422
Utility Users' Excise Taxes	\$1,572,579
State Revenue Sharing - Sales Tax	\$6,030,696
Building Permits and Fees	\$0
Miscellaneous Taxes & User Fees	\$8,469,954
<b>Subtotal Benefits</b>	<b>\$42,214,785</b>
Cost of Providing Municipal Services	(\$10,228,729)
Cost of Providing Utility Services	(\$2,258,422)
Total PA 198	(\$228,611)
Total Renaissance Zone	(\$5,164,058)
Total Brownfield TIF Capture	(\$1,991,763)
City of Detroit Site Prep	(\$1,950,000)
<b>Subtotal Costs</b>	<b>(\$21,821,580)</b>
<b>Net Benefits</b>	<b>\$20,393,201</b> <sup>9</sup>

<sup>8</sup> The analysis is reflected over 30-years to account for the impact period of a future Brownfield Plan for the site.

<sup>9</sup> Chart courtesy of DEGC

### City of Detroit: Incentive Summary over the First 30 Years<sup>10</sup>

	Additional Benefits Before Tax Abatements	Additional Costs	Property Tax Abatement	Brownfield TIF Capture	Utility Users Tax and Corporate Income Tax Exemption	Net Benefits After Tax Abatements & Incentives
Year 1	\$282,824	(\$1,951,200)	(\$29,066)	\$0	(\$53,327)	(\$1,750,770)
Year 2	\$708,848	(\$129,487)	(\$115,997)	\$0	(\$279,427)	\$183,936
Year 3	\$1,195,925	(\$333,497)	(\$117,157)	\$0	(\$299,767)	\$445,504
Year 4	\$1,213,142	(\$340,167)	(\$118,329)	\$0	(\$300,429)	\$454,217
Year 5	\$1,230,689	(\$346,970)	(\$119,512)	\$0	(\$301,105)	\$463,101
Year 6	\$1,248,573	(\$353,910)	(\$120,707)	\$0	(\$301,795)	\$472,162
Year 7	\$1,266,801	(\$360,988)	(\$121,914)	\$0	(\$302,498)	\$481,401
Year 8	\$1,285,379	(\$368,208)	(\$123,133)	\$0	(\$303,215)	\$490,823
Year 9	\$1,304,315	(\$375,572)	(\$124,365)	\$0	(\$303,947)	\$500,432
Year 10	\$1,323,615	(\$383,083)	(\$125,608)	\$0	(\$304,693)	\$510,231
Year 11	\$1,343,287	(\$390,745)	(\$126,864)	\$0	(\$305,454)	\$520,223
Year 12	\$1,363,337	(\$398,560)	(\$128,133)	\$0	(\$306,230)	\$530,414
Year 13	\$1,383,773	(\$406,531)	(\$114,501)	(\$14,913)	(\$230,267)	\$617,561
Year 14	\$1,404,604	(\$414,662)	(\$55,913)	(\$55,913)	(\$153,915)	\$724,201
Year 15	\$1,425,835	(\$422,955)	(\$28,236)	(\$84,708)	(\$77,163)	\$812,773
Year 16	\$1,447,476	(\$431,414)	\$0	(\$114,074)	\$0	\$901,989
Year 17	\$1,469,535	(\$440,042)	\$0	(\$115,214)	\$0	\$914,278
Year 18	\$1,492,019	(\$448,843)	\$0	(\$116,366)	\$0	\$926,809
Year 19	\$1,514,937	(\$457,820)	\$0	(\$117,530)	\$0	\$939,587
Year 20	\$1,538,297	(\$466,976)	\$0	(\$118,705)	\$0	\$952,615
Year 21	\$1,562,109	(\$476,316)	\$0	(\$119,892)	\$0	\$965,900
Year 22	\$1,586,380	(\$485,842)	\$0	(\$121,091)	\$0	\$979,447
Year 23	\$1,611,121	(\$495,559)	\$0	(\$122,302)	\$0	\$993,260
Year 24	\$1,636,340	(\$505,470)	\$0	(\$123,525)	\$0	\$1,007,344
Year 25	\$1,662,046	(\$515,579)	\$0	(\$124,761)	\$0	\$1,021,706
Year 26	\$1,688,250	(\$525,891)	\$0	(\$126,008)	\$0	\$1,036,351
Year 27	\$1,714,961	(\$536,409)	\$0	(\$127,268)	\$0	\$1,051,284
Year 28	\$1,742,189	(\$547,137)	\$0	(\$128,541)	\$0	\$1,066,511
Year 29	\$1,769,944	(\$558,080)	\$0	(\$129,826)	\$0	\$1,082,038
Year 30	\$1,798,236	(\$569,241)	\$0	(\$131,125)	\$0	\$1,097,871
Total	\$42,214,785	(\$14,437,152)	(\$1,569,436)	(\$1,991,763)	(\$3,823,233)	\$20,393,201

