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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: June 8, 2022

RE: **1208 Woodward, LLC PA 210 Certificate Request for the Hudson's Site, 1208 Woodward Avenue**

The Commercial Rehabilitation Act, PA 210 of 2005

The Commercial Rehabilitation Act, PA 210 of 2005, is a tax incentive for the rehabilitation of commercial property for the primary purpose and use of a commercial business or a multi-family residential facility. The property must be located within an established Commercial Rehabilitation District. Exemptions are approved for a term of 1-10 years, as determined by the local unit of government. The property taxes are based upon the prior year's taxable value.

1208 Woodward, LLC

The project developer and owner of the property located at **1208 Woodward**, is **1208 Woodward LLC**, an affiliate of **Bedrock Management Services, LLC**, is seeking the approval of a PA 210 certificate,¹ which involves the commercial elements of the project. The property is the former Hudson's site, which once included an underground parking structure that was demolished to make way for the current development.² In addition to the requested PA 210 tax abatement, the developer in 2017, received Council approval of a NEZ³ (district)⁴ that entails the residential portion of the project, which will subsequently require the approval a NEZ certificate by Council (in the Budget Finance and Audit Committee).

¹ City Council approved the establishment of a Commercial Rehabilitation District under Public Act 210 of 2005.

² The Hudson's site was once home to the J.L. Hudson department store, which closed in 1983 and was imploded in 1998. [Hudson's site development in Detroit: New renderings released \(usatoday.com\)](https://www.usatoday.com/story/news/nation/2018/06/08/hudsons-site-development-in-detroit-new-renderings-released/4681110002)

³ The Neighborhood Enterprise Zone (NEZ) Public Act 147 of 1992,

⁴ [Rosko Develop Co LLC - Hudsons NEZ.pdf \(detroitmi.gov\)](#) LPD Report, dated October 24, 2017

The overall project consists of a newly constructed 12-story “block” structure and an adjacent, 684-foot tower. The block and tower are separated by an activated, programmed public space. If approved by Council, the commercial elements of the project will include:

- **The Underground Garage**, which will contain more than 800 parking spaces as well as mechanical equipment.
- **The entire Block Structure**, which totals 1.52 million gross square feet (“GSF”). The block structure will include retail and food and beverage space on the ground floor; event and conference space on levels two and three; office space on levels four through eleven; and additional food and beverage space on the twelfth-floor rooftop.
- **Levels 1 through 25 of the Tower**, which will contain a hotel⁵ and accompanying food and beverage options and amenities.

The development on the 2.3-acre site started in December 2017. It has faced a series of setbacks and challenges, including unanticipated underground obstructions, design changes and other factors which have pushed the development, originally planned at an estimated 800 feet in stature, now slated for an elevation of 685 feet, is now two years behind its original schedule.⁶

In 2017, the Hudson’s site was a part of Bedrock Detroit’s Transformational Brownfield Plan for **four (4) Transformational Project sites** with a projected level of investment as indicated by location, and the beginning tax years for the capture and use of tax increment revenues, income tax capture revenues, and withholding tax capture revenues for each site are as follows:

TRANSFORMATIONAL SITE	PROJECT INVESTMENT	% OF TOTAL INVESTMENT	INITIAL YEAR OF TAX CAPTURE
1. Hudson’s Site	\$908,980,541	42.4%	2023
2. Monroe Blocks	\$830,091,215	38.7%	2023
3. One Campus Martius Expansion	\$94,782,781	4.4%	2020
4. Book Building and Tower	\$311,444,245	14.5%	2021
GRAND TOTAL	\$2,145,298,782	100%	

This plan as presented, was approved by the Detroit City Council in 2017 and the State of Michigan, via the Michigan Strategic fund in May of 2018.⁷ By definition, under **Public Act 46 of 2017**, a “Transformational Brownfield Plan”⁸ is a brownfield plan designated by the local governing body and the Michigan Strategic Fund,⁹ based on the extent of brownfield redevelopment and growth in population, commercial activity, and employment resulting from the plan, will have a transformational impact on local economic development and community revitalization.

⁵ According to Crain's Detroit, part of the skyscraper being built on the former J.L. Hudson's department store site in downtown Detroit is slated to become an Edition hotel. [Gilbert's Hudson's tower to get Edition hotel concept by Studio 54 founder | Crain's Detroit Business \(crainsdetroit.com\)](#) Kirk Pinho/Crain's Detroit Business

⁶ [Hudson's site development in Detroit: New renderings released \(usatoday.com\)](#)

⁷ [Bedrock Projects In Detroit Approved For \\$618 Million In Incentives \(dailydetroit.com\)](#)

⁸ The Detroit Public Library has often appeared to speak against several Brownfield project proposals, which were subject to Council approval. In this instance, the developer will not receive any Library tax capture.

