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May 1, 2019

HONORABLE CITY COUNCIL

RE: Community Benefits Ordinance process analysis for the Fiat Chrysler Automotive (FCA) Development Project

BACKGROUND AND PROPOSAL

In November of 2016, the Proposal B ballot initiative passed with 53% of the vote, effectuating the enactment of the City of Detroit's Community Benefits Ordinance (CBO) Ordinance No. 35-16. The expressed purpose of this ordinance is to garner "*outreach and engagement that promotes transparency and accountability and ensures development projects in the City of Detroit benefit and promote economic growth and prosperity for all residents.*"

Section 14-12-3, subsection (a)(5) of the ordinance states that, "*the City Council shall appoint a liaison from the Legislative Policy Division to monitor the community engagement process and provide updates to the City Council.*" This report has been prepared by the Legislative Policy Division (LPD) to provide an update as contemplated by the ordinance prior to Council's consideration of any financial incentives associated with these developments.

The developer is seeking both an Industrial Facilities Abatement (PA 198 of 1974), and the acquisition of City owned land valued over \$1 million dollars for the purchase price of less than fair market value without the benefit of a competitive bid. In addition to the anticipated investment amount of approximately \$2.5 billion dollars, the sought after acquisition of publicly held land, and PA 198 tax abatement qualify this proposed development as a Tier 1 development project and triggers the CBO process. Sec. 14-12-2 of the Community Benefits Ordinance defines a Tier 1 development project as follows:

"Tier 1 Development Project means a development project in the City that is expected to incur the investment of Seventy-five Millions Dollars (\$75,000,000) or more during the

construction of facilities or to begin or expand operations or renovate structures where the developer of the project is negotiating public support for investment in one or both of the following forms.

- (1) Any transfer to the developer of City-owned land parcels that have a cumulative market value of One Million Dollars (\$1,000,000) or more (as determined by the City Assessor or independent appraisal) without open bidding and priced below market rates (where allowed by law) or*
- (2) Provision or approval by the City of tax abatements or other tax breaks that abate more than One Million Dollars (\$1,000,000) of City taxes over the term of the abatement that inure directly to the Development, but not including Neighborhood Enterprise Zone tax abatements.*

FCA in partnership with the City of Detroit is proposing the expansion of its Jefferson North Assembly Plant located at 4000 St. Jean Street in the City of Detroit. It is anticipated that the proposed expansion could generate approximately 5,000 new jobs. Concurrently, the City of Detroit on behalf of the developer has sought the rezoning of 266 parcels along St. Jean Street and from R2 (Two-family Residential District), R4 (Thoroughfare Residential District), and B4 (General Business District) respectively to M2 (Restricted Industrial District) to accommodate the proposed expansion along with the vacation of St. Jean Street between E. Warren Avenue and Kercheval Avenue.

At a special meeting of the City Planning Commission on Thursday, April 25, 2019, the Commission voted to recommend approval of the City of Detroit Planning & Development Department to amend Article XVII, District Maps 28 and 30, of the 1984 Detroit City Code Chapter 61, ‘Zoning’ by showing an M2 zoning classification where R2, R4 and B4 zoning classifications currently exist on approximately two hundred sixty-six (266) parcels generally bounded by East Warren Avenue to the north, St. Jean Avenue to the east, Kercheval Avenue to the south and Lillibridge and Beniteau Avenues to the west.

The remainder of this report includes the analysis and conclusions of Council’s liaison’s report for the proposed Fiat Chrysler Assembly Plant expansion CBO process which concluded on April 24, 2019. See details below:

COMMUNITY BENEFITS ORDINANCE PROJECT DETAILS

Proposed Development and Location:

Mack Avenue Engine Complex

The FCA Mack Engine Plant is located at 4000 St. Jean Street at the north-west corner of Mack Avenue and St. Jean Street. The proposed expansion consists of the addition of general assembly plant (converting the existing facility from an engine plant to an assembly plant for the new model Jeep Grand Cherokee), paint shop, and body shop. The body shop is anticipated to consist of an all new state-of-the-art facility to build vehicle frames in addition to new equipment to robotically weld bodies for new SUV models. The facility is proposed to use advanced manufacturing technology and processes to ensure products meet the highest quality standards. The proposed paint shop is anticipated to be an all new multi-level paint shop, featuring

processes that are energy efficient and support environmental initiatives primarily low emissions impact. The paint shop features include full emission control of major sources; water conservation & recycling; waste minimization. The new facility will be capable of producing 16 unique colors and focus on quality verification stations to ensure paint quality standards are achieved.