### Impacted Taxing Units: Incentive Summary over the First 30 Years<sup>11</sup>

	Additional Benefits Before Tax Abatements	Additional Costs	Property Tax Abatement	Brownfield TIF Capture	Utility Users Tax and Corporate Income Tax Exemption	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$42,214,785	(\$14,437,152)	(\$1,569,436)	(\$1,991,763)	(\$3,823,233)	\$20,393,201
Wayne County	\$2,986,960	(\$1,691,423)	(\$442,424)	(\$651,011)	\$0	\$202,101
Detroit Public Schools	\$12,025,709	(\$7,504,540)	(\$1,302,905)	(\$1,458,413)	\$0	\$1,759,851
State Education	\$816,515	\$0	(\$333,493)	(\$483,022)	\$0	\$0
Downtown Dev. Authority	\$0	\$0	\$0	\$0	\$0	\$0
Wayne RESA	\$743,613	\$0	(\$238,719)	(\$485,874)	\$0	\$19,020
Wayne County Comm. College	\$441,027	\$0	(\$178,447)	(\$262,579)	\$0	\$0
Wayne County Zoo	\$13,609	\$0	(\$5,506)	\$0	\$0	\$8,102
Detroit Institute of Arts	\$27,217	\$0	(\$11,013)	\$0	\$0	\$16,205
Total	\$59,269,434	(\$23,633,115)	(\$4,081,943)	(\$5,332,663)	(\$3,823,233)	\$22,398,480

Charts Courtesy of DEGC

<sup>10</sup> The analysis is reflected over 30-years to account for the impact period of a future Brownfield Plan for the site.

<sup>11</sup> The analysis is reflected over 30-years to account for the impact period of a future Brownfield Plan for the site.

**Issues and Questions raised by LPD**

We raised several issues and questions with the Administration in order to allow Council to be clearly informed of what is involved in its vote for the Dakkota project. The following includes our questions and the responses from the Administration:

1) What entails the \$1.95 million in City funds available for the support of the Dakkota project?

These funds are to “share” in the activities needed to prepare the site. Consistent with the City’s decision to retain the northern portion of the site, the City agreed to participate in activities to benefit the publicly-held retained portion. This includes, sharing 50% of the following costs: a buffering apparatus on the western portion of the site, a storm water detention pond on the current Rose School site and modifying the driveway access and for utility easements. The breakout of those amounts are shown below:

<b>Site Preparation (50% Shared)</b>	<b>City</b>	<b>Dakkota</b>
Screening Wall:	\$420,500	\$420,500
Stormwater infrastructure:	\$758,720	\$758,720
Driveway access/utility easement:	\$374,625	\$374,625
Contingency, general conditions, etc:	\$396,155	\$396,155
<b>Subtotal</b>	<b>\$1,950,000</b>	<b>\$1,950,000</b>

2) What is the source of these funds?

The source of these funds is Exit Financing

3) It is indicated that the total nominal value of incentives for the Dakkota project is \$9,334,432. Please itemize these incentives and the term for each one.

The estimated nominal value of the incentives for Dakkota is \$9,334,432 for the City of Detroit and \$15,187,839 for All Taxing Jurisdictions.