⁹ The Michigan Strategic Fund (MSF) was created by P.A. 270 of 1984 and has broad authority to promote economic development and create jobs.

The new methods that the transformational brownfield legislation will allow Bedrock to recoup a portion of the total cost of the projects it includes in its Transformational Brownfield Plan (TBP)¹⁰ through the following reimbursement mechanisms:

- State income tax generated by residents living in the TBP properties for 20 years (50%)
- State income tax generated by employees working in TBP properties for 20 years (50%)
- State income tax on TBP construction labor
- Exemption from State sales tax on TBP construction materials

The hyperlink to the original LPD Transformational Brownfield Plan Report, dated October 31, 2017, is here: [CC-Trans Brownfield Plan Hudsons.pdf \(detroitmi.gov\)](#)

In addition, the hyperlink to the LPD Community Benefits Ordinance Report for the Hudson's Block Redevelopment Project by Bedrock, dated November 9, 2017, is here: [LPD Detroit Hudsons Block CBO Report1 .pdf \(detroitmi.gov\)](#)

Council may want to inquire about the current status of the remaining three TBP sites.

The current estimated hard construction cost for the Hudson's project is approximately **\$991,000,000**.



The controlled demolition of the Hudson's Department store at 5:45 p.m. on Oct. 24, 1998¹¹

¹⁰ The State of Michigan will bear more than half of the tax capture of this project.

¹¹ Source: "Fourteen Years Ago Today, Detroit Imploded The Hudson's Department Store Building" Curbed Detroit, by Sara Cox, October 24, 2012

DEGC Project Evaluation Checklist

Hudson's Site

Developer: Bedrock Management Services

Principle: Dan Gilbert

Commercial Rehabilitation Act, PA 210 – current taxes frozen at pre-rehab values, improvements taxed at discounted millage for up to 10 years	
DEGC Recommendation	Approval of 10-yr term
Request Type	PA 210 Certificate
Location	
Address	1208 Woodward
City Council District	District 5
Neighborhood	Downtown
Building Use*	
Commercial Gross Square Footage	401,909
Retail/Event Gross Square Footage	153,476
Hotel Gross Square Footage	285,985 (225 keys)
Residential Gross Square Footage	225,120 (110 condo units)
Parking Gross Square Footage	213,209 (815 parking spaces)
*Note that this breakdown shows the entire building use, but the PA 210 Certificate request only applies to the Commercial, Retail, & Hotel portions of the property. The Residential portion is being covered by an NEZ Certificate.	
Project Description	
The Hudson's site will be a landmark destination and visitor attraction. The project will create a world-class, mixed use development with extensive public space, including but not limited to an activated 1/3 acre plaza, retail restaurants, hotel, residences, and flexible space for exhibitions and events. The Hudson's site will include an approximately 680 ft tower next to a mid-rise podium both separated by landscaped public space. The structure as planned will consist of 1.5 million gross square feet including underground parking. The PA 210 will apply to the entirety of the podium and to all components of the tower except for residential units, which we anticipate to be covered by separate NEZ certificate(s). This is a project of historic proportions in both benefit to the public and cost to construct. Without the benefit of the PA 210 tax abatement, this project would not be possible.	
Project Costs	
Total Investment	\$1.4B
Uses	\$16.4M Acquisition (1%), \$978.1M Hard Construction (70%), \$409.5M Soft Costs (29%)
Sources	\$378.1M Debt (27%), \$1.03B Equity (73%)
Project Benefits (10 years, based on 1,976 FTEs)	
Estimated jobs	28 FTE Developer Jobs, 1,948 FTE Tenant Jobs, 7,500 Construction Jobs
Estimated city benefits before tax abatement	\$115,134,738
Total nominal value of PA 210	\$31,344,447
Brownfield TIF Capture	
DDA TIF Capture	\$2,429,126
Less cost of services & utility deductions	\$9,749,419
Net benefit to city	\$71,611,746

City of Detroit: Benefits, Costs, and Net Benefits over the Next 10 Years

	Amount
Real Property Taxes, before abatement	\$32,614,533
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$26,568,939
Municipal Income Taxes - Indirect Workers	\$8,169,772
Municipal Income Taxes - Corporate Income	\$8,494,735
Municipal Income Taxes - Construction Period	\$8,743,928
Municipal Income Taxes - New Res. Inhabitants	\$5,107,158
Utility Revenue	\$2,752,059
Utility Users' Excise Taxes	\$413,963
State Revenue Sharing - Sales Tax	\$7,761,365
Building Permits and Fees	\$5,282,730
Miscellaneous Taxes & User Fees	\$9,225,556
Subtotal Benefits	\$115,134,738
Cost of Providing Municipal Services	(\$8,373,389)
Cost of Providing Utility Services	(\$2,752,059)
Subtotal Costs	(\$11,125,449)
Net Benefits	\$104,009,289

Impacted Taxing Units: Incentive Summary over the First 10 Years

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	DDA TIF Capture	Brownfield TIF Capture	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$115,134,738	(\$9,749,419)	(\$31,344,447)	(\$2,429,126)		\$71,611,746
Wayne County	\$9,839,597	(\$1,018,471)	(\$7,478,008)	(\$214,267)	(\$110,380)	\$1,018,471
Detroit Public Schools	\$37,273,178	(\$4,129,453)	(\$12,133,563)	(\$1,041,357)	(\$8,037,053)	\$11,931,751
State Education	\$5,827,024	\$0	\$0	\$0	(\$1,377,986)	\$4,449,038
Downtown Dev. Authority	\$960,196	\$0	(\$922,804)	\$0	\$0	\$37,392
Wayne RESA	\$5,294,822	\$0	(\$5,088,630)	\$0	(\$206,193)	\$0
Wayne County Comm. College	\$3,144,456	\$0	(\$3,022,004)	(\$122,452)	\$0	\$0
Wayne County Zoo	\$96,826	\$0	(\$93,055)	\$0	\$0	\$3,771
Detroit Institute of Arts	\$193,749	\$0	(\$186,204)	\$0	\$0	\$7,545
Total	\$177,764,587	(\$14,897,343)	(\$60,268,716)	(\$3,807,202)	(\$9,731,612)	\$89,059,714

DEGC Chart of Taxes Before, During & After the Incentive¹²

	Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive
City of Detroit	\$207,812	\$209,812	\$2,726,868
Library	\$33,238	\$33,558	\$436,146
Wayne County	\$57,509	\$58,062	\$754,617
Detroit Public Schools	\$214,314	\$1,681,984	\$2,812,191
State Education	\$43,067	\$565,115	\$565,115
Wayne RESA	\$39,133	\$39,510	\$513,501
Wayne County Comm. College	\$23,240	\$23,464	\$304,955
Wayne County Zoo	\$716	\$723	\$9,390
Detroit Institute of Arts	\$1,432	\$1,446	\$18,790
Total	\$620,461	\$2,613,673	\$8,141,572

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¹² Existing Annual Taxes BEFORE the Incentive: \$620,461 - New Annual Taxes DURING the Incentive: \$2,613,673 & Taxes AFTER the Incentive expires: \$8,141,572

¹³ Charts courtesy of the DEGC

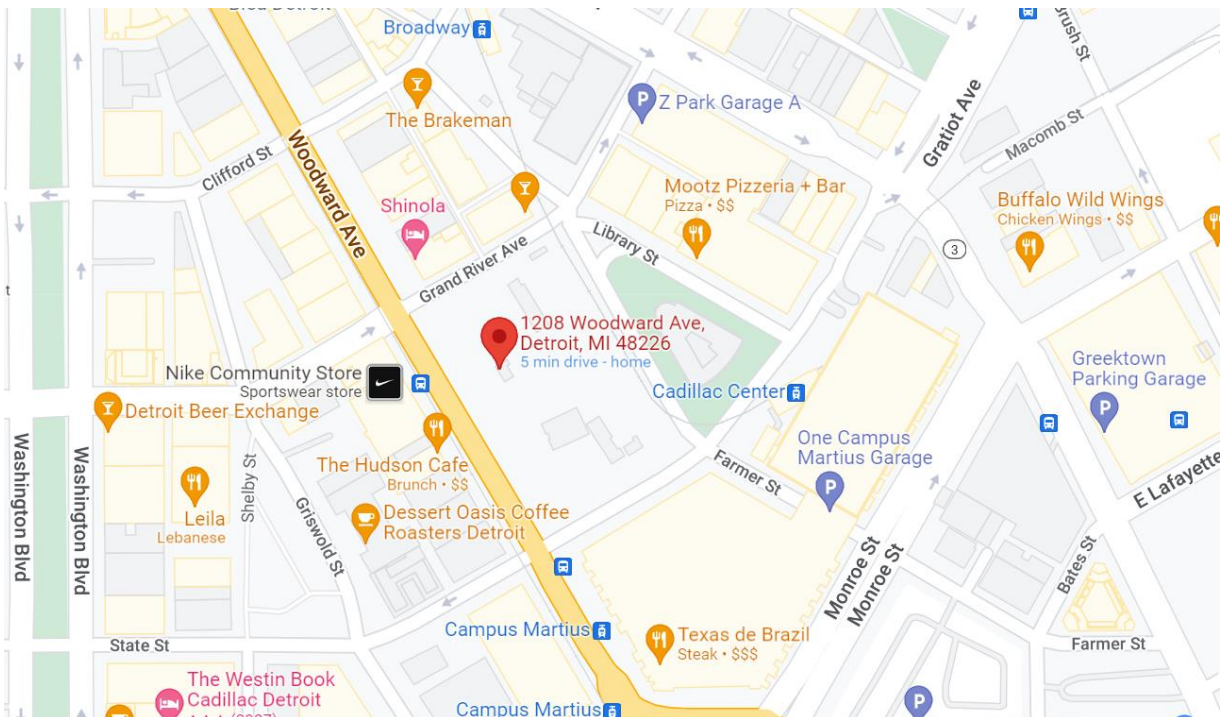
Conclusion

The estimated total capital investment for this project is **\$991 million**. It is also estimated that the completed project will create 28 FTE Developer Jobs, 1,948 FTE Tenant Jobs, 7,500 construction Jobs. The total value of the 10-year Commercial Rehabilitation tax abatement is estimated at **\$60,268,716**.

Based on the investment and jobs, and also accounting for both the DDA & TIF captures, this project is estimated to provide the City of Detroit a net benefit of **\$71,611,746**, and all of the impacted taxing units, a net benefit of **\$89,059,714** over the 10 years of the Commercial Rehabilitation tax abatement.

However, if the developer does not proceed in good faith to complete the project, the Act allows the City Council to revoke the certificate: *“The legislative body of the qualified local governmental unit may, by resolution, revoke the commercial rehabilitation exemption certificate of a facility if it finds that the completion of rehabilitation of the qualified facility has not occurred within the time authorized by the legislative body in the exemption certificate, or a duly authorized extension of that time, or that the holder of the commercial rehabilitation exemption certificate has not proceeded in good faith with the operation of the qualified facility in a manner consistent with the purposes of this act and in the absence of circumstances that are beyond the control of the holder of the exemption certificate.”*¹⁴

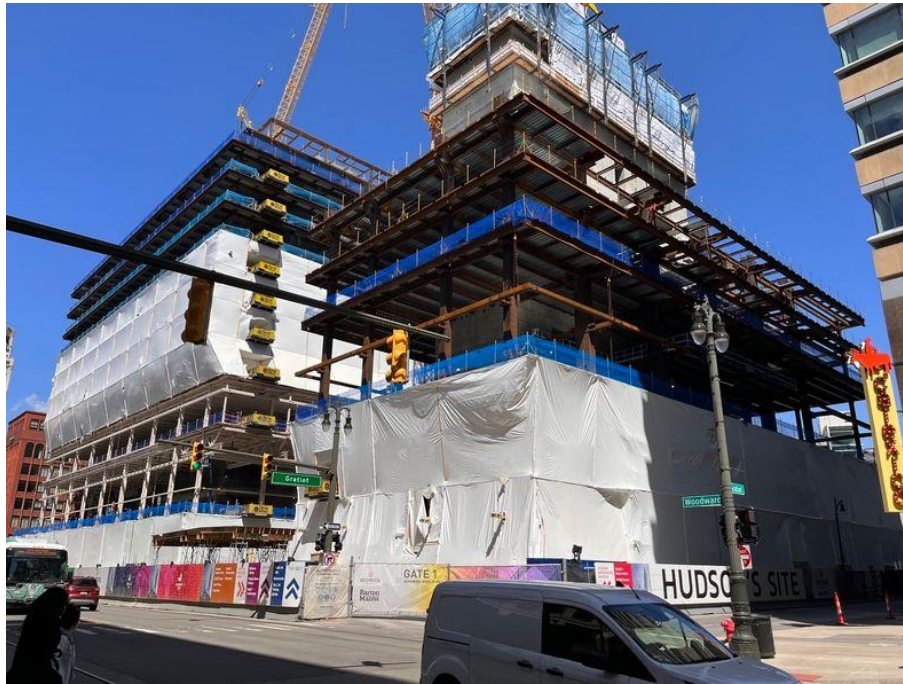
Please contact us if we can be of any further assistance.



Area Map¹⁵

¹⁴ COMMERCIAL REHABILITATION ACT (Act 210) MCL. 207.852(1)

¹⁵ Area map courtesy of DEGC



Streetview of 1208 Woodward ¹⁶



Rendering of the Hudson's Project at 1208 Woodward ¹⁷

Attachments: Assessor's Letter dated May 10, 2022

¹⁶ Kirk Pinho/Crain's Detroit Business

¹⁷ [Hudson's site development in Detroit: New renderings released \(usatoday.com\)](https://www.usatoday.com/story/news/nation/2022/05/10/hudson-site-development-in-detroit-new-renderings-released/10282870002/)

cc: Auditor General's Office
Donald Rencher, Chief of Services and Infrastructure
Antoine Bryant, 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



CITY OF DETROIT
 OFFICE OF THE CHIEF FINANCIAL OFFICER
 OFFICE OF THE ASSESSOR

COLEMAN A. YOUNG MUNICIPAL CENTER
 2 WOODWARD AVE., SUITE 824
 DETROIT, MI 48226
 PHONE: 313•224•3011
 FAX: 313•224•9400

May 10, 2022

Katharine G. Trudeau, Deputy Director
 Planning & Development Department
 Coleman A. Young Municipal Center
 2 Woodward Ave, Suite 808
 Detroit, MI 48226

RE: Commercial Rehabilitation Certificate – **1208 Woodward LLC AMENDED**
 Property Address: 1208 Woodward
 Parcels Number: 01004110-9

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the Commercial Rehabilitation certificate application for the properties located at **1208 Woodward** in the **Central Business District** area in the City of Detroit.

The rationale for issuing Commercial Rehabilitation certificates under PA 210 of 2005, as amended, is based on the anticipation of increased market value upon completion of new construction and /or significant rehabilitation of existing commercial property and commercial housing property. Normal repair and maintenance are not assessed and do not necessarily generate additional market value.

The property is the former Hudson’s site, which included underground parking since demolished to make way for future development. The owner plans to construct a 12-story block structure and adjacent 684-foot tower that will include parking, office, retail, hotel, food and beverage, residential, and public spaces. This PA 210 request is solely for the office block, underground parking, retail and event space, and the hotel space, which will occupy levels 1-25 in the tower structure. The new construction of the complex is expected to increase commercial activity in the area, prevent loss of employment, revitalize the urban area and increase the number of residents in the city.

The 2022 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
01004110-9	1208 Woodward	\$ 3,234,900	\$ 3,178,595	\$ 2,901,300	\$ 2,850,757

This property meets the criteria set forth under PA 210 of 2005, as amended. It applies to a building or a group of contiguous buildings, a portion of a building or group of contiguous buildings previously used for commercial or industrial purposes, obsolete industrial property, and vacant property which, within the immediately preceding 15 years, was operating as a commercial business enterprise.

A review of the general plans, along with the criteria set forth under the Commercial Rehabilitation Act, indicated that the proposed project located at **1208 Woodward** is eligible as it pertains to the Commercial Rehabilitation certificate criteria under P.A. 210 of 2005, as amended.

Sincerely,

Charles Ericson, MMAO
 Assessor, Board of Assessors



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER
OFFICE OF THE ASSESSOR

COLEMAN A. YOUNG MUNICIPAL CENTER
2 WOODWARD AVE., SUITE 824
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PHONE: 313•224•3011
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Commercial Rehabilitation Certificate
1208 Woodward LLC
Page 2

Property Owner: 1208 WOODWARD LLC
Property Address: 1208 WOODWARD
Parcel Number: 01004110-9
Legal Description: E WOODWARD --- LOTS 33 THRU 39 & LOTS 72 THRU 78 ALSO TOGETHER WITH VAC NORTH-SOUTH & EAST-WEST ALLEYS ADJ PLAT OF SEC 7 GOVERNOR & JUDGES PLAN L34 P544 DEEDS, W C R 420 FT X 220 FT --- 92,400 SQFT

