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# City of Detroit

## CITY COUNCIL

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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director  
Legislative Policy Division Staff 

DATE: June 3, 2019

RE: Chemical Bank Headquarters 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.

### **Chemical Bank Headquarters Brownfield Redevelopment Plan**

The project developer and owner of the property is GPC Adams, LLC, an affiliate of Sterling Group, will demolish the building, located in Detroit's Central Business District, bounded by West Elizabeth Street to the North, Woodward Avenue to the East, an alley to the South, and the property line of 44-48 West Adams to the West (map of area on page 9). The 10-story "functionally obsolete" building currently standing, will be replaced with the construction of a new 20-story building that will include approximately 7,500 square foot ground level commercial space, 10-stories of approximately 185,000 square feet of parking space, and 9-stories of approximately 227,000 square feet of office space, as well as, a terrace on the top of the building. Of the nine-stories of office space.

Chemical Bank was recently selected to serve as the main operating bank for the City of Detroit.<sup>1</sup> Chemical Bank's new headquarters will occupy 6 to 7 floors and the remainder of available

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<sup>1</sup> News of the headquarters move coincides with the announcement by the City of Detroit that after an exhaustive RFP and review process, it has named Chemical Bank its new primary banking partner for managing the City's operating deposit accounts. July 25, 2018 [www.chemicalbank.com](http://www.chemicalbank.com)

space, which will either be home to other tenants (possibly a bank and/or retail space) or it will remain available in the event Chemical Bank decides to expand. Construction is set to begin in the summer of 2019 and the eligible activities will be completed within 3 years.

Chemical Bank is also working with the City's Office of Treasury to streamline Treasury's operations. The City's Planning and Development Department recommends approval of this project. Additionally, supportive letters were received from Real Times Media/The Michigan Chronicle, the Detroit Brownfield Authority (DBRA), the Historic District Commission, the Detroit Theatre District Association, Grand Circus Park Conservancy, and its new neighbor, City Market.

The property is considered "eligible property" as defined by Act 381, Section 2, because (a) it is currently utilized for a commercial purpose; (b) it is located within the City of Detroit, which is a qualified local governmental unit under Act 381; and (c) the property is determined to be historic resource as defined by Act 381. The building was constructed in 1951 and it currently has two office tenants and both had plans to move to an adjacent building, prior to the developer proposing the plan to demolish the building. In addition, there is a lease on the existing parking lot that will expire, without an option to renew, prior to construction in the summer of 2019. An independent assessor determined and Buildings, Safety, Engineering & Environmental Department (BSEED) confirmed, that the property qualifies as functionally obsolete, pursuant Section 2(s) of Act 381<sup>2</sup>. According to the plan, the developer is requesting an 8-year Commercial Rehabilitation Act (CRA) Tax Abatement,<sup>3</sup> along with the Brownfield TIF. Tax capture is set to begin in 2022. **The capture period for this Brownfield request is 30 years.**<sup>4</sup>

The estimated total capital investment from the developer is approximately \$104 million. It is estimated that 380 temporary construction jobs will be needed to complete the project. Chemical Bank<sup>5</sup> has indicated that approximately 250 FTE jobs will be created post-construction, although, this number may include current employees relocating to Detroit<sup>6</sup>. The development team aims to employ Detroit residents, subsequently, they have presented to a DEGC D2D session and to a skilled trades task force, in order to solicit bidders and employment opportunities for Detroit residents.

#### PROJECT INVESTMENT ESTIMATES

Capital Cost	Total Cost
Hard Cost	\$71,000,000 to \$72,000,000
Soft Cost	\$33,000,000
<b>Total Capital Cost</b>	<b>\$104,000,000</b>

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<sup>2</sup> According to the Brownfield Redevelopment Financing Act, PA 381 of 1996 (MCL 125.2652), a functionally obsolete property is one that is unable to be used to adequately perform the function for which it was intended due to a substantial loss in value resulting from overcapacity, changes in technology, deficiencies in design.