	<b>City of Detroit</b>	<b>All Taxing Jurisdictions</b>	<b>Term</b>
<b>Total PA 198</b>	<b>\$228,611</b>	<b>\$611,742</b>	<b>12 yrs + 1 yr construction period</b>
<b>Total Renaissance Zone</b>	<b>\$5,164,058</b>	<b>\$7,293,434</b>	<b>15 yrs</b>
<b>Total Brownfield TIF Capture</b>	<b>\$1,991,763</b>	<b>\$5,332,663</b>	<b>30 yrs</b>
<b>Total City of Detroit Site Prep Costs</b>	<b>\$1,950,000</b>	<b>\$1,950,000</b>	<b>~</b>
<b>Subtotal</b>	<b>\$9,334,432</b>	<b>\$15,187,839</b>	<b>~</b>

Note that at this time there is no Brownfield TIF being considered. However, in order to be conservative in our estimated projections, we assume a Brownfield TIF will be considered in the future. Without the Brownfield TIF, the estimated values of the incentives would be \$7,342,669 for the City and \$9,855,176 for All Taxing Jurisdictions.

4) Are the 419 employees promised for the Dakkota project new employees or are some transfers from other facilities in Detroit or elsewhere? The anticipated 419 employees will be new direct hires to Dakkota. Currently it’s estimated that 359 would be hourly and approximately 60 would be salaried employees.

**5) What methods are Dakkota prepared to take in order to hire Detroit Residents?**

Dakkota to use Detroit at Work as their priority staffing partner and agrees to the following:

- Post all Detroit job openings through Detroit at Work.com
- Prioritize Detroiters for interviews first before offering jobs to others and
- Take action to recruit and hire City of Detroit residents in accordance with specified targets as set forth in a City of Detroit Resident Employment Plan approved by the City's Civil Rights and Inclusion Office.

**6) What other investment have the principles in this company made elsewhere in the city of Detroit? In 2012, Dakkota's CEO, Andra Rush, successfully formed and launched Detroit Manufacturing Systems, which at the time was the first comprehensive manufacturing facility established in the City in over a decade manufacturing automotive components for Ford. The overall investment was approximately \$29M with initial job projections estimated at 500 new employees. Detroit Manufacturing Systems exceeded job projections with employment peaking at nearly 1,000 jobs.**

**7) What is the company's position on hiring returning citizens? The company has agreed to "ban the box" in the employment application.**

**8) What if any infrastructure improvements will the City of Detroit make in order to facilitate this project? The City of Detroit is participating in the construction of a shared storm water management detention pond, driveway access and utility easement. In addition, the city is supporting an MDOT Grant that will include road widening for deceleration lanes, curb cuts and a traffic light.**

**9) What was the rationale for selecting the Renaissance Zone incentive for this project?**

DEGC evaluated a comparison of the operating costs in different locations outside of Detroit, which illustrates the need for tax incentives. The higher operating costs exist in the following categories: storm water management, property taxes, and plant operating costs (rent and security). Additionally, alternative sites are shovel-ready, greenfield, and do not require the scope of site readiness activities that result in \$4-5 million of out of pocket costs. Finally, the construction costs for light industrial facilities are over \$100/sqft in Detroit, which are above that of competing nearby locations. The combination of the factors mentioned above necessitate the tax incentives being requested.

**10) What are the plans for the accompanying 13 City owned acres next to the project site? The remaining 13 acres is being marketed for another development that would bring additional jobs to the community.**

**11) Has there been any community engagement regarding this project? If not, why? Dakkota has participated in three community meetings for this project. The project has received overwhelming support by the community.**

**12) Please share the interlocal agreement with us. Does the interlocal agreement include terms that would allow the City to revoke and claw back the incentives if Dakkota fails to perform in providing employment at an agreed upon threshold? If so, what are they? If not, why? The City of Detroit's DNMDRC Renaissance Zone Development Agreement between Dakkota Integrated Systems, the City of Detroit and the Next Michigan Development is currently being drafted, and should be complete by Wednesday, November 20, 2019. Both the PA 198 Agreement and the DNMDRC Renaissance Zone Development Agreement will include clawback<sup>12</sup> provisions.**

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<sup>12</sup> clawback: A financial or other benefit that is given, but is later taken back due to unique circumstances.

