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# City of Detroit

## CITY COUNCIL


### LEGISLATIVE POLICY DIVISION

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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director   
Legislative Policy Division Staff

DATE: January 14, 2020

RE: 2119 Field Street Apartments 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.

### **2119 Field Street Apartments Brownfield Redevelopment Plan**

The project developer is K8 Partners, LLC on behalf of its parent company, Astral Weeks Development<sup>1</sup>. The property consists of one .34 acre parcel located in the Islandview Neighborhood (Belle Isle area) on the east side of Detroit, at the corner of Kercheval and Field Street. The property is bounded by the property line to the north, Field Street to the east, Kercheval Avenue to the south, and the property line to the west. The plan entails the complete rehabilitation of the existing building into eight 3-bedroom residential townhomes, with a new 8-space private parking lot<sup>2</sup>. It is anticipated that the building will consist of approximately 11,761 square feet of living space and 5,951 square feet of basement space. A minimum of 20% of the

<sup>1</sup> K8 Partners, LLC was created in 2018. Astral Weeks Development, is a privately held real estate development and management company, working primarily in the New York City region and Detroit. They've been active in Detroit since 2014, rehabbing approximately 60 single family duplexes, 15 of which have been completed and leased or sold. Astral Weeks' website stated, other projects in Detroit include: North Village Detroit, Bagley & 16<sup>th</sup>, Islandview, and Brush Park.

<sup>2</sup> Each unit has two stories with a basement and a private entrance. Front porches face the street and back porches will face a private parking lot (1 parking space per unit) in the rear of the building.

units will be priced at 80% of the Area Median Income (AMI), which translates to 2 of the 8 units being affordable. Construction prep work has already begun and construction is set to be completed by October 2021.

There are many vacant buildings in the area. According to the development team, there are a limited number of vacancies on the same side of the street as the property, however, the parcels across from the property on Field Street are vacant. This fact, in addition to a limited level of redevelopment planning and lack of completion of the projects which were started by other developers, has led to some contention amongst residents during the required CAC meetings. Commenters at the regular CAC meeting held Wednesday, October 9, 2019 at the DEGC office, were concerned about the development team's community engagement and the availability of affordable units; which triggered a Special Community Advisory Committee meeting on Wednesday October 30, 2019 at the DEGC office. As a consequence of the first meeting, the development team increased its community engagement and disclosed the results of their efforts at the special meeting. Since these meetings, the developers have gained the support of the Villages Community Development Corporation, the pastors of the Church of Messiah, and Five Alive. All of which have submitted letters of support for the project. The developers also mentioned at the meeting, that it would not be financially feasible to increase the amount of affordable units available or offer deeper affordability rates for the 2 proposed affordable units.

The Property is considered an "eligible property" as defined by Act 381, Section 2 because: (a) the Property was previously utilized for residential 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 functionally obsolete as defined by Act 381. The building was constructed in 1910. Historically, the property has been limited to residential use and has been vacant for almost a decade. A level III or IV assessor has certified that the property is functionally obsolete due to deterioration<sup>3</sup>, rendering it inadequate to perform the function for which it was intended. There are no residents or businesses residing in the eligible property, therefore, there will be no displacement or relocation of persons or businesses under this plan. The developer was approved for a 12-year Obsolete Property Rehabilitation Act (OPRA) Tax Abatement<sup>4</sup> at the Formal Session on October 15, 2019. The developer is also requesting a Brownfield TIF, which is set to begin capture in 2020. **The capture period for this Brownfield request is 28 years.**<sup>5</sup>

The estimated total capital investment from the developer is approximately \$2.46 million. It is estimated that 73 temporary construction jobs will be needed to complete the project. One (1) FTE property management position will be needed post-construction<sup>6</sup>. The Roy Company (general contractor) is partnering with Astral Weeks to assist the developer with the

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<sup>3</sup> Leaking roof, no windows or operating utilities, and antiquated electrical, mechanical, and plumbing systems.

<sup>4</sup> **Obsolete Property Rehabilitation Abatement**, PA 146 of 2000, a tax incentive for commercial and commercial housing properties that are in need of rehabilitation. The taxable value is frozen for 1-12 years. If approved, it will reduce property tax obligations and lower the amount of incremental tax revenues during the approved time period of the tax abatement.

<sup>5</sup> The DBRA public hearing for the Plan was held on Monday, October 28, 2019 at 5:30 pm at The Commons 7900 Mack Ave., Detroit, Michigan. Three people were in support of the project. Four people indicated their opposition to the project on the sign-in sheet. The major concern was the affordability of the units and how incentives are distributed in Detroit. Many commenters wanted there to be a signed agreement with community organizations and the development team to ensure this project will benefit the community. The hearing closed at 6:55 pm.

<sup>6</sup> The property management for the project will be conducted by Villages Property Management. As per an agreement between the development team and community organizations this position will be a Detroit resident.

rehabilitation of the historic building. The Roy Company, a Detroit-based business, plans to hire Detroit residents and has requested bids from several Detroit-based contractors they've used in the past. The development team has stated that if any additional local contractors are needed, the developer is prepared to reach out to the Skilled Trades taskforce<sup>7</sup>.

The Developer is requesting a \$276,897 TIF<sup>8</sup> reimbursement and the total costs under the plan is a \$432,883 for "eligible activities" as illustrated below:

**COSTS TO REIMBURSED WITH TIF**

1.	Pre-Approved Activities	\$14,850
2.	Demolition	\$75,250
3.	Abestos and Lead Activies	\$13,750
4.	Infastructure	\$30,500
5.	Site Preparation	\$82,280
6.	Brownfield Plan and Woek Plan Preparation	\$30,000
7.	Contingency (15%)	\$30,267
<b>Total Reimbursement to Developer</b>		<b>\$276,897</b>
8.	Authority Administrative Costs	\$64,333
9.	State Brownfield Redevelopment Fund	\$15,111
10.	Local Brownfield Revolving Fund	\$76,241
<b>TOTAL Estimated Costs</b>		<b>\$432,883</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:

	<u>Reimbursements</u> <u>Costs</u>	<u>Admin.</u> <u>Costs</u>	<u>State</u> <u>Brownfield</u> <u>Fund</u>	<u>Local</u> <u>Revolving</u> <u>Fund</u>
School Operating Tax	\$87,198	\$0	\$0	\$0
State Education Tax	\$14,533	\$0	\$15,111	\$0
City Operating	\$88,875	\$32,793	\$0	\$38,682
Library	\$20,627	\$7,611	\$0	\$8,978
Wayne County	\$34,843	\$12,856	\$0	\$15,165
HCMA	\$953	\$352	\$0	\$416
RESA/Special Ed	\$15,432	\$5,694	\$0	\$6,716
Wayne County Community College	\$14,436	\$5,327	\$0	\$6,283
<b>TOTALS</b>	<b>\$276,897</b>	<b>\$64,633</b>	<b>\$15,111</b>	<b>\$76,241</b>
<b>In addition, the following taxes are projected to be generated but shall not be captured during the life of this Plan:</b>				
City Debt		\$70,947		
School Debt		\$102,479		
Wayne County DIA		\$1,577		
Wayne County Zoo		\$788		
<b>Total</b>		<b>\$175,792</b>		

<sup>7</sup> There wasn't any additional information provided regarding how these bids were received, the selection process or the businesses that may have been awarded a contract.

<sup>8</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

<b>Address</b>	2119 Field Street
<b>Parcel ID</b>	15007454.002L
<b>Owner</b>	K8 Partners LLC
<b>Legal Description</b>	<p>LOTS 29 AND 30 OF LINDEN LAWN SUBDIVISION, ACCORDING TO THE PLAT THEREOF AS RECORDED IN LIBER 21 OF PLATS PAGE 21, WAYNE COUNTY RECORDS, BEING MORE PARTICULARLY DESCRIBED AS: BEGINNING AT THE NORTHERLY RIGHT OF WAY LINE OF KERCHEVAL AVENUE (80FT WIDE) AND THE WESTERLY RIGHT OF WAY LINE OF FIELD AVENUE (80 FT WIDE), ALSO BEING THE SOUTHEAST CORNER OF LOT 30 OF SAID LINDEN LAWN SUBDIVISION, THENCE ALONG SAID NORTHERLY LINE, SOUTH 62 DEGREES 57 MINUTES 26 SECONDS WEST 150 FEET TO THE EASTERLY LINE OF A PUBLIC ALLEY (VARIABLE WIDTH); THENCE ALONG SAID EASTERLY LINE, NORTH 26 DEGREES 57 MINUTES 26 SECONDS WEST 100.00 FEET TO THE NORTHWEST CORNER OF LOT 29; THENCE NORTH 62 DEGREES 57 MINUTES 26 SECONDS EAST 150.00 FEET TO THE WESTERLY LINE OF SAID FIELD STREET; THENCE ALONG SAID WESTERLY LINE SOUTH 26 DEGREES 57 MINUTES 26 SECONDS EAST 100.00 FEET TO THE POINT OF BEGINNING AND CONTAINING 0.344 ACRES.</p>

### Feasibility of the Brownfield Approval

- ✚ The City of Detroit Building, Safety Engineering, and Environmental Department has received the **Phase I Environmental Site Assessment**<sup>9</sup> pursuant to USEPA's guidelines.
- ✚ The site is currently vacant.
- ✚ The Structure does not meet market demand for residential use.
- ✚ Mechanical, electrical, and plumbing systems needs to be updated.
- ✚ Operating utilities need to be installed.
- ✚ The roof has active leaks.
- ✚ The building lacks windows.
- ✚ The building doesn't have interior partitions.
- ✚ Residential units will be rehabilitated.
- ✚ New parking lot, with an automatic gate, a four foot fence, and hedge green space must be constructed.
- ✚ Concrete walkways must be constructed throughout the property.

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

Attachments: **ATTACHMENT E:** Estimated Cost of Eligible Activities Table  
**ATTACHMENT G:** Environmental Assessment

<sup>9</sup> The Phase I ESA (Environmental Site Assessment) is generally considered the first step in the process of environmental due diligence.

## **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



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

The estimated cost of eligible activities is \$276,897. The total amount of increment tax revenues are \$448,326. 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
<b>Pre-Approved Activities</b>			
Phase I ESA	\$ 2,200		\$ 2,200
Hazardous Materials Survey	\$ 12,650		\$ 12,650
<b>Pre-Approved Activities Sub-Total</b>	<b>\$ 14,850</b>	<b>\$ -</b>	<b>\$ 14,850</b>
<b>Demolition</b>			
Building Demolition Activities	\$ 55,900	\$ 55,900	
Site Demolition Activities	\$ 19,350	\$ 19,350	
<b>Demolition Sub-Total</b>	<b>\$ 75,250</b>	<b>\$ 75,250</b>	<b>\$ -</b>
<b>Asbestos and Lead Activities</b>			
Asbestos Abatement	\$ 13,750	\$ 13,750	
<b>Asbestos and Lead Activities Sub-Total</b>	<b>\$ 13,750</b>	<b>\$ 13,750</b>	
<b>Infrastructure Improvements</b>			
Roads	\$ 7,000	\$ 7,000	
Sanitary Sewer Mains	\$ 23,500	\$ 23,500	
<b>Infrastructure Sub-Total</b>	<b>\$ 30,500</b>	<b>\$ 30,500</b>	
<b>Site Preparation</b>			
Temporary Facility	\$ 37,280	\$ 37,280	
Relocation of Active Utilities (Electric, Gas, Water, Sewer)	\$ 45,000	\$ 45,000	
<b>Site Preparation Sub-Total</b>	<b>\$ 82,280</b>	<b>\$ 82,280</b>	
<b>Preparation of Brownfield Plan and Act 381 Workplan</b>			
Brownfield Plan and Act 381 Work Plan	\$ 30,000	\$ 30,000	\$ -
<b>Brownfield Plan and Act 381 Workplan Sub-Total</b>	<b>\$ 30,000</b>	<b>\$ 30,000</b>	<b>\$ -</b>
<b>Eligible Activities Sub-Total</b>	<b>\$ 246,630</b>	<b>\$ 231,780</b>	<b>\$ 14,850</b>
15% Contingency*	\$ 30,267	\$ 30,267	\$ -
<b>Developer Eligible Reimbursement Total</b>	<b>\$ 276,897</b>	<b>\$ 262,047</b>	<b>\$ 14,850</b>
TIF Capture for Local Brownfield Revolving Fund	\$ 76,241	\$ -	\$ -
Administrative Fee	\$ 64,633		
State Brownfield Fund	\$ 15,111		
<b>Total</b>	<b>\$ 432,882</b>	<b>\$ 262,047</b>	<b>\$ 14,850</b>

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

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

**TO:** THE DETROIT BROWNFIELD REDEVELOPMENT AUTHORITY  
**FROM:** DETROIT, BUILDINGS, SAFETY ENGINEERING, AND ENVIRONMENTAL DEPARTMENT  
**PROJECT:** 2119 FIELD/K8 PARTNERS LLC  
**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 PM Environmental on behalf of K8 Partners LLC, as developer, as part of its Brownfield Plan submittal to the Detroit Brownfield Redevelopment Authority (DBRA), for the 2119 Field Project.

- 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)
- 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 there are no Recognized Environmental Concerns associated with the site and no further investigation of the site is warranted. The property would qualify only as a blighted property or as functionally obsolete. The Buildings, Safety Engineering and Environmental Department 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
Multi-family residential	PA 146 – OPRA / Brownfield	\$2.46 Million	District 5

Jobs Available							
Construction				Post Construction			
Professional	Non-Professional	Skilled Labor	Non-Skilled Labor	Professional	Non-Professional	Skilled Labor	Non-Skilled Labor
2		70	1	1			

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

The Roy Company (the GC) has several Detroit-based contractors that they have used in the past and that they have requested bids from to ensure Detroit-based contractors and workers benefit from the redevelopment. In addition, should additional contractors be needed for the project, the Developer will reach out to the Skilled Trades Taskforce meetings to ensure Detroit based contractors benefit from the development.

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

It is anticipated that 1 full-time equivalent (FTE) permanent job associated with the management and maintenance aspects of the proposed development. The developer will be hiring skilled and non-skilled labor for all of the rehab and construction, which would include roofers, framers, electricians, plumbers, heating, window installation, insulators, drywallers, painters, finish carpenters, cabinets installers, flooring, clean up, security.

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

There are no current residents at the subject property that will need to be relocated as a result of this development. Rather, the development will create eight new housing units that will create new Detroit residents.

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

Members of the Development team are planning to reach out to local community groups regarding the new ownership and anticipated improvements to receive meaningful feedback on the anticipated project.

**5. When is construction slated to begin?**

Fall of 2019.

**6. What is the expected completion date of construction?**

Fall 2021.



**Satellite View of the property**



**Picture of the property**



**Planned Development**