Jefferson North Assembly Plant

The Jefferson North Assembly Plant is located at the south-west corner of Mack Avenue and St. Jean Street. The proposed expansion consists of the addition of a general assembly plant and body shop. The proposed general assembly plant is where all of the parts come together, resulting in a finished vehicle. The proposed development is anticipated to consist of an all new world class manufacturing assembly area with operator-friendly workstations; maximized for worker safety; with the developer is promoting as the most efficient operations; error mistake proofing and quality verification stations to ensure quality throughout the assembly process. Additionally the newly expanded facility will include new full certification line and end of line validation equipment.

St. Jean Street Vacation

The current landscape of St. Jean Street is anticipated to be altered dramatically with the proposed closure of St. Jean Street between E. Warren Avenue and Mack Avenue, and Mack Avenue and Kercheval Avenue. Approximately 29 acres of newly zoned land will be created with the zoning classification of M2 (Restricted Industrial District). This section of St. Jean Street in addition to the existing earthen berms along St. Jean Street are being proposed for employee and truck parking. The current parking areas will be utilized for the expanded footprint of the assembly facilities.

Water Retention Pond (Beniteau)

This site is located near the intersection of Kercheval Avenue and Beniteau Avenue and Lillibridge Avenue. The subject property is currently vacant and cleared of all residential properties. FCA proposes development a multi acre stormwater retention pond to assist with stormwater mitigation for the site. It is anticipated that the site will be landscaped and fenced with a decorative ornamental style fencing as a barrier.

Current Zoning:

Mack Avenue Engine Plant / Jefferson North Assembly Plant – M4 – Intensive Industrial District. This district permits uses which are usually objectionable and, therefore, the district is rarely, if ever, located adjacent to residential districts. A broad range of uses is permitted in this district. New residences are prohibited with the exception of loft conversions of existing buildings and of residential uses combined in structures with permitted commercial uses. These requirements are to protect residences from an undesirable environment and to ensure reservation of adequate areas for industrial development.

Beniteau Avenue – R2 – Two-family Residential District. The district is designed to protect and enhance those areas developed or likely to develop with single- or two-family dwellings. The district regulations are designed to promote a suitable environment for homes and for activities connected with family life. The only principal uses permitted by right are single- and two-family dwellings. Additional uses are conditional.

St. Jean Street – R4 – Thoroughfare Residential District. This district is designed to be used primarily on major or secondary thoroughfares where the major use of the property is for low-medium density residential dwellings characterized, primarily, by rental apartment dwellings. Among others, uses permitted by right include multiple-family dwellings, single- and two-family dwellings, and certain other residentially related uses which can function most advantageously where located on these thoroughfares. Medical and dental clinics, motels or hotels, and certain types of non-profit uses may be permitted on a conditional basis subject to appropriate findings and compliance with required standards.

St. Jean Street, cont. – B4 – The B4 General Business District provides for business and commercial uses of a thoroughfare-oriented nature. In addition to these uses, other businesses, which may benefit by drawing part of their clientele from passing traffic are permitted. Additional uses, which may be successfully blended with permitted by-right uses, are conditional.

Developer Representatives:

Ron Stallworth, Lead, Wayne County External Affairs; Roy Richie, Director, Employee Relations; Mike Lackaye, Talent Acquisition; Ben Monacelli, Plant Facilities Engineering; Marc Brazeau, Logistics; and Greg Rose, Environmental Health & Safety.

Estimated Cost:

\$2.5 billion which qualifies this project as a Tier 1 project.

Census Tract(s):

9852 in addition to portions of 5122 and 5143 to the north, 5123, 5129, 5162 to the east, 5137 to the south, and 5136, 5139, and 5141 to the west.

Impact Area Boundaries:

The impact area, determined by the Planning and Development Department, is defined as the Edsel Ford Freeway/ I-94, the alley between Newport Street and Lakewood Street, Avondale Street, Conner Street, Clairpointe Street, the Detroit River, Marquette Drive, E Jefferson Avenue, McClellan Avenue, and Gratiot Avenue. The residential neighborhoods identified as being in the impact area are West End (West of the Mack Engine Plant), Chandler Park, and Riverbend.