## Summary of Incentives

	City of Detroit	All Taxing Jurisdictions	Term
<b>Total PA 198</b>	<b>\$228,611</b>	<b>\$611,742</b>	<b>12 yrs + 1 yr construction period</b>
<b>Total Renaissance Zone</b>	<b>\$5,164,058</b>	<b>\$7,293,434</b>	<b>15 yrs</b>
<b>Total Brownfield TIF Capture</b>	<b>\$1,991,763</b>	<b>\$5,332,663</b>	<b>30 yrs</b>
<b>Total City of Detroit Site Prep Costs (50%)<sup>13</sup></b>	<b><u>\$1,950,000</u></b>	<b><u>\$1,950,000</u></b>	<b>~</b>
<b>Subtotal</b>	<b>\$9,334,432</b>	<b>\$15,187,839</b>	<b>~</b>

### Conclusion

*Despite the fact that our questions have been addressed for the most part, our key remaining issue is that it is crucial for Council to receive and review the Development Agreement between Dakkota Integrated Systems, the City of Detroit and the Next Michigan Development Corporation, prior to voting on this item.<sup>14</sup>*

The estimated value of PA 275<sup>15</sup> to Dakkota, is estimated at \$7,293,434. Based on Dakkota's \$36 million investment, the project, which is estimated to create 419 new full-time jobs, of those, 359 are planned as hourly workers and 60 salaried workers and the project's projected positive cost benefit to the City of Detroit of \$20,393,201 and a \$22,398,480 positive cost benefit to the impacted taxing units.<sup>16</sup>

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

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

<sup>13</sup> These funds are to "share" in the activities needed to prepare the site. Consistent with the City's decision to retain the northern portion (13 acres) of the site, the City agreed to participate in activities to benefit the publicly-held retained portion. This includes, sharing 50% of the following costs: a buffering apparatus on the western portion of the site, a storm water detention pond on the current Rose School site and modifying the driveway access and for utility easements. Dakkota will split the remaining \$1.95 million

<sup>14</sup> It was indicated to LPD that the Development Agreement is currently being drafted, and should be complete by Wednesday, November 20, 2019.

<sup>15</sup> The value of the property tax and utilities users tax abated, not covered by the PA 198

<sup>16</sup> The Dakkota Project's overall projected cost benefit figures accounts for the \$611,742 PA 198 abatement as well. Given that the employment impacts as singular project, the projected benefits could not be reflected separately in the Ren Zone and PA 198 reports.





**The only piece of the school expected to survive construction is the large blue Kettering (High School) "K" on the site.<sup>17</sup>**

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<sup>17</sup> Source (Photo: Ian Thibodeau, The Detroit News):  
<https://www.detroitnews.com/story/business/autos/2019/07/09/auto-supplier-dakota-integrated-systems-plans-factory-detroit-kettering-high-school-site/1683615001/>



**Dakkota Project site map<sup>18</sup>**

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<sup>18</sup> Courtesy of DEGC



CODE DBRA 19-11-262-33

**LAND ASSEMBLY PROJECT: AUTHORIZATION TO ENTER INTO LETTER OF INTENT & DEVELOPMENT AGREEMENT WITH DAKKOTA INTEGRATED SYSTEMS FOR FORMER KETTERING HIGH SCHOOL & ROSE SCHOOL SITES**

**WHEREAS**, the City of Detroit (the "City") administration has requested the assistance of the City of Detroit Brownfield Redevelopment Authority ("DBRA") in industrial land assembly activities aimed at establishing market-ready industrial sites within City limits in order to attract manufacturing and logistics companies (the "Land Assembly Project"); and

**WHEREAS**, in the summer, 2019, the DBRA Board of Directors authorized the purchase of the former Kettering High School and Rose School sites (the "Property") from Detroit Public Schools ("DPS") and the subsequent transfer of the property for development to Trinity Investments LLC ("Trinity") for use by Dakkota Integrated Systems, LLC ("Dakkota").

**WHEREAS**, following due diligence by Trinity and Dakkota, due to the higher costs and a longer timeline than expected to prepare the Property for construction, Dakkota has proposed purchasing only the south 19 acres of the Property (the "Dakkota Parcel") for construction of an approximately 300,000 square foot facility (the "Project"), whereby the northern portion of the Property, consisting of approximately 13 acres, (the "Retained Parcel") would be retained by the DBRA and marketed for use by another industrial user; and

**WHEREAS**, proposed revised terms are described in the attached term sheet signed by Trinity, Dakkota and DBRA's authorized agents (the "Revised Terms"), except that since the execution of the Revised Terms, Trinity has determined it will no longer be a party to the transaction, and Dakkota will be the developer and the end-user of the Dakkota Parcel and intends to assign any interest in the Development Agreement to Dakkota.

