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# City of Detroit

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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director   
Legislative Policy Division Staff

DATE: April 10, 2019

RE: Broadway Lofts Development 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.

### **Broadway Lofts Development Brownfield Redevelopment Plan**

Broadway Detroit Properties, LLC, an affiliate of Basco of Michigan, is the project developer. Basco, along with its group companies, is a local property development and management firm founded in 2001 by Roger Basmajian. The 1322 Broadway Street property is currently owned by the developer, while 1326 and 1332 Broadway Street properties are currently owned by the Detroit Downtown Development Authority (DDA). It is anticipated that the developer will acquire the remaining two parcels in the summer/early fall of 2019, under a purchase development agreement that is currently being reviewed for revision.

The project will include the combination of renovate three adjoining three-story, commercial buildings located in Detroit's Central Business District (CBD), Paradise Valley Neighborhood and the Broadway Avenue Historic District,<sup>1</sup> into a single parcel and single multistory building, featuring two retail spaces on the ground level and residential apartments above. It is anticipated

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<sup>1</sup> The Broadway Avenue Historic District is a historic district located on a single city block along Broadway Avenue between Gratiot and East Grand River in downtown Detroit, Michigan. It was listed on the National Register of Historic Places in 2004. The Broadway Avenue Historic District contains eleven commercial buildings built between 1896 and 1926.

that the residential component of the project will include studio, 1 bedroom and 2 bedroom designs for the 36 apartments.<sup>2</sup> In addition, the project will feature improvements to the alleyway which will serve as a community gathering space. It is currently anticipated that construction will begin in the summer of 2019 and eligible activities will be completed within ten (10) months, which is the estimated construction period.

The total investment is estimated at approximately \$12 million. The developer is requesting a \$1,127,450 TIF<sup>3</sup> reimbursement and the total costs under the plan is a \$1,521,488 TIF, as illustrated below:

<b>COST TO BE REIMBURSED WITH TIF</b>	<b>Tax Capture</b>
1. Environmental Assessments	\$ 6,500
2. Demolition	\$ 300,000
3. Lead and Asbestos Activities	\$ 10,000
4. Infrastructure Improvements	\$ 365,000
5. Brownfield Plan & Act 381 Work Plan	\$ 25,000
6. Contingency (15%)	\$ 142,950
7. Site Preparation	\$ 278,000
<b>*Total Reimbursement to Developer</b>	<b>\$ 1,127,450</b>
8. Authority Administrative Costs	\$ 145,765
9. State Brownfield Redevelopment Fund	\$ 165,572
10. Local Brownfield Revolving Fund	\$ 82,701
<b>TOTAL Estimated Costs</b>	<b>\$ 1,521,488</b>

There will be 34 temporary construction jobs and 1 FTE jobs. The 34 temporary construction jobs are expected to be created over the ten-month construction period. Over the long term, it is anticipated that the project will create approximately 2 part time jobs (1 full time equivalent (FTE) job) directly by the developer. It is also estimated that future tenants will create an additional 97.5 FTE jobs.<sup>4</sup>

Property Subject to the Plan

The eligible property (the “Property”) consists of three (3) parcels. All three (3) parcels, commonly known as, 1322, 1326, and 1332 Broadway Street are considered a historic resource.

Basis of Eligibility

The Property is considered “eligible property” as defined by Act 381, Section 2 because (a) the Property was previously utilized for a commercial and residential 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 historic resource as defined by Act 381. The Property is within the Broadway Avenue Historic District (the “District”). The District is comprised of eleven (11) commercial

<sup>2</sup> Twenty percent of the residential units will be reserved as affordable units at 80% Area Median Income (AMI).

<sup>3</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.

<sup>4</sup> The development team will present at a skilled trades task force meeting and has utilized the Michigan Minority Contractors Association to solicit bidders and garner opportunities to employ Detroit residents. If the D2D program is available within the necessary timeframes, the developer will utilize this as an additional procurement source. This has proven successful on Basco’s recent developments of 220 West Congress, 607 Shelby and 751 Griswold.

buildings located in the block of Broadway Avenue between Gratiot Avenue on the southeast and East Grand River Avenue on the northwest. The District was entered into the National Register of Historic Places on July 1, 2004.<sup>5</sup>

Eligible Activities and Projected Costs

The “eligible activities” that are intended to be carried out at the Property are considered “eligible activities” as defined by Section 2 of Act 381, because they include demolition, asbestos abatement, infrastructure improvements, site preparation activities, and the preparation and implementation of a brownfield plan and 381 work plan. The eligible activities are estimated to commence within 18 months of approval of the Plan and be completed within 3 years.