CBO Facilitators:

Karen Gage, Planning and Development Department (PDD)

Legislative Policy Division Liaison(s):

Marcell R. Todd, Jr., Dr. M. Rory Boldger and George Etheridge, LPD

Neighborhood Advisory Council (NAC):

Rhonda Theus – Elected by Impact Area Residents

Michelle Jackson – Elected by Impact Area Residents

Jerry King – City Council President Brenda Jones Appointee

Juliette Okotie-Eboh – City Council Member Janeé Ayres Appointee

Jay Henderson – Council Member Andre Spivey Appointee

Darnell Gardner – PDD Director Appointee

Henry Williams – PDD Director Appointee
Curtis Perry – PDD Director Appointee
Thomas Hardiman – PDD Director Appointee

Staff would note that no community elected alternate was chosen.

This report serves the following purposes:

1. Provides an update relative to the standing of the CBO process and to inform the City Council as to what has transpired as a result of several meetings that have been held throughout this process.
2. Provides the additional perspective of the legislative staff which may be considered alongside the mandated PDD Director's report submitted to Your Honorable Body for review to complete the initial engagement phase of the CBO requirements.
3. The Legislative Policy Division respectfully offers recommendations to this Honorable Body for potential areas of improvement in the CBO process based upon observations and input during CBO proceedings.

CBO FIRST PUBLIC MEETING

The legally required public notice of the inaugural meeting (as required by Ordinance No. 35-16) was mailed out to tax payers of record, occupants, and business owners within 300 radial feet of the aforementioned impact area by the Planning and Development rather than the City Clerk's as specified in the ordinance. Staff questions as to why the Planning and Development Department has not be utilizing the Clerk's Office for this task as specified in the ordinance. Staff have been informed that the Clerk's Office has only facilitated one (1) mass mailing for the CBO process out of the nine (9) which have been undertaken. Per the PDD report the notice was sent to approximately 10,000 residents within the impact area. According to signatures collected by PDD, three-hundred seventy-five (375) assumed residents of the City of Detroit and the impact area were recorded as having attended the first meeting.

In addition, two supplemental NAC meetings, a total of nine meeting were held on Wednesday, March 13, 2019; Thursday, March 14, 2019; Wednesday, March 20, 2019; Wednesday, March 27, 2019; Wednesday, April 3, 2019; Wednesday, April 10, 2019; Wednesday, April 17, 2019; Monday, April 22, 2019; and Wednesday, April 24, 2019.

The first public Fiat Chrysler Automotive Projects Community Benefits Meeting was held on Wednesday, March 13, 2019 from 6:30 to 8pm, UAW Local 7 Located at 2600 Conner St, Detroit, MI, 48215. The Public Notice of the first meeting was mailed out to approximately 10,000 residents within the Impact Area. The Impact Area includes Census Tract 9852, where this project is located. Three-hundred seventy (300) people were recorded as attending the first meeting.

The Planning and Development Department hosts a CBO website (www.detroitmi.gov/cbo) and posted the Fiat Chrysler Automotive Projects Community Benefits Meeting dates. The mailing notice was also posted at this site. Notice was sent to the representatives of the City Council,

LPD, and the DON. In addition, all presentations and project materials are available to the public on this website and on a Dropbox. The link is posted at www.detroitmi.gov/cbo and is as follows: <https://www.dropbox.com/sh/b54rc1d827rmgb7/AADB-in2pqbX4mmixvelcWwSa?dl=0>Page 3 of 77

At the initial meeting, an overview of the process was given by Ms. Gage which consisted of a detailed overview of the ordinance, purpose and role of the NAC, all of which were clearly and expertly articulated. Of concern was the fact that the dates for the proposed NAC meetings had been predetermined, as had a number of concerns and impacts regarding the proposed development. LPD staff is of the opinion that, while the list of potential impacts as presented by PDD may have been relevant, such comments, so early on appeared to direct the NAC towards a certain conclusion in regards to what benefits and/or mitigating factors should be considered¹.

LPD staff is of the opinion that, while the ordinance only specifics one meeting as being required between the NAC and the developer, that the NAC should have the authority and autonomy to selected their own meeting dates and times.

It was clearly stated that the role of the NAC was to serve the greater community by representing those in the impact area by engaging and negotiating with the administration and the developer to garner meaningful mitigation of issues and concerns which may arise during the development process, and not to angle or negotiate for fringe benefits for personal gain.