**WHEREAS**, DBRA staff seeks the Board's authorization to enter into a Development Agreement with Dakkota consistent with the Revised Terms and an amended and restated funding agreement with the City of Detroit in order to accept funding for the purchase of the Property and the DBRA's funding obligations under the Revised Terms; and

**WHEREAS**, the transactions contemplated herein is consistent with the DBRA's purposes of promoting the revitalization and reuse of certain properties and is otherwise consistent with its powers and purposes.

**NOW, THEREFORE, BE IT RESOLVED**, that the DBRA Board of Directors hereby approves the Revised Terms.

**BE IT FURTHER RESOLVED**, that any one of the officers and any one of the Authorized Agents of the DBRA or any two of the Authorized Agents of the DBRA shall hereafter have the authority to negotiate and execute the Development Agreement and amended and restated funding agreement consistent with the Revised Terms and this resolution, together with such changes that are reasonably required for the Project and are approved by DBRA Authorized Agents and counsel, which changes are not inconsistent

with the intent of this resolution, and negotiate and execute all documents, contracts, or other papers, and take such other actions, necessary or appropriate to implement the provisions and intent of this resolution on behalf of the DBRA.

**BE IT FINALLY RESOLVED**, that all of the acts and transactions of any officer or authorized agent of the DBRA, in the name and on behalf of the DBRA, relating to matters contemplated by the foregoing resolutions, which acts would have been approved by the foregoing resolutions except that such acts were taken prior to execution of these resolutions, are hereby in all respects confirmed, approved and ratified.

November 6, 2019

## NEXT MICHIGAN DEVELOPMENT ACT

The Next Michigan Development Act authorized the MSF (under PA 275 of 2010) to designate up to seven Next Michigan Development Corporations, comprised of local government units that enter into an interlocal agreement to form a corporation. These Next Michigan Development Corporations are empowered to recommend certification of a Next Michigan Renaissance Zone as well as utilize state tax increment financing capture (as enabled under Act 281 of 1986) to assist projects within their Next Michigan Development District. The seven NMDCs are as follows:

### Northern Nexus NMDC

Located within the northwest region of Michigan hosting five participating jurisdictions, this region offers the use of Traverse City's Cherry Capital Airport and road infrastructure to create great opportunities for business. [www.northernnexus.org](http://www.northernnexus.org)

### I-69 International Trade Corridor NMDC

Located in the east central region of Michigan with a depth of 33 participating jurisdictions, this region's resources of interest include Flint's Bishop International Airport, deep-water ports, several interstate and state highway systems, and the St. Clair Tunnel. [www.i-69internationaltradecorridor.com](http://www.i-69internationaltradecorridor.com)

### Port Lansing NMDC

Located within the central region of Michigan with participation from City of Lansing and Ingham County, Port Lansing's supply chain assets include the Capital Region International Airport, which has the Global Logistics Centre, Foreign Trade Zone (FTZ) No. 275 and adjacent rail. The airport is minutes from I-69, I-96 and US-127 highways. [www.portlansing.com](http://www.portlansing.com)

### Detroit Region Aerotropolis Corporation

Located within southeast Michigan spanning across nine jurisdictions, this region offers expansive transportation infrastructure driving investment in and around Wayne County's Detroit Metro and Willow Run Airport system. [www.detroitaero.org](http://www.detroitaero.org)

### West Michigan Economic Partnership NMDC

Located within the west central region of Michigan involving participation from seven jurisdictions, the benefits of this region include economical energy and abundant natural resources such as nearby Lake Michigan and the Gerald R. Ford International Airport. [www.greenlightwm.com](http://www.greenlightwm.com)

### Superior Trade Zone NMDC

Located in the Upper Peninsula, hosting 16 jurisdictions, this region takes advantage of the large tracts of land geographically located near the Delta County Airport Industrial Park and the Telkyte Industrial Park located at the former Air Force base in Marquette County. The Superior Trade Zone utilizes their natural resources in the agricultural, mining and tourism industries as well as trade opportunities that occur with Canada to the north.