In addition to the Brownfield, the developer has applied or will apply for a property tax abatement under the Obsolete Property Rehabilitation Act (OPRA), PA 146 of 2000<sup>6</sup> abatement. **The capture period for this Brownfield requests is for 23 years.**

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	\$966,386	\$0.00	\$0.00	\$0.00
State Education Tax	\$161,064	\$0.00	\$165,572	\$0.00
County (combined)	\$0.00	\$25,482	\$0.00	\$14,517
County Public Safety	\$0.00	\$24,154	\$0.00	\$13,761
Wayne County Parks	\$0.00	\$6,331	\$0.00	\$3,607
RESA Enhancement	\$0.00	\$600	\$0.00	\$0.00
RESA	\$0.00	\$89,197	\$0.00	\$50,816
<b>TOTALS</b>	<b>\$1,127,450</b>	<b>\$145,765</b>	<b>\$165,572</b>	<b>\$82,701</b>

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

City Debt	\$ 282,913
School Debt and Judgment	\$ 525,411
Wayne County DIA	\$ 8,083
Wayne County Zoo	\$ 4,042
Total	\$ 820,449

<sup>5</sup> The architectural terra cotta used on these structures unifies the appearance of the district. The district is significant for its architecture, its commercial history, its ethnic heritage, and for its association with Philip Breitmeyer, mayor of Detroit from 1909 to 1911.

<sup>6</sup>OBSELETE PROPERTY REHABILITATION ACT (MCL 125.2781 - 125.2797) AN ACT to provide for the establishment of obsolete property rehabilitation districts in certain local governmental units; to provide for the exemption from certain taxes; to levy and collect a specific tax upon the owners of certain facilities; to provide for the disposition of the tax; to provide for the obtaining and transferring of an exemption certificate and to prescribe the contents of those certificates; to prescribe the powers and duties of certain local government officials; and to provide penalties.

## Description of the Eligible Property

Address	Tax ID	Owner
1322 Broadway Street	0100-4005	Broadway Detroit Properties, LLC
1326 Broadway Street	0100-4006	City of Detroit Downtown Development Authority
1332 Broadway Street	0100-4007	City of Detroit Downtown Development Authority

### Feasibility of the Brownfield Approval

The rehabilitation of the property also includes the repair or replacement of the deteriorated and/or damaged plaster, masonry, brick and stone. According to the plan, particular attention will be given to the preservation of the historic nature of the property by ensuring that any damaged decorative details will be replaced with material consistent with the current profile, finish and color.

The Buildings, Safety Engineering and Environmental Department acknowledged its receipt of the Phase I ESA.<sup>7</sup>

Upon completion, this project will bring three historic and functionally obsolete buildings back to productive use, thereby addressing the growing demand for residential and retail space within downtown Detroit, and will ideally further catalyze economic development in the area.

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

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

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<sup>7</sup> The Phase I ESA (Environmental Site Assessment) is generally considered the first step in the process of environmental due diligence.



**1322, 1326, 1332 Broadway**



**Site of the Broadway Lofts Development Project**

Table 1: Eligible Activities Cost Estimates Broadway Development				
Item/Activity	Total Request	MSF Act 381 Eligible Activities	MDEO Act 381 Eligible Activities	
<b>Pre-Approved Activities</b>				
Phase I ESA	\$ 2,500		\$	2,000
Hazardous Materials Survey	\$ 4,500		\$	4,500
<b>Pre-Approved Activities Sub-Total</b>	<b>\$ 6,500</b>		<b>\$</b>	<b>6,500</b>
<b>Demolition</b>				
Building Demolition Activities	\$ 300,000	\$	300,000	
<b>Demolition Sub-Total</b>	<b>\$ 300,000</b>	<b>\$</b>	<b>300,000</b>	<b>\$</b>
<b>Asbestos and Lead Activities</b>				
Asbestos Abatement, Oversight, Air Monitoring and Reporting	\$ 10,000	\$	10,000	
<b>Asbestos and Lead Activities Sub-Total</b>	<b>\$ 10,000</b>	<b>\$</b>	<b>10,000</b>	<b>\$</b>
<b>Infrastructure Improvements</b>				
Curbs/Gutter/Sidewalk Improvements	\$ 45,000	\$	45,000	
Landscaping in ROW	\$ 70,000	\$	70,000	
Paving Public Alley & Improvements	\$ 250,000	\$	250,000	
<b>Infrastructure Sub-Total</b>	<b>\$ 365,000</b>	<b>\$</b>	<b>365,000</b>	<b>\$</b>
<b>Site Preparation</b>				
Temporary Traffic Control	\$ 16,000	\$	16,000	
Temporary Site Control (fencing, gates, signage and/or lighting)	\$ 22,000	\$	22,000	
Solid Waste Disposal	\$ 120,000	\$	120,000	
Relocation of Active Utilities (Water)	\$ 21,000	\$	21,000	
Relocation of Active Utilities (Sanitary)	\$ 12,000	\$	12,000	
Relocation of Active Utilities (Storm)	\$ 10,000	\$	10,000	
Relocation of Active Utilities (Electrical)	\$ 46,000	\$	46,000	
Relocation of Active Utilities (Telephone)	\$ 13,000	\$	13,000	
Relocation of Active Utilities (Fiber)	\$ 10,000	\$	10,000	
Relocation of Active Utilities (Gas)	\$ 6,000	\$	6,000	
<b>Site Preparation Sub-Total</b>	<b>\$ 278,000</b>	<b>\$</b>	<b>278,000</b>	<b>\$</b>
<b>Preparation of Brownfield Plan and Act 381 Workplan</b>				
Brownfield Plan Preparation	\$ 20,000	\$	20,000	
Brownfield Plan Implementation	\$ 5,000	\$	5,000	
<b>Brownfield Plan and Act 381 Workplan Sub-Total</b>	<b>\$ 25,000</b>	<b>\$</b>	<b>25,000</b>	<b>\$</b>
<b>Eligible Activities Sub-Total</b>	<b>\$ 984,500</b>	<b>\$</b>	<b>978,000</b>	<b>\$ 6,500</b>
15% Contingency*	\$ 142,950	\$	142,950	\$
<b>Developer Eligible Reimbursement Total</b>	<b>\$ 1,127,450</b>	<b>\$</b>	<b>1,120,950</b>	<b>\$ 6,500</b>
TIF Capture for Local Brownfield Revolving Fund	\$ 82,701	\$		\$
Administrative Fee	\$ 145,765	\$		\$
State Brownfield Fund	\$ 165,872	\$		\$
<b>Total</b>	<b>\$ 1,521,488</b>	<b>\$</b>	<b>1,120,950</b>	<b>\$ 6,500</b>

\*15% Contingency excludes preparation of Brownfield Plan/251 Work Plan and Pre-Approved Activities

Project Type	Incentive Type	Investment Amount	District
Commercial	Brownfield Obsolete Property Rehabilitation Tax Abatement	\$8.6 Million Hard Cost Investment \$12.0 Million Total Investment	CBD

Jobs Available							
Construction				Post Construction			
Professional	Non-Professional	Skilled Labor	Non-Skilled Labor	Professional	Non-Professional	Skilled Labor	Non-Skilled Labor
4	4	13	13	0	0	0	0

\*it is estimated that approximately 97.5 new permanent jobs will be created by the tenants

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

The development team will present at a skilled trades task force meeting and utilized the Michigan Minority Contractors Association to solicit bidders and garner opportunities to employ Detroit residents. This has proven successful on Basco's recent developments of 220 W Congress, 607 Shelby and 751 Griswold.

Broadway Detroit Properties, LLC has a policy of non-discrimination in its hiring practices, as is required by prevailing non-discrimination laws. As long as we remain in compliance with these policies and laws, we encourage local, Detroit-based workers, both permanent and temporary. The same requirement is communicated to our contractors. The Developer, and its affiliate Basco, have a proven track-record of utilizing Detroit-based contractors and workers on past developments. Basco has utilized roughly 65% Detroit-based contractors on its two most recent redevelopment projects.

#### Project Investment Estimates

Capital Cost	Total Cost
Acquisition Cost	\$ 1,350,000
Renovation/Rehabilitation	\$ 8,580,000
Soft Costs	\$ 2,025,000
<b>Total Capital Costs</b>	<b>\$ 11,955,000</b>