Arthur Jemison, Chief of Services and Infrastructure for the City of Detroit was in attendance at the inaugural meeting of the FCA CBO process as well as at all subsequent meetings, although the CBO does not identify or recognize his role in the Community Benefits process. Mr. Jemison, speaking on behalf of the administration, made some clarifying points, stating that the NAC should consider other factors beyond mitigating factors associated with the proposed developments. It was communicated by Mr. Jemison that there exists opportunities to realize community benefits through the Strategic Neighborhood Core City Fund, the Affordable Housing Leveraging Fund and Workforce Training and Development as well as made available in the Ford CBO process which has been uplifted as a model for this process moving forward.

There were a number of concerns and considerations which were raised by members of the public at the initial meeting, inclusive of but not limited to the following:

- The closure of St. Jean Avenue and the effects of increased traffic on residential streets.
- The effects of street closures on residents, churches, schools and local businesses.
- Construction timeline.
- Air-quality/demolition.
- Employment opportunities.

A cursory overview was given of the proposed developments by Mr. Ron Stallworth of FCA. The phasing and anticipated timelines, as well as impacts of the proposed development were articulated and reviewed with as much detail as was available. A heavy focus was placed on

¹ Sec. 14-12-3(f)(2) states that the Enforcement Committee shall provide a biannual compliance report to the City Council and the NAC for the time period identified in the Community Benefits Provision. Staff is of the opinion that this report should include updates on the impacts that the Closure of St. Jean Street has had on traffic over time. While a traffic study has been conducted by the administration through a third party, the findings of that report have not been made widely available.

employment opportunities for residents of the impact area. Noticeably, very little was mentioned in regards environmental impacts.

The timeline proposed for the NAC process associated with the FCA expansion project was presented in a manner which stressed the 60 day timeline imposed by the developer in order to garner support for the proposed expansion.

SELECTION OF THE NAC

At the initial CBO meeting held on Wednesday, March 13, 2019, approximately thirty-two (32) residents of the impact area expressed an interest in serving on the FCA NAC. At the second CBO process meeting which was held on Thursday March 14, 2019 another sizable amount of residents from the impact area expressed an interest in serving on the NAC. Another overview of the process and proposed developments was given, which in essence protracted the process.

LPD staff would note, that many of LPD's previous recommendations have been incorporated into the CBO process in terms of presenting information about the process, role of the NAC, documents germane to the NAC's review and negotiations, etc.

The second meeting had four primary objectives:

- 1) Re-introduce the CBO process and legislation (again, repetitive and not all together necessary).
- 2) Re-present the various aspects of the project.
- 3) Conduct the public selection process for two NAC members to be selected by the community present.
- 4) Announce the selection results for two community selected NAC members.

Residents living in the impact area, who were interested in being a part of the NAC, were advised to nominate themselves to serve on the NAC. Each candidate was required to provide two nominations never selecting the same person twice, nor nominating themselves twice. Each nominee also presented the case for their candidacy to serve on the NAC. Nominees names were collected and documented by PDD staff.

Once all ballots were received from voting residents residing in the defined impact area, the votes were tallied by PDD with members of Council staff, LPD, DON, and the Mayor's office overseeing the nominee selection tally.

Attached please find the PDD report which accurately details all of the NAC concerns and the developer's responses. In all there were a total of nine (9) community meetings held in regards to this CBO process.

COMMUNITY BENEFITS

The FCA Neighborhood Advisory Council voted 8-1 in support for the FCA's commitments to the NAC's CBO requests, dated April 25, 2019.

FCA has committed to making a significant investment of over \$2.5 billion dollars in the Mack Avenue Engine Plant which is anticipated to bring 5,000 jobs to Detroit and revitalize the immediate area. In addition to leveraging available incentives, it is anticipated that the proposed expansion will generate millions of dollars of new tax revenue for the City of Detroit.

FCA has committed to invest in key programs that meet the needs of the residents in the impact area such as the Strategic Neighborhood Core City Fund, the Affordable Housing Leveraging Fund and Workforce Training and Development as detailed in PDD's CBO report. With an initial commitment of approximately \$27 million dollars, the funds proposed to be provided by FCA are anticipated to leverage other available public and private resources for a total investment of \$35.2 million dollars according to the Duggan administration.

While the vast majority of the greater communities concerns were met via the proposed community benefits package presented to Your Honorable Body by way of the PDD CBO report, staff would note that there is one commercial entity located at the intersection of Mack Avenue and St. Jean Street which expressed concerns over the impact that the closure of St. Jean Street might have on their business. The proprietor of this business has spoken at every FCA CBO public forum, as well as the three public meetings held by the City Planning Commission in this regard.

While this issue of concern does not appear in the PDD CBO report, staff has spoken with the administration in this regard. The Duggan administration has indicated that they have met with the interested party through the DPW Director, DEGC, as well as the Mayor himself, to address their concerns and offer remediation. The administration has offered the proprietor up to \$300,000 in Green Grocer's monies for additional signage and windows along the southern portion of their property in an effort to help enhance and market their site, noting that no identifying markers are visible to the south or north of the property.

In terms of points in ingress and egress, there is a proposed 200 ft section of St. Jean which is anticipated to remain open to vehicular traffic at Mack Avenue and St. Jean Street for the purpose of allowing approximately 2,000 employees to access the new employee parking area. It is anticipated that this intentional directing of traffic will offset any residual effects the property owner may experience from the closure of St. Jean Street.

ANALYSIS

CBO Timeline

Both the public and the NAC members raised concerns about the aggressive timeline in the CBO process for the NAC to meet and produce recommendations for a list of community benefits. However, there were considerations given to the NAC, as well as to the developer to allow for additional time when needed.

CBO Process

Many of the observations stated in this section of the report are duplicative of those expressed in previous LPD reports, such as those regarding the Detroit Pistons, Palace Sports and Entertainment Corporate Headquarters and Practice Facility, Herman Kiefer Complex, Hudson Site Transformative Brownfield and OPRA redevelopment CBO process.

1. Extend the CBO meeting timeline

CBO development projects should be granted more time for a more extensive engagement and negotiation process. The timeline as it stands does not have the necessary amount of time built in for thoughtful requests or responses from either the NAC or developer. The language in the CBO does state in part "...the Planning Director where possible shall submit the initial Community Benefits Report within six weeks from the date the notice is sent of the public meeting." While this language does allow for some flexibility, the six week timeline was ultimately adhered to in this case, in order to present these items to the City Council prior to your consideration of the tax abatement request.

2. Refine the process

There are portions of the ordinance that leave much to interpretation, such as if the requests of the NAC should be limited to the remediation plan of the developer or germane to employment opportunities for members of the community as a result of the project. One interpretation has been that any benefit conceived by the community is "fair play" and should be considered by the developer. Staff would request Your Honorable Body to further deliberate on the intent of the CBO in this respect. One sentiment that was repeated time and time again during this process is that the role of the NAC does not end with the issuance of the Community Benefits Report, however, should continue through the course of the development. Is it the expectation of Council that the appointed NAC members remain empaneled for the duration of the development or that a sunset provision be added to the ordinance as it relates to the role of the NAC?

3. When the NAC is considering their recommendations for community benefits there appears to be a conflation between the amount of the requested abatement and the dollar amount associated with their requests. The ordinance is currently silent on this matter. The manner in which this current process has played out has resulting in the NAC attempting to request a percentage of the developers "ask" and having that be the basis for their benefits request.

4. If the Department of Neighborhoods (DON) or the Chief of Services and Infrastructure of the City of Detroit is to play a vital role in the CBO moving forward, then their role needs to be defined and codified in the Ordinance.


5. NAC's vary from project to project in terms of composition and utility. In the case of the FCA CBO process, the NAC ultimately opted to select a chair to facilitate the meetings and move the NAC towards their ultimate recommendations. In other CBO processes, there was no clear or defined chair, and the administration served more of a role in guiding the discussion for the NAC, rather than the NAC. Staff is of the opinion that the NAC selection process should be amended so a chairperson is identified for the NAC in order to ensure that there is no undue influence from non-NAC or impact area third parties. This is a recommendation which has been supported by the CBO working group for inclusion in the CBO rewrite which is currently pending.

CONCLUSION

FCA has submitted their commitments in regards to the FCA CBO process, which are being incorporated into a development agreement between the developer and the administration. This

report has been submitted in an effort to aid Your Honorable Body in your deliberations ahead of your ongoing deliberations.

Should you have any additional questions in this regard, please contact the offices of the Legislative Policy Division directly.

A handwritten signature in black ink, appearing to read "David Whitaker", is written over a horizontal line.

David Whitaker, Esq., Director, Legislative Policy Division

George Etheridge, City Planner

Attachments

Cc:

Arthur Jemison, Chief of Services and Infrastructure
Maurice Cox, Director, PDD
David Bell, Director, BSEED
Lawrence Garcia, Corp. Counsel, Law Department
Matt Walters, JET
Hon. Mike Duggan, Mayor's Office