### Detroit NMDC

City of Detroit was recently approved by the Michigan Strategic Fund as the seventh and final NMDC allowed by current legislation. The Detroit Next Michigan Development Corporation (D-NMDC) is centrally located within an extensive network of transportation infrastructure assets. Support for multi-modal business needs include the Coleman A. Young International and Detroit Metropolitan Airports; the Port of Detroit, which connects the Great Lakes and the midwest to the St. Lawrence Seaway; direct access to four of the seven U.S. Class I railroads; direct access to I-75, I-94, I-96, I-275 and I-696 freeways; and border crossing to Canada via the Detroit Windsor Tunnel, Ambassador Bridge, and planned new international trade center.

### WHY DO BUSINESS IN MICHIGAN?

Next Michigan Businesses are those located or locating within the NMDC regions that utilize multi-modal transportation in their supply or production chains. NMDCs aim to assist these logistics-based companies and the opportunities offered are as follows:

#### Renaissance Zones, PA 376 of 1996

Renaissance zones established by a NMDC offer 100 percent relief from both real and personal property taxes and, if applicable, city corporate income tax, within the boundaries. The renaissance zones may be approved for up to 10 years and are phased out in 25 percent increments in the last three years. The renaissance zone works in conjunction with the designation of a marketing zone within the NMDC.

#### Local Development Financing Act, PA 281 of 1986

Allows a NMDC to utilize tax increment financing to fund public infrastructure improvements. There are several financing options for LDFA activities that allows for the capture of incremental growth of local property taxes over a period of time to fund these improvements.

#### New Personal Property Tax Exemption, PA 328 of 1998

Offers a 100 percent property tax exemption for an unlimited number of years on new personal property for companies within certain industries.

#### Industrial Facilities Tax Exemption pursuant to Act 198 of 1974

An industrial facilities exemption certificate can be used to obtain a 50 percent property tax reduction for new, qualified real and personal property for a period of up to 12 years.

### CONTACT INFORMATION

For more information contact the MEDC customer contact center at 517-373-9808.

# Next Michigan Development Corporations



## PARTICIPATING JURISDICTIONS

- Superior Trade Zone**
- Delta County
  - Marquette County
  - City of Escanaba
  - City of Gladstone
  - City of Marquette
  - Bark River Township
  - Chocolay Township
  - Ely Township
  - Ford River Township
  - Garden Township
  - Township of Ishpeming
  - Township of Maple Ridge
  - Nahma Township
  - Richmond Township
  - Wells Township
  - Forsyth Township

- Northern Nexus**
- Blair Township
  - East Bay Charter Township
  - Garfield Charter Township
  - Grand Traverse County
  - Traverse City

- West Michigan Economic Partnership**
- Cascade Charter Township
  - Grand Rapids
  - Kent County
  - Kentwood
  - Muskegon
  - Muskegon County
  - Wyoming

- I-69 International Trade Corridor**
- Village of Almont
  - Attica Township
  - Burton
  - Corunna Genesee County
  - Davison Township
  - Durand
  - Fenton
  - Flint
  - Flint Charter Township
  - Grand Blanc
  - Grand Blanc Charter Township
  - Imley City
  - Kimball Township
  - Lapeer
  - Lapeer County
  - Lapeer Township
  - Village of Lennon
  - Marysville
  - Village of Morrice
  - Mt. Morris Charter Township
  - Mundy Charter Township
  - Village of North Branch
  - Owosso
  - Perry
  - Perry Township
  - Port Huron
  - St. Clair
  - St. Clair County
  - St. Clair Township
  - Shiawassee County
  - Vernon Township
  - Village of Vernon



- Port Lansing**
- DeWitt Charter Township
  - Lansing

- Detroit NMDC**
- City of Detroit

- VantagePort**
- Belleville
  - Huron Township
  - Romulus
  - Taylor
  - Van Buren Charter Township
  - Washtenaw County
  - Wayne County Ypsilanti
  - Ypsilanti Charter Township

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION