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TO: COUNCIL MEMBERS 
FROM: David Whitaker, Director
Legislative Policy Division Staff
DATE: November 7, 2018
RE: Joe Louis Arena Amended and Restated Brownfield 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.

Joe Louis Arena Amended and Restated Brownfield Plan

For the purposes of this Plan, the "Developer" is the City of Detroit. The primary purpose of this Plan is to facilitate the demolition of the Joe Louis Arena (JLA) and to prepare the property for a future mixed-use development, which may include residential, commercial, and/or retail space. This brownfield request is unique, in that the City of Detroit is the owner of the eligible property, the Joe Louis Arena and the Detroit Building Authority will oversee the demolition.

A Plan Amendment is being requested due to increased Eligible Activities that have recently been discovered by environmental consultants working on behalf of the City of Detroit.¹ The total in the amount of \$14,363,147² is estimated under the Plan for the demolition and related eligible activities involved.

The amendment to the original plan is due to the following projected increases, abatement and demolition activities have increased from \$3.6 million to approximately \$8.8 million in the Plan Amendment. Engineering Services: Demo Design has increased from \$790,286 to \$840,286.

¹ Phase II Environmental Site Assessment of The Joe Louis Arena, dated October 23, 2108

² To provide funding for the JLA demolition, in accordance with the bankruptcy settlement with the Financial Guaranty Insurance Company (FGIC).

New Eligible Costs of Due Care Activities, Response Activities and Interest totaling approximately \$2.7 million are new Eligible Cost. In total, the Eligible Costs for the TIF³ reimbursement to the “Developer” have increased from \$5,561,009⁴ to \$14,363,147 (258%).

The eligible property⁵ (the “property”), consists of six (6) parcels located at 27 Washington Blvd. The common address of the JLA is also known as “600 Civic Center Drive.” 25 Washington Blvd, 29 Washington Blvd, 31 Washington Blvd, and 33 Washington Blvd are properties that are adjacent and continuous to 27 Washington Blvd. 501 Third is also adjacent to 27 Washington Blvd and is the location of the Detroit People Mover – Joe Louis Arena Station Stop. The property is located adjacent to the Central Business District and is generally bounded by Jefferson Street to the north, Atwater Street to the east, Detroit River to the south and Cobo Convention Center to the west.

The “eligible activities” that are intended to be carried out at the property are considered “eligible activities” as defined by Sec 2 of Act 381, because they include environmental assessment activities, demolition and abatement and brownfield plan and work plan preparation and brownfield plan implementation. The eligible activities and budgeted costs are intended as part of the development of the property and will be financed solely by the Developer. The Authority is not responsible for any costs of eligible activities and will incur no debt. The eligible activities are estimated to begin within eighteen months and be completed within three (3) years.

Parcel Information:

Address	25 WASHINGTON BLVD
Parcel ID	Ward 04 Item 000001-4
Owner	City of Detroit
Legal Description	S W JEFFERSON W 29.71 FT VAC 1ST S 43.59 FT OF LOTS 1 THRU 3 W 5 FT ON N LINE BG W 24.14 FT ON S LINE OF OF N 136 FT OF 3 179.59 FT OF 3 4 EXC N 183+- FT ON E LINE BG N 174.30 FT ON W LINE OF E 10+- FT AND VAC SECOND AVE ADJ BLK C PLAT OF FRONT OF CASS FARM L9 P409 CITY RECORDS, W C R 4/1 139.42 IRREG 66.290+- SQ FT

Address	27 Washington Boulevard
Parcel ID	Ward 04 Item 000005
Owner	City of Detroit
Legal Description	S W JEFFERSON 1 THRU 4;BLK FPLAT OF CASS FARM L9 P409 CITY RECORDS 4/1 308.27 X 245AV

Address	29 Washington Boulevard
Parcel ID	Ward 04 Item 000006

Source: Detroit Brownfield Redevelopment Authority

³ Tax increment financing (TIF) is a public financing method that is used as a subsidy for redevelopment.

⁴ Council approved the original Joe Louis Arena Brownfield Plan

⁵ The Property is considered “eligible property” as defined by Act 381, Section 2 because (a) the Property was previously utilized for a public 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 a functionally obsolete or adjacent and contiguous as defined by Act 381.

