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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: November 16, 2021

RE: Osi Art Apartments @ West End Amended and Restated Brownfield
Redevelopment Plan PA 381 of 1996 **PUBLIC HEARING**

The Brownfield Redevelopment Financing Act

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.

Osi Art Apartments @ West End Amended and Restated Brownfield Redevelopment Plan

On November 5, 2019, the Detroit City Council approved the original OSI Art Apartments @ West End Redevelopment Brownfield Plan. The project developer and current owner of the property is 3820 West End, LLC. URGE Development, LLC and N’Namdi Holdings have collaborated to develop a 5- story mixed-use apartment complex in the West End Gallery District,¹ located along the Grand River corridor in the Woodbridge Neighborhood. The property consists of one parcel, formerly 3834 W. Grand River Ave., now 3820 West Grand River Avenue. The development team plans to build approximately 30 residential units² above estimated 5,000 square feet of commercial retail space³ on the ground floor with 23 tenant parking spaces in the rear of building.⁴ Only the foundations of the former buildings will remain.

¹ According to the CAC, this is the first mixed-use development in the Arts and Gallery District on Grand River.

² There will be a mix of studios, one bedroom, and two-bedroom apartments available. The target demographic includes professionals and Wayne State University students and faculty. Half of the 30 units are slated as affordable.

³ The commercial space plaza will include an art gallery, food options, coffee shops, and other amenities.

⁴ Additional off-site parking will be made accessible.

Construction is set to begin in December 2019 and is expected to be completed within 18 months of commencement. The Property is considered an “eligible property” as defined by Act 381, Section 2 because: (a) the Property was previously utilized as commercial as well as industrial purposes; (b) it is located within the City of Detroit, a qualified local governmental unit under Act 381; and (c) the property was determined to be a “facility,”⁵ in accordance to Part 201 of Michigan’s Natural Resources and Environmental Protection Act, 1994 PA 451. The property is currently vacant, therefore, no persons or businesses will be displaced as a result of rehabilitation.

According to the Tax Incremental Revenue Capture Estimate Table, the taxable value of the Property in 2019 prior to the approval of the original plan was \$12,500 and the projected future taxable value at that point was \$1,443,883 when the original Brownfield TIF was set to expire in 2036. The developer requested and received City Council approval of a 10-year Commercial Rehabilitation PA 210 Tax Abatement,⁶ in addition to its original Brownfield TIF, which begin its capture in 2020. **The capture period for the original 2019 Brownfield request was 17 years.**⁷

The Original Plan & The Amended and Restated Plan

November 5, 2019, the developer received approval of a \$360,172 TIF⁸ reimbursement, with the total costs under the original brownfield plan of \$817,951 for “eligible activities.” Unfortunately however, subsequent to the approval of the original brownfield plan, the developer discovered unforeseen environmental contamination in the soil. Due to the poor soil conditions, to-date, the developer has removed 7344.13 tons⁹ of dirt from the development site in order to fully remediate the site. The new activity raised the costs for Contaminated Soil Excavation, Disposal, Backfill Activities from the estimated \$82,048 in the 2019 original brownfield plan, to an estimate of \$486,640¹⁰ in the proposed 2021 Amended and Restated Brownfield plan. This has now impacted the brownfield request as the following:

TIF ITEM	ORIGINAL PLAN 2019	AMENDED PLAN 2021	INCREASE AMOUNT	% OF INCREASE
Reimbursement to the Developer	\$360,172	\$809,914	\$449,742	124.87%
DBRA Administrative Costs	\$122,693	\$217,372	\$94,679	77.17%
State Brownfield Revolving Fund	\$60,436	\$89,253	\$28,817	47.68%
Local Brownfield Revolving Fund	\$274,650	\$332,606	\$57,956	21.10%
TOTAL ESTIMATED COSTS	\$817,951	\$1,449,145	\$631,194	77.17%

⁵ **Facility:** any area, place, or property where a hazardous substance in excess of the established state cleanup standard for residential property has been released, deposited, disposed of, or otherwise comes to be located.

⁶ **Commercial Rehabilitation Tax Abatement,** PA 210 of 2005, as amended (MCL 207.841-207.856). Freezes the taxable value at the amount prior to rehabilitation for commercial properties that is being rehabilitated for the primary use of a commercial business or a multi-family residential facility for 1-10 years. If approved, it will lower the tax incremental revenues during the time period of exemption.

⁷ The DBRA public hearing for the Plan was held on Tuesday, September 17, 2019 at 5:30 pm at Goodwill Industries of Greater Detroit, 3111 Grand River Ave. in Detroit, Michigan. Five people were in support of the project. No comments were received in opposition to the project.

⁸ 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.

⁹ 7344.13 US tons = 14,688,260 pounds

¹⁰ An increase of \$404,592 (493.11%) in the Amended and Restated Brownfield plan.

The proposed 2021 Amended and Restated Brownfield plan also increases the taxes that are projected to be generated but shall not be captured by DBRA during the life of this plan:

NON-CAPTURABLE ITEMS	ORIGINAL PLAN 2019	AMENDED PLAN 2021	INCREASE AMOUNT	% OF INCREASE
Zoo	\$972	\$1,862	\$890	91.56%
DIA	\$1,945	\$3,724	\$1,779	91.47%
City Debt Service	\$87,519	\$167,589	\$80,070	91.49%
School Debt	\$126,417	\$242,073	\$115,656	91.49%
TOTAL	\$216,853	\$415,248	\$198,395	91.49%

If approved by Council, the new plan would grant the developer a **809,914 TIF** reimbursement, with the total costs for the plan at **\$1,449,145**. The beginning date of the capture of tax increment revenues is anticipated to be in the 2022 tax year commencing with the Summer 2022 property taxes. **The estimated duration of the new plan is 23 years.**



- cc:
- Auditor General’s Office
 - Donald Rencher, Chief of Services and Infrastructure
 - Katy Trudeau, Planning and Development Department
 - Julie Schneider, HRD
 - Veronica Farley, HRD
 - Charles Ericson, Office of the CFO/Office of the Assessors
 - Stephanie Grimes Washington, Mayor’s Office
 - Gail Fulton, Mayor’s Office
 - Malinda Jensen, DEGC
 - Kenyetta Bridges, DEGC
 - Jennifer Kanalos, DEGC
 - Brian Vosburg, DEGC

Estimated Costs of Activities Table

Item/Activity	This Plan			Original Plan		
	Total Request	MSF Act 381 Eligible Activities	EGL E Act 381 Eligible Activities	Total Request	MSF Act 381 Eligible Activities	EGL E Act 381 Eligible Activities
Environmental Activities						
Phase I ESA	\$ 2,300		\$ 2,300	\$ 2,300		\$ 2,300
Phase II ESA/BEA/Due Care	\$ 14,550		\$ 14,550	\$ 14,550		\$ 14,550
Contaminated Soil Excavation, Disposal, Backfill Activities	\$ 486,640		\$ 486,640	\$ 82,048		\$ 82,048
Oversight, Sampling, and Reporting	\$ 64,050		\$ 64,050	\$ 13,000		\$ 13,000
Sub-Total Environmental Activities	\$ 567,540	\$ -	\$ 567,540	\$ 111,898	\$ -	\$ 111,898
Non-Environmental Activities						
Building Foundation Demolition	\$ 60,000	\$ 60,000		\$ 60,000	\$ 60,000	
Lead, Asbestos, Mold Removal	\$ -			\$ -		
Historic building survey, evaluation, and nomination work	\$ -			\$ -		
Publicly owned infrastructure improvements in public right of way	\$ 50,000	\$ 50,000		\$ 50,000	\$ 50,000	
Traffic Control, Fencing, Signage, Relocate Utilities	\$ 30,884	\$ 30,884		\$ 30,884	\$ 30,884	
Privately-owned urban storm water management systems that reduce or eliminate drainage into the city system	\$ -			\$ -		
Urban Storm Water Management System	\$ 50,000	\$ 50,000		\$ 50,000	\$ 50,000	
Sub-Total Urban Storm Water Management System	\$ 190,884	\$ 190,884	\$ -	\$ 190,884	\$ 190,884	\$ -
Brownfield Plan & Act 381 Work Plan Activities						
Brownfield Plan & Act 381 Work Plan Preparation & Implementation	\$ 22,250	\$ 7,250	\$ 15,000	\$ 14,500	\$ 7,250	\$ 7,250
Sub-Total Brownfield Plan & Work Plan	\$ 22,250	\$ 7,250	\$ 15,000	\$ 14,500	\$ 7,250	\$ 7,250
Contingency						
Eligible 15% contingency (not including Brownfield Plan/Work Plan & Phase I ESA/Phase II ESA/ BEA/Due Care)	\$ 29,240	\$ 19,633	\$ 9,608	\$ 42,890	\$ 28,633	\$ 14,257
Developer Eligible Reimbursement	\$ 809,914	\$ 217,767	\$ 592,148	\$ 360,172	\$ 234,017	\$ 140,655
TIF Capture for Local Brownfield Revolving Fund	\$ 332,606			\$ 274,650		
TIF Capture for State Brownfield Revolving Fund	\$ 89,253			\$ 60,436		
Administrative Fees	\$ 217,372			\$ 122,693		
Total Estimated Cost to be Funded Through TIF	\$ 1,449,145	\$ 217,767	\$ 592,148	\$ 817,851	\$ 234,017	\$ 140,655