<sup>3</sup> Commercial Rehabilitation Act (CRA), Public Act 210 of 2005, MCL 207.841 - 207.856 (8 yrs in the plan)

<sup>4</sup> The DBRA public hearing for the plan was held on Monday May 20, 2019 at 5:30 pm at the Detroit Economic Growth Corporation, 500 Griswold, Suite 2200 in Detroit, Michigan. There was no public comment

<sup>5</sup> Chemical Bank, which has been headquartered in Midland, Michigan since its founding in 1917, grew significantly when it joined forces with Talmer Bank and Trust, that merger made Chemical Bank the state's largest headquartered bank with more than \$20 billion in assets, approximately 3,300 employees, and 212 banking centers across Michigan, Indiana, and Ohio. <https://www.chemicalbank.com/About/News-And-Events/chemical-bank-bringing-headquarters-to-detroit>

<sup>6</sup> TCF Bank and Chemical Bank are finalizing their merger. The 250 FTE jobs are a conservative estimate, which includes local, state-wide, and relocating jobs. That number is projected to increase over the next 5 years.

The Developer is requesting a \$25,000,000 TIF<sup>7</sup>, however, it is projected that only \$16,700,493 will be captured. Consequently, if there is a sufficient amount of tax increment revenue available for capture than the amount projected, the developer is requesting \$25,000,000 as the maximum allowable reimbursement. Reimbursement and the total costs under the plan is \$29,367,334 for “eligible activities” as illustrated below:

**COSTS TO BE REIMBURSED WITH TIF**

1. Environmental Assessments	\$5,000
2. Demolition	\$2,070,368
3. Asbestos Activities	\$121,550
4. Infrastructure Improvements	\$18,780,908
5. Site Preparation	\$709,783
6. Brownfield Plan & Act 381 Work Plan	\$60,000
7. Contingency (15%)	\$3,252,391
<b>*Total Reimbursement to Developer</b>	<b>\$25,000,000</b>
8. Authority Administrative Costs	\$2,575,672
9. State Brownfield Redevelopment Fund	\$1,821,662
10. Local Brownfield Revolving Fund	\$0
<b>TOTAL Estimated Costs</b>	<b>\$29,367,334</b>

*\*Note: Developer is only projected to receive \$16,700,493 in TIF Reimbursement*

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>Reimbursement Costs</u>	<u>Admin. Costs</u>	<u>State Brownfield Fund</u>	<u>Local Revolving Fund</u>
School Operating Tax	\$13,782,410	\$0	\$0	\$0
State Education Tax	\$2,297,068	\$0	\$1,821,662	\$0
City Operating	\$0	\$0	\$0	\$0
Library	\$0	\$0	\$0	\$0
Wayne County	\$239,429	\$993,036	\$0	\$0
HCMA	\$0	\$0	\$0	\$0
RESA/Special Ed	\$381,586	\$1,582,636	\$0	\$0
Wayne County Community College	\$0	\$0	\$0	\$0
<b>TOTALS</b>	<b>\$16,700,493</b>	<b>\$2,575,672</b>	<b>\$1,821,662</b>	<b>\$0</b>

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

City Debt	\$3,968,927
School Debt and Judgment	\$7,370,864
DIA Millages	\$113,398
Zoo Millages	\$56,699
Downtown Development Authority	\$17,822,579
<b>Total</b>	<b>\$50,430,293</b>

*\*The total not to exceed amount requested for approval is \$25,000,000. The eligible expenses are well in excess of this amount so should revenues be available, the developer is requesting up to \$25,000,000 be reimbursed.*

<sup>7</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.

## Legal Description of the Eligible Property

Address	Tax ID	Owner
25 West Elizabeth Street	02000389.	GPC Adams, LLC
2047 Woodward Avenue	02001865.	GPC Adams, LLC

### Feasibility of the Brownfield Approval

Without substantial updates and renovations, the property will not meet market demand for its future use due to:

- ✚ Replace and relocate columns on many floors Column placement on many floors impacting the functionality of space
- ✚ Floor plans and overall building design does not support maximal utility or modern demands
- ✚ Obsolete building materials through the presence of asbestos
- ✚ Lack of proper lighting and electrical within portions of the property
- ✚ Poor condition of the floors, ceilings, roof, and walls and portions of the building in disrepair (i.e. water damage, peeling paint, damage to ceilings, etc.)
- ✚ Interior finishes have been stripped
- ✚ A new security system must be installed
- ✚ The current configurations do not meet market demand for the original purpose of the building, nor does it meet market demand for its future use
- ✚ Mechanical and electrical systems must be replaced
- ✚ The elevators must be brought up to code
- ✚ Life safety systems (smoke detectors, fire alarm systems, exit signs and fire sprinklers) must be installed
- ✚ The windows must be rehabilitated or replaced
- ✚ The roof must be replaced

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

Attachments: **ATTACHMENT E:** Estimated Cost of Eligible Activities Table  
**ATTACHMENT G:** BSE&E Acknowledgment and Environmental Documents  
**ATTACHMENT I:** Incentive Information Chart and Q & A

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

## ATTACHMENT E

### Estimated Cost of Eligible Activities Table

The estimated cost of eligible activities is \$25,000,000, however, only \$16,700,493 will be captured. For informational purposes, the eligible activities intended to be paid for with tax increment revenues are presented below:

Table 1 - Eligible Activities Cost Estimates			
Item/Activity	Total Request	MSF Act 381 Eligible Activities	MDEQ Act 381 Eligible Activities
<b>Pre-Approved Activities</b>			
Phase I ESA	\$ 5,000		\$ 5,000
<b>Pre-Approved Activities Sub-Total</b>	<b>\$ 5,000</b>	<b>\$ -</b>	<b>\$ 5,000</b>
<b>Demolition</b>			
Building Demolition Activities	\$ 1,098,000	\$ 1,098,000	
Foundation Removal	\$ 136,067	\$ 136,067	
Fill/Compaction/Rough Grading to Balance Site where Bldg. was Located	\$ 702,000	\$ 702,000	
Removal of Parking Lots	\$ 4,500	\$ 4,500	
Removal of Sidewalks	\$ 3,559	\$ 3,559	
Professional Fees Related to Geotechnical, Engineering & Design Work if Directly Related to Building and/or Site Demolition Activities	\$ 126,242	\$ 126,242	
<b>Demolition Sub-Total</b>	<b>\$ 2,070,368</b>	<b>\$ 2,070,368</b>	<b>\$ -</b>
<b>Asbestos and Lead Activities</b>			
Asbestos Abatement, Oversight, Air Monitoring and Reporting	\$ 121,550	\$ 121,550	
<b>Asbestos and Lead Activities Sub-Total</b>	<b>\$ 121,550</b>	<b>\$ 121,550</b>	<b>\$ -</b>
<b>Infrastructure Improvements</b>			
Underground and Multi-Level Parking Structures (public or private)	\$ 15,628,904	\$ 15,628,904	
Curbs and Gutters	\$ 10,680	\$ 10,680	
Side Walk Improvements	\$ 53,000	\$ 53,000	
Public Lighting	\$ 10,000	\$ 10,000	
Landscaping in ROW	\$ 79,746	\$ 79,746	
Roads	\$ 90,850	\$ 90,850	
Public Signage	\$ 2,750	\$ 2,750	
Storm Sewers	\$ 9,200	\$ 9,200	
Water Mains	\$ 35,350	\$ 35,350	
Sanitary Sewer Mains	\$ 8,500	\$ 8,500	
Professional Fees Related to Geotechnical, Engineering & Design Work if Directly Related to Infrastructure Improvements	\$ 2,851,928	\$ 2,851,928	
<b>Infrastructure Sub-Total</b>	<b>\$ 18,780,908</b>	<b>\$ 18,780,908</b>	<b>\$ -</b>
<b>Site Preparation</b>			
Temporary Traffic Control	\$ 8,500	\$ 8,500	
Temporary Erosion Control	\$ 3,400	\$ 3,400	
Temporary Site Control (fencing, gates, signage and/or lighting)	\$ 79,341	\$ 79,341	
Temporary Facility	\$ 535,124	\$ 535,124	
Grading (including reasonable mass grading of entire project site)	\$ 5,047	\$ 5,047	
Staking	\$ 5,560	\$ 5,560	
Excavation of Unstable Material	\$ 57,811	\$ 57,811	
Dewatering Relating to Other Eligible Activities	\$ 15,000	\$ 15,000	
<b>Site Preparation Sub-Total</b>	<b>\$ 709,783</b>	<b>\$ 709,783</b>	<b>\$ -</b>
<b>Preparation of Brownfield Plan and Act 381 Workplan</b>			
Brownfield Plan Preparation	\$ 30,000	\$ 30,000	
Brownfield Plan Implementation	\$ 30,000	\$ 30,000	
<b>Brownfield Plan and Act 381 Workplan Sub-Total</b>	<b>\$ 60,000</b>	<b>\$ 60,000</b>	<b>\$ -</b>
<b>Eligible Activities Sub-Total</b>	<b>\$ 21,747,609</b>	<b>\$ 21,747,609</b>	<b>\$ 5,000</b>
15% Contingency*	\$ 3,252,391	\$ 3,252,391	\$ -
<b>Developer Eligible Reimbursement Total</b>	<b>\$ 25,000,000</b>	<b>\$ 24,995,000</b>	<b>\$ 5,000</b>
TIF Capture for Local Site Remediation Revolving Fund	\$ -	\$ -	\$ -
Administrative Fee	\$ 2,575,972	\$ -	\$ -
State Brownfield Fund	\$ 1,821,662	\$ -	\$ -
<b>Total</b>	<b>\$ 29,397,334</b>	<b>\$ 24,995,000</b>	<b>\$ 5,000</b>

\*15% Contingency excludes preparation of Brownfield Plan/381 Work Plan and Pre-Approved Activities

**ATTACHMENT G**  
**BSE&E Acknowledgment and Environmental Documents**

TO: THE DETROIT BROWNFIELD REDEVELOPMENT AUTHORITY  
FROM: DETROIT, BUILDINGS, SAFETY ENGINEERING, AND ENVIRONMENTAL DEPARTMENT  
PROJECT: CHEMICAL BANK/28 ASSOCIATES LLC  
DATE: February 22, 2019

The undersigned, from the City of Detroit, Buildings, Safety Engineering, and Environmental Department acknowledges the receipt of the environmental documents listed below, which have been submitted by 28 Associates LLC, as developer, as part of its Brownfield Plan submittal to the Detroit Brownfield Redevelopment Authority (DBRA), for the Chemical Bank HQ Development Project.

- 1 Phase I Environmental Site Assessment, pursuant to USEPA's All Appropriate Inquiry using American Society of Testing Materials (ASTM) Standard E 1527-13
- Phase II Environmental Site Assessment, pursuant to ASTM Standard 1903 (if appropriate)
- Baseline Environmental Assessment, pursuant to Part 201 of Michigan's Natural Resources and Environmental Protection Act, MCL 324.20101 *et seq.* (if appropriate).
- Due Care Plan, pursuant to Part 201 of Michigan's Natural Resources and Environmental Protection Act, MCL 324.20101 *et seq.* (if appropriate).

Based upon its review of the above environmental documents and the representations of the developer, the City of Detroit, Buildings, Safety Engineering, and Environmental Department agrees with the environmental consultant that there are no Recognized Environmental Concerns associated with the site and no further investigation of the site is warranted. The property would qualify only as a blighted property or as functionally obsolete. The Buildings, Safety Engineering and Environmental Department has determined that the documents received for this project satisfy the DBRA Guidelines.

City of Detroit, Buildings, Safety  
Engineering, and Environmental  
Department

By: Paul J. Mays

Its: General Manager

**ATTACHMENT I  
Incentive Information Chart**

Project Type	Incentive Type	Investment Amount	District
Mixed-Use – Office/Retail	Commercial Rehabilitation Tax Abatement / Brownfield Plan	\$71-72mm Hard Cost Investment	Downtown – Central Business District

Jobs Available							
Construction				Post Construction			
Professional	Non-Professional	Skilled Labor	Non-Skilled Labor	Professional	Non-Professional	Skilled Labor	Non-Skilled Labor
9	0	371	0	200 new jobs	50 new jobs	0	0

**The Construction jobs will consist of:**

- Abatement – Asbestos workers
- Demolition - Laborers
- Civil Work – Teamsters, Operators, Laborers
- Architectural/Interior Build outs – Laborers, Carpenters, Cement Masons, Bricklayers, Glaziers, Iron Workers, Roofers, Painters, Tile Setters
- Elevators – Elevator Constructors
- Fire Protection – Pipe Fitters
- Mechanical – Pipe Fitters, Sheet Metal Workers
- Plumbing - Plumbers
- Electrical – Electricians



**25 West Elizabeth Street Building**



**2047 Woodward Avenue Parking Lot**





Satellite View of 25 West Elizabeth Street & 2047 Woodward Avenue Project Site