Owner	City of Detroit
Legal Description	S W JEFFERSON 20 THRU 30;BLK E PLAT OF CASS FARM L9 P409 CITY RECORDS 4/1 228.29 IRREG

Address	33 Washington Boulevard
Parcel ID	Ward 04 Item 000011-19
Owner	City of Detroit
Legal Description	S JEFFERSON 1 THRU 18 W 6 FT 19 VAC ALLEY ADJ BLK E--CASS FARM SUB L9 P409 CITY RECORDS, W C R 4/1 310.58 IRREG

Address	31 WASHINGTON BLVD
Parcel ID	Ward 04 Item 000007-110
Owner	City of Detroit
Legal Description	S W JEFFERSON TRIANG PT OF LOTS 16 THRU 19 BG 80 FT ON S LINE & S 40 FT ON W LINE BLK D PLAT OF FRONT OF CASS FARM L9 P409 CITY RECORDS, W C R 4/1 80 IRREG 1,600 SQ FT

Address	501 THIRD
Parcel ID	Ward 04 Item 003656-86
Owner	City of Detroit
Legal Description	W THIRD PT OF LOTS 1 THRU 3 PT OF LOTS 28 THRU 30 AND VAC ALLEY ADJ ALSO PT OF VAC FRONT ST ADJ BLK H PLAT OF CASS FARM BETW DETROIT RIVER & LARNED ST L9 P409 CITY RECORDS W C R DESC AS BEG AT INTSEC W LINE THIRD ST 60 FT WD & S LINE JEFFERSON AVE AS WIDENED TH ALG SD W LINE S 22D 02M 53S E 209.54 FT TH N 83D 19M 52S W 62.45 FT TH N 22D 02M 53S W 157.63 FT TH N 08D 44M 55S W 28.47 FT TO S LINE SD JEFFERSON AVE TH ALG SD S LINE N 74D 49M 13S E 48.47 FT TO P O B 4/1 10 742 SQ FT

Source: Detroit Brownfield Redevelopment Authority

The “eligible activities” that are intended to be carried out at the property are considered “eligible activities” as defined by Sec 2 of Act 381, include environmental assessment activities, demolition and abatement and brownfield plan and work plan preparation and brownfield plan implementation.

The eligible activities and budgeted costs are intended as part of the development of the property and will be financed solely by the Developer. The Authority is not responsible for any

costs of eligible activities and will incur no debt. The eligible activities are estimated to begin within eighteen months and be completed within three (3) years.

The Developer is seeking reimbursement for the costs of eligible activities via the brownfield development plan.

Description of Eligible Activities	Estimated Cost
MSF Activities	
1. ALTA Survey	\$18,200
2. Engineering Services: Demo Design	\$840,286
3. Abatement and Demolition	\$8,829,870
4. <i>Brownfield and Work Plan Preparation</i> ⁶	\$15,000
5. <i>Brownfield Plan Implementation</i> ⁷	\$15,000
6. 15% Contingency	\$1,453,253
7. MSF Interest	\$2,346,038
Subtotal MSF	\$13,517,647
MDEQ Activities	
8. Environmental Assessment Activities	\$375,000
9. Response Activities	\$20,000
10. Due Care Activities	\$200,000
11. <i>Brownfield and Work Plan Preparation</i>	\$15,000
12. <i>Brownfield Plan Implementation</i>	\$15,000
13. 15% Contingency	\$89,250
14. MDEQ Interest	\$131,250
Subtotal MDEQ	\$845,500
Subtotal Site Eligible Activities	\$14,363,147
15. DBRA Administrative Costs	\$2,429,098
16. Local Brownfield Revolving Fund	\$1,658,009
17. State Brownfield Redevelopment Fund	\$1,822,047
Total Other Eligible Activities	\$5,909,154
Total Estimated Cost to be Funded Through TIF	\$20,272,301

Below, are the Eligible Activities with significant increases from the Original Plan:

COST TO BE REIMBURSED WITH TIF	ORIGINAL PLAN	NEW PLAN	VARIANCE	% Increase
Engineering Services: Demo Design	\$790,286	\$840,286	\$50,000	6.3%
Abatement and Demolition	\$3,600,000	\$8,829,870	\$5,229,870 ⁸	145.3%
15% Contingency	\$717,523	\$1,453,253	\$735,730	102.5%
DBRA Administrative Costs	\$1,142,079	\$2,429,098	\$1,287,019	112.7%
Local Site Remediation Revolving Fund	\$290,911	\$1,658,009	\$1,367,098	469.9% ⁹
State Brownfield Revolving Fund	\$649,863	\$1,822,047	\$1,172,184	180.4%

⁶ Brownfield and Work Plan Preparation reflected at \$30,000 in the original plan is evenly split at \$15,000 under the respective categories of "MSF Activities" and "MDEQ Activities," thereby resulting in no change from the 1st plan.

⁷ Brownfield Plan Implementation reflected at \$30,000 in the original plan is evenly split at \$15,000 under the respective categories of "MSF Activities" and "MDEQ Activities," thereby resulting in no change from the 1st plan.

⁸ Abatement and Demolition increase of \$5,229,870, reflects the most significant dollar increase.

⁹ Local Site Remediation Revolving Fund increase of 469.9%, reflects the most significant increase by percentage.

Below, are the Eligible Activities in the New Plan that were not in the Original Plan:

COST TO BE REIMBURSED WITH TIF	Tax Capture
7. MSF Interest	\$2,346,038
9. Response Activities	\$20,000
10. Due Care Activities	\$200,000
13. 15% Contingency	\$89,250
14. MDEQ Interest	\$131,250
TOTAL OF NEW COSTS	\$2,786,538
TOTAL OF Activities with significant increases FROM ORIGINAL PLAN¹⁰	\$9,841,901
GRAND TOTAL OF PLAN AMENDED PLAN INCREASE	\$12,628,439

Tax increments are projected to be captured and applied to (1) reimbursement of eligible activity costs and payment of DBRA administrative and operating expenses, (2) make deposits into the State Brownfield Revolving Fund (SBRF), and (3) make deposits into the DBRA's Local Site Remediation Revolving Fund (LSRRF), as follows:

	<u>Reimbursement Costs</u>	<u>Admin. Costs</u>	<u>State Brownfield Fund</u>	<u>Local Revolving Fund</u>
School Operating Tax	\$9,027,748	\$0.00	\$0.00	\$624,843
State Education Tax	\$1,504,625	\$0.00	\$1,822,047	\$118,304
County (combined)	\$1,090,201	\$691,298	\$0.00	\$260,361
HCMA	\$0.00	\$0.00	\$0.00	\$0.00
City of Detroit	\$0.00	\$0.00	\$0.00	\$0.00
RESA	\$2,740,574	\$1,737,801	\$0.00	\$654,501
WCCC	\$0.00	\$0.00	\$0.00	\$0.00
Library	\$0.00	\$0.00	\$0.00	\$0.00
TOTALS	\$14,363,148	\$2,429,099	\$1,822,047	\$1,658,009

Source: Detroit Brownfield Redevelopment Authority

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

City Debt (DDA)	\$6,025,327
School Debt and Judgment (DDA)	\$9,501,710
City Operating (DDA)	\$14,582,932
Library (DDA)	\$3,384,582
HCMA (DDA)	\$156,413
Wayne County Community College (DDA)	\$2,368,703
Wayne County Operating (DDA)	\$4,128,347
Wayne County DIA	\$146,180
Wayne County Zoo	\$73,090
Total	\$40,367,284

Source: Detroit Brownfield Redevelopment Authority

¹⁰ Activities with significant increases from the Original Plan listed on the previous page.

Feasibility of the Brownfield Approval

In addition to the Brownfield reimbursement, the developer is seeking a loan through the Michigan Strategic Fund's Community Revitalization Program (CRP). In order to facilitate the immediate demolition of JLA and to avoid the long term carrying costs to maintain the arena estimated near \$1 million annually, pending City Council approval the City plans to repay the aforementioned CRP loan with annual payments from the City's general funds, which are to be backed by the incremental financing of the proposed Brownfield Plan.

The draft terms of the repayment of the CRP Loan¹¹ by the City to the MSF are as follows:

The following is a summary of the highlights of the agreement and basic terms for which the City of Detroit desires incentive support from the Michigan Strategic Fund ("MSF"). *The following proposal should not be considered a commitment to lend and does not contain all of the final lending parameters. Any proposal must be reviewed and approved by the MSF Board.*

Date: November 6, 2018

- **Project Address and Description ("Project"):** Demolition and site preparation of approximately 5.9 acres of property located at 600 Civic Center Drive, Detroit, Michigan and more commonly known as "Joe Louis Arena."
- **Incentive Type:** Performance Based Direct Loan
- **Maximum Amount of Award:** Up to \$10,000,000
- **Loan Security:** The loan is secured by the full faith and credit of the City of Detroit and first position on future tax increment revenue from the Project.
- **Future Investment:** The City anticipates that there will be a minimum of \$24 million in private investment made on the Project site in the future.
- **MSF Fees:** One-time fee equal to one percent of the MSF award
- **Interest Rate and Repayment Term:** Annual interest only payments with an interest rate of 1.00% for years one and two followed by 18 equal payments of principle and Interest with interest rate of 2% for years three through 20.
- **Milestones & Disbursement:** The final terms and conditions of each of the Progress Milestones shall be included in the final Agreement, which may include but not limited to:
 - The first disbursement of up to \$850,000 will be made upon execution of agreement.
 - Second disbursement of \$3,000,000 will be made upon request from applicant and demonstration of acceptance of a guaranteed maximum price contract.
 - Third disbursement of amount necessary to cover the cost of the demolition activities up to \$2,150,000 based on documented expenditures.
 - A fourth and final disbursement will be made upon completion of demolition of structures and restoration of the site for the remaining cost of demolition of which total disbursements shall not exceed \$10,000,000. In addition, the final disbursement will be subject to MSF approved site restoration specifications, MSF certification of costs and MSF verification of all necessary lien waivers. Lastly, before final disbursement, the City

The Developer represents and warrants that a Phase I Environmental Site Assessment ("ESA"), and a Phase II ESA, baseline environmental assessment, and due care plan will be completed, pursuant to Part 201 of Michigan's Natural Resources and Environmental Protection Act (MCL 324.20101 et seq.), are underway on the property. Copies of the reports have been provided to the Building Safety Engineering and Environmental Department.

¹¹ LPD has provided the Council a report on the CRP Loan under a different cover.

Demolition Budget

Eligible Activity	Cost
ALTA Survey	\$ 18,200
Environmental Testing and Report	\$ 375,000
Due Care Dermal Barrier & Response Activities	\$ 220,000
Demolition	\$ 4,870,156
Abatement	\$ 4,800,000
Contingency (15%)	\$ 1,542,503
Brownfield Plan Prep & Implementation	<u>\$ 60,000</u>
Overall Project Total	\$ 11,825,859

Demolition Timeline

Task Name	Projected Start Date	Projected End Date
Environmental Due Diligence, Survey	February 2018	August 2018
Engineering Services: Demo Design	May 2018	September 2018
Brownfield Plan Amendment - DBRA & Council	October 2018	November 2018
MSF Approval of Brownfield Plan and Loan	November 2018	December 2018
Loan approval by City Council	October 2018	November 2018
Finalize and execute loan documents	November 2018	December 2018
Procure Demolition Contractor	September 2018	December 2018
Demolition	January 2019	October 2019
Closeout	November 2019	December 2019

Asbestos/Hazardous Material Assessment Report¹²

Testing Engineers and Consultants, Inc. (TEC) was retained by the City of Detroit Building Authority (DBA), to conduct an assessment for asbestos-containing materials (ACM)/Hazardous Materials (Haz-Mat), within the JLA, located at 19 Steve Yzerman Drive, Detroit, Michigan 48226. A total of 509 samples were collected from 119 suspect asbestos-containing homogeneous materials identified during the assessment. Dates of Inspection: March 26, 2018 to June 26, 2018.

Six ACMs¹³ (>1%¹⁴ asbestos) were identified through laboratory analysis during TEC's investigation:

- Flat Gasket material associated with the Boilers; 2 Boilers in Boiler Room
- Heat Converter Insulation; one unit in the Boiler Room
- Red Firestop (NAD)/Insulation/Drywall Ceiling; 4th Floor Ceiling
- Black Sink Undercoating; five sinks in Suites on 4th Floor
- Roof Flashing; on the entire perimeter of each roof level, and around all vents, fans, etc.
- Exterior Perimeter Wall

TEC has provided the regulatory abatement methods as defined by OSHA¹⁵ that can be performed by the demolition contractor if they are licensed to perform abatement in Michigan.

¹² Source: Asbestos/Hazardous Material Assessment Report of The Joe Louis Arena 19 Steve Yzerman Drive Detroit, Michigan 48226; Prepared by Testing Engineers and Consultants, Inc. (TEC)

¹³ asbestos-containing materials

¹⁴ greater than one percent

¹⁵ Occupational Health and Safety Administration

Phase 1 Environmental Site Assessment¹⁶

Testing Engineers & Consultants, Inc.

PHASE I ENVIRONMENTAL SITE ASSESSMENT
DETROIT BUILDING AUTHORITY
19 STEVE YZERMAN DR, DETROIT, MI

TEC REPORT 58752-01
JUNE 27, 2018
PAGE 25 of 26

10.0 CONCLUSIONS

We have performed a Phase I Environmental Site Assessment in conformance with the scope and limitations of ASTM Practice E 1527 of 19 Steve Yzerman Drive in the City of Detroit, Wayne County, Michigan. Any exceptions to, or deletions from, this practice are described in the Limitations and Exceptions Section of this report. This assessment has revealed no evidence of recognized environmental conditions in connection with the Subject Property except for the following:

RECs

- Multiple historical uses, including the storage and use of hazardous substances and petroleum products, has occurred at the Subject Property and adjoining properties during periods of time before environmental awareness and regulation. Although no specific indications of releases were identified on the Subject Property or other properties except for Cobo Center, the number of potential sources of releases and the potential length of time during which the sources were present are considered to be an REC.
- The east-adjointing Cobo Center is a Baseline Environmental Assessment (BEA) site indicating that contamination is known to exist there, and is considered to be an REC.
- The Subject Property is riverfront land that has, at least in part, been filled to expand the useable land area. In TEC's experience, much of the fill material added to the Detroit riverfront is contaminated. The contamination often consists of metals and polynuclear aromatics; other contaminants may be present.

CRECs

- None identified.

In addition, this assessment has revealed the following:

HRECs

- None identified.

BERs

- The longtime presence of the west-adjointing railyard (likely used both for passenger service and freight).

SDGs

- The Subject Property and adjoining properties were nonresidential land used by multiple businesses in 1884. Prior uses are not known. It is possible that contamination exists from previous unidentified nonresidential uses on or near the Subject Property.

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According to the Joe Louis Phase I ESA¹⁸ (Environmental Site Assessment) as detailed above in a page from the report, dated June 27, 2018, a further Phase II ESA¹⁹ is recommended due to identified RECs²⁰ and SDGs.²¹

¹⁶ Source: Phase 1 Environmental Site Assessment of The Joe Louis Arena 19 Steve Yzerman Drive Detroit, Michigan 48226; Prepared by Testing Engineers and Consultants, Inc. (TEC)

¹⁷ Source: Testing Engineers & Consultants, Inc., via Buildings, Safety Engineering and Environmental Department

¹⁸ The Phase I ESA is generally considered the first step in the process of environmental due diligence.

¹⁹ Phase II ESA is an "intrusive" investigation which collects original samples of soil, groundwater or building materials to analyze for quantitative values of various contaminants.

²⁰ REC: "the presence or likely presence of any hazardous substances or petroleum products in, on, or at a property: (1) due to any release to the environment; (2) under conditions indicative of a release to the environment; or (3) under conditions that pose a material threat of a future release

²¹ Sample Delivery Group (SDG) Refers to the range of chemical analysis to be undertaken by the laboratory on a sample or group of samples.

Phase II Environmental Site Assessment²²

FINDINGS:

- Subsurface soil conditions encountered at the Subject property generally consisted of approximately 4 feet of sand and fill material over approximately 3 feet of sand and silty sand over clay to a maximum depth explored of approximately 24 feet bgs.²³
- Water was encountered in seven of the nine borings performed at the Subject property.
- Obvious field indications (PID²⁴ readings and/or chemical odor) of soil impacts were not identified in each of the nine soil borings performed at the Subject property.
- VOCs²⁵ were detected at concentrations above the method detection limit (MDL) in four of the sixteen soil samples submitted for analysis, however, none of the detected concentrations are above criteria.
- PNA²⁶ compounds were detected at concentrations above the MDL in twelve of the sixteen soil samples submitted for analysis. One SVOC²⁷ (phenanthrene) was detected at a concentration above criteria in one of the soil samples submitted for analysis. Phenanthrene was detected at a concentration exceeding the GSIP²⁸ criteria associated with residential and nonresidential land use in one of the soil samples submitted for analysis (SB-A (7'-8')).
- Multiple metals were detected at concentrations above the MDLs in each of the sixteen soil samples submitted for analysis. Arsenic, lead, selenium, and mercury were variously detected at a concentration above various criteria in each of the sixteen soil samples submitted for analysis.
- Sixteen VOCs were variously detected at a concentration above the MDLs in each of the seven groundwater samples submitted for analysis. Seven VOCs were variously detected at concentrations above various criteria in two of the seven groundwater samples submitted for analysis.
- Five SVOCs were variously detected at a concentration above the MDLs in five of the seven groundwater samples submitted for analysis. One SVOCs (Bis(2-Ethylhexyl)phthalate) was detected at a concentration above DW Criteria in one of the groundwater samples submitted for analysis.

Based on the results and the evaluation of the laboratory data collected during the Phase II ESA, the Subject property would be considered a "facility" as defined in Part 201 of Public Act 451 of 1994, as amended.

TEC also recommends the following:

- Future non-liaible owners or operators should consider conducting a Baseline Environmental Assessment (BEA) to obtain available environmental liability exemptions for the existing contamination.

²² Source: Phase II Environmental Site Assessment of The Joe Louis Arena 19 Steve Yzerman Drive Detroit, Michigan 48226; Prepared by Testing Engineers and Consultants, Inc. (TEC)

²³ Bgs: below ground surface

²⁴ A photoionization detector or PID is a type of gas detector. Typical photoionization detectors measure volatile organic compounds and other gases in concentrations from sub parts per billion to 10 000 parts per million (ppm).

²⁵ Volatile organic compounds (VOCs) are emitted as gases from certain solids or liquids. VOCs include a variety of chemicals, some of which may have short- and long-term adverse health effects.

²⁶ polynuclear aromatic hydrocarbons (PNA)

²⁷ Semivolatile organic compounds (SVOCs) are a subgroup of VOCs that tend to have a higher molecular weight and higher boiling point temperature than other VOCs.

²⁸ Groundwater/Surface Water Investigation Plan (GSIP).

- The Subject property Operator should have a written due care plan (DCP, also known as a Section 7a Compliance report) to document compliance with the Natural Resources and Environmental Protection Act, 1994 PA 451.

Joe Louis Arena People Mover Station and Adjoining Tracks

In addition to the demolition of the Joe Louis Arena, the preservation of the Joe Louis Arena People Mover Station and its adjoining tracks in the vicinity of the JLA, is a factor to be considered. Given this fact, we contacted the Detroit Building Authority to address this specific issue:

- **LPD:** Is there is a specific demolition plan in place that addresses the preservation of both the JLA people mover station and the tracks in the vicinity of the JLA. Please let me know how your demolition plan address these issues and also discuss the specifics of your overall demolition plan?
- **DBA:** *The DBA is currently developing a demolition plan with the contractor and engineering team Barton Malow/Sidock Group, which has not been finalized. The entire project team has been working in conjunction with Barbara Hansen of the People Mover to ensure the interests of the People Mover are taken into account during the planning and design phases. There may be an opportunity to demolish the pedestrian bridge this fall that is located between Joe Louis Arena and the People Mover station.*

In addition, representatives from the City of Detroit Department of Environmental Affairs attend our weekly progress meetings, as we recognize the importance of that department's involvement from an environmental perspective.

Contact with some of the stakeholders located within close proximity attend our project meetings including representatives from Cobo Hall who provide valuable input. We will continue to reach out to other stakeholders by having a public meeting to present our demolition plan once finalized.

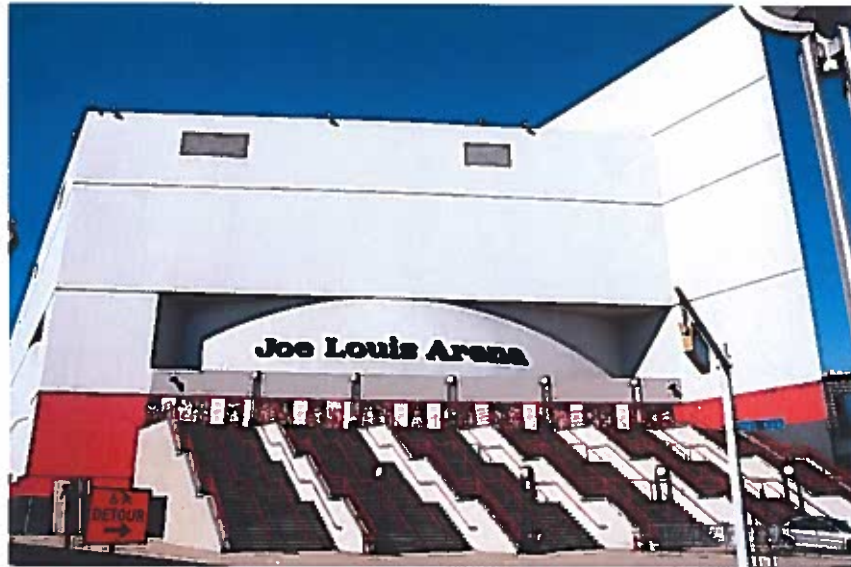
Conclusion

As we indicated in our initial report on the first JLA Brownfield plan, City council should be advised that to-date, no developer has been identified to develop the proposed multi-million mixed use project to follow the demolition of the JLA, which is necessary to generate the tax increment financing to repay the \$10 million MSF loan. If the costs of the demolition exceeds \$10 million and reaches \$12 million as it is now estimated, the OCFO will need to identify funds to address the \$2 million gap. If approved by Council and implemented as planned, ideally this project will ultimately result in a commercially viable project. So, if this works out as planned, the newly constructed project will generate the tax increment financing to repay the CRP loan.

Alternatively, if a developer is not identified and secured by the City, the City's general fund would not be reimbursed for the costs associated with the CRP loan for the demolition of JLA and the OCFO would be charged with the task of identifying funds. The City does face the burden of maintaining the Joe Louis arena at an estimated cost in excess of \$1 million as long as

the arena stands.²⁹ However, the parties involved (DBRA, DEGC) are optimistic that it will not be difficult to locate a developer for the site.

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

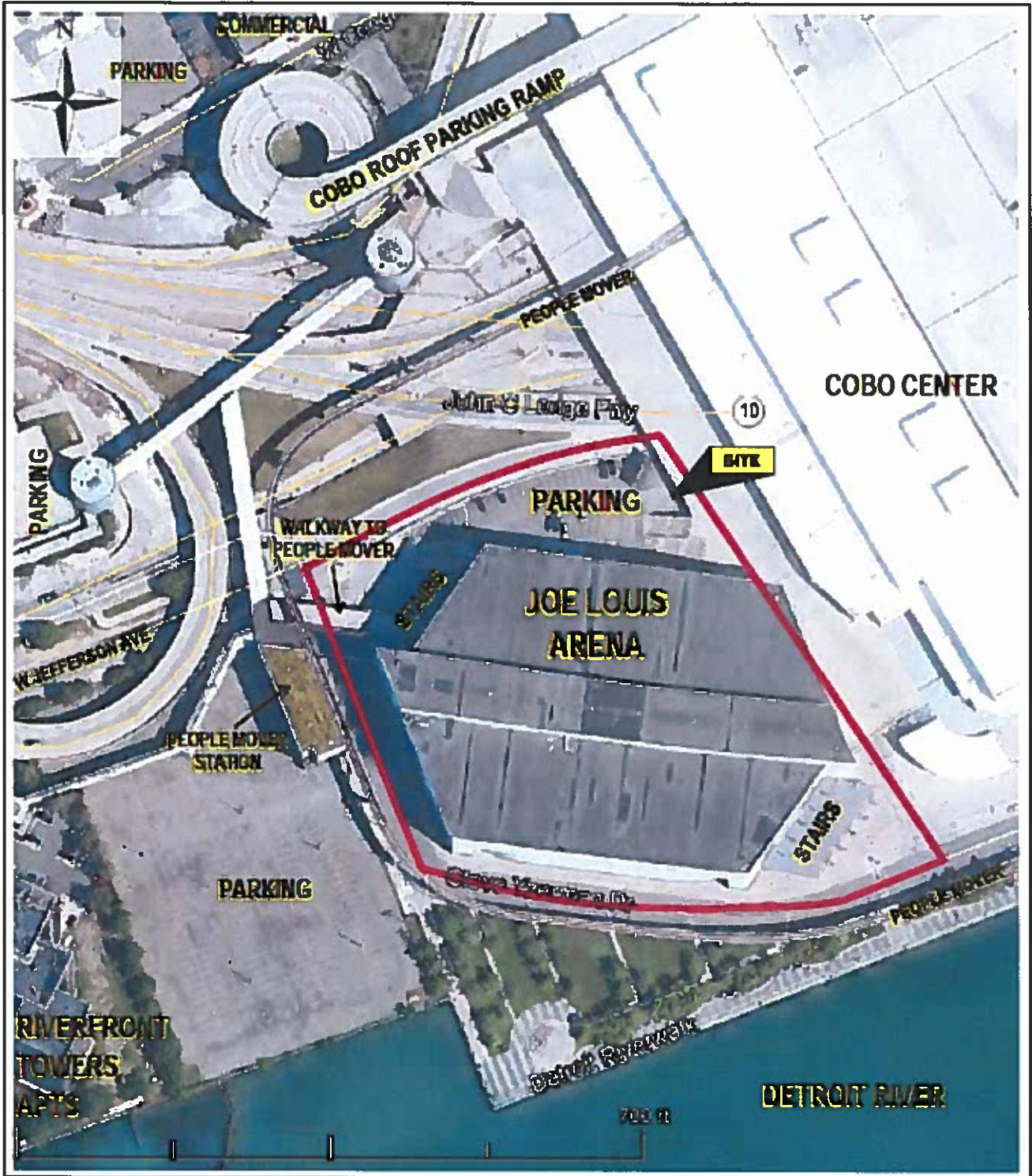


Joe Louis Arena ³⁰

cc: Auditor General's Office
Arthur Jemison, Chief of Services and Infrastructure
Maurice Cox, Planning and Development Department
Donald Rencher, HRD
Dinah Bolton, Planning and Development Department
Stephanie Grimes Washington, Mayor's Office
Malinda Jensen, DEGC
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Sarah Pavelko, DEGC
Brian Vosburg, DEGC

²⁹ According to the Law Department, the carrying costs to maintain and secure the JLA. Also, Olympia has a non-competitive agreement with the City of Detroit, which bans the City from any revenue generating in the JLA.

³⁰ Source: <http://michiganradio.org/post/riverfront-site-joe-louis-arena-may-see-overhaul>



Testing Engineers & Consultants, Inc.
 1343 Rochester Rd, Troy, MI 48063
 www.testingengineers.com

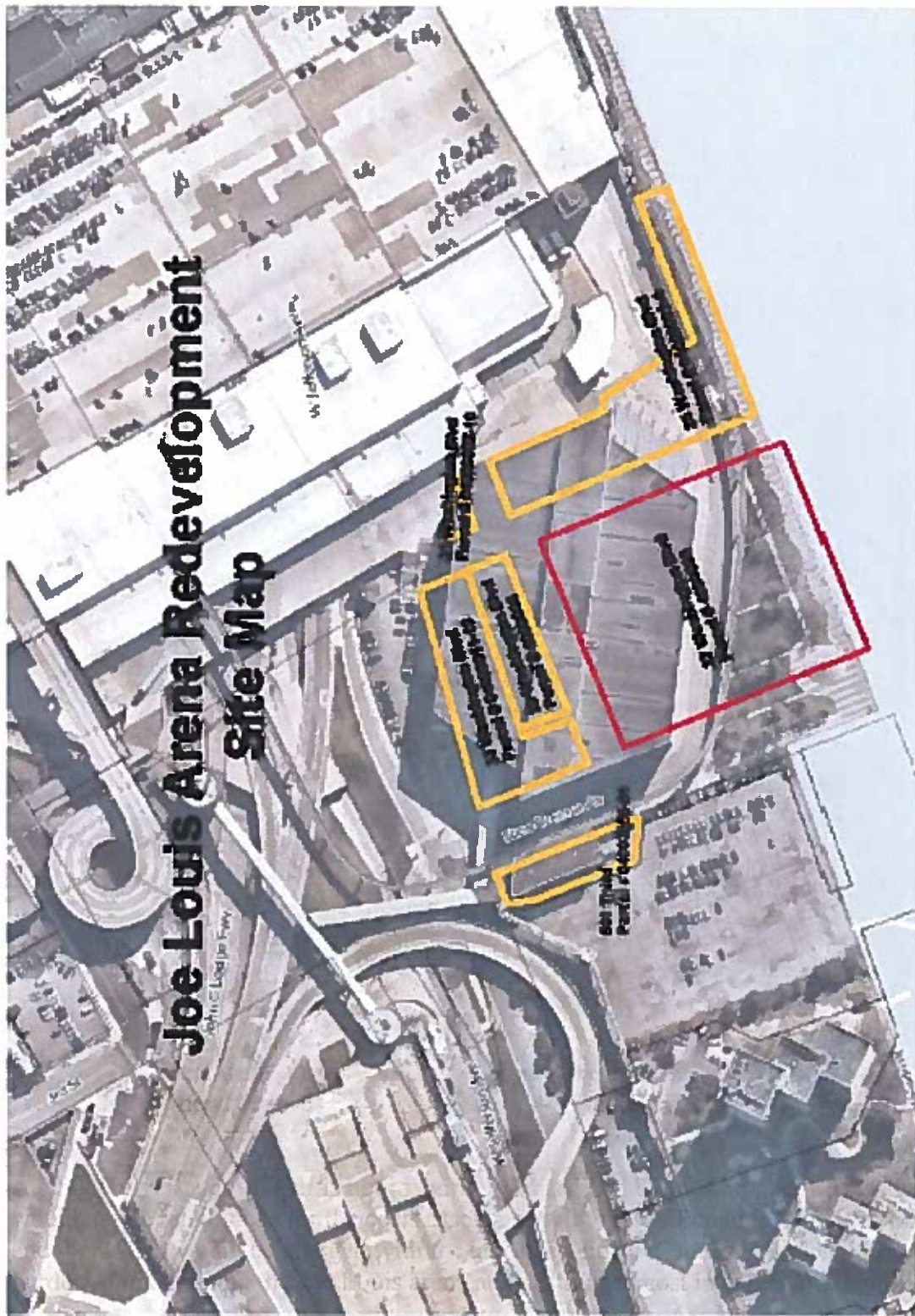
Phase II ESA
 19 Steve Yzerman Dr
 Detroit, MI 48226

TEC Project: 58752-04
 Approx. scale: Graphical
 Date: 2018/10/10

Figure 2
 Site Features
 Diagram

Area of the JLA Brownfield Plan³¹

³¹ Source: Phase II Environmental Site Assessment of The Joe Louis Arena 19 Steve Yzerman Drive Detroit, Michigan 48226; Prepared by Testing Engineers and Consultants, Inc. (TEC)



³² Source: DBRA JLA Brownfield Plan Attachment A