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City of Detroit

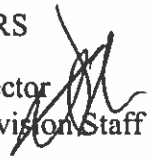
CITY COUNCIL

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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director
Legislative Policy Division Staff 

DATE: June 19, 2019

RE: Commercial Rehabilitation Exemption Certificate application of Chemical Bank
Public Act 210

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.

Chemical Bank

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. 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.¹ Chemical Bank's new headquarters will occupy 6 to 7 floors and the remainder of available

¹ 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

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.

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.

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

	Amount
Real Property Taxes, before abatement	\$6,815,909
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$4,678,892
Municipal Income Taxes - Indirect Workers	\$1,630,886
Municipal Income Taxes - Corporate Income	\$947,692
Municipal Income Taxes - Construction Period	\$424,366
Utility Revenue	\$1,314,090
Utility Users' Excise Taxes	\$200,285
State Revenue Sharing - Sales Tax	\$1,649,667
Building Permits and Fees	\$1,190,914
Miscellaneous Taxes & User Fees	\$2,223,877
<u>Subtotal Benefits</u>	<u>\$21,076,578</u>
Cost of Providing Municipal Services	(\$3,382,719)
Cost of Providing Utility Services	(\$1,314,090)
<u>Subtotal Costs</u>	<u>(\$4,696,809)</u>
Net Benefits	\$16,379,769
<i>Present Value (5% discount rate)</i>	<i>\$12,430,747</i>

City of Detroit: Incentive Summary Over the First 10 Years

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Business Personal Property Tax Abatement	Enter Incentive Description*	Net Benefits After Tax Abatements & Incentives
Year 1	\$1,525,014	(\$128,025)	(\$58,599)	\$0	\$0	\$1,338,390
Year 2	\$1,135,236	(\$173,043)	(\$501,182)	\$0	\$0	\$461,011
Year 3	\$2,053,942	(\$435,788)	(\$735,193)	\$0	\$0	\$882,960
Year 4	\$2,223,946	(\$532,661)	(\$742,545)	\$0	\$0	\$948,740
Year 5	\$2,260,671	(\$543,314)	(\$749,971)	\$0	\$0	\$967,386
Year 6	\$2,298,055	(\$554,181)	(\$757,470)	\$0	\$0	\$986,405
Year 7	\$2,336,113	(\$565,264)	(\$765,045)	\$0	\$0	\$1,005,804
Year 8	\$2,374,855	(\$576,569)	(\$772,695)	\$0	\$0	\$1,025,590
Year 9	\$2,414,296	(\$588,101)	(\$780,422)	\$0	\$0	\$1,045,773
Year 10	\$2,454,449	(\$599,863)	(\$788,227)	\$0	\$0	\$1,066,360
Year 11	\$0	\$0	\$0	\$0	\$0	\$0
Year 12	\$0	\$0	\$0	\$0	\$0	\$0
Year 13	\$0	\$0	\$0	\$0	\$0	\$0
Year 14	\$0	\$0	\$0	\$0	\$0	\$0
Year 15	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$21,076,578	(\$4,696,809)	(\$6,651,350)	\$0	\$0	\$9,728,419

Impacted Taxing Units: Incentive Summary over the First 10 Years

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Business Personal Property Tax Abatement	Utility Users Tax & Corporation Income Tax Exemption	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$21,076,578	(\$4,696,809)	(\$6,651,350)	\$0	\$0	\$9,728,419
Wayne County	\$2,155,048	(\$575,717)	(\$1,628,392)	\$0	\$0	(\$49,061)
Detroit Public Schools	\$8,657,534	(\$2,412,721)	(\$2,634,086)	\$0	\$0	\$3,610,727
State Education	\$1,245,810	\$0	\$0	\$0	\$0	\$1,245,810
Downtown Dev. Authority	\$205,289	\$0	(\$200,332)	\$0	\$0	\$4,956
Wayne RESA	\$935,292	\$0	(\$917,926)	\$0	\$0	\$17,367
Wayne County Comm. College	\$672,903	\$0	(\$656,657)	\$0	\$0	\$16,246
Wayne County Zoo	\$20,763	\$0	(\$20,262)	\$0	\$0	\$501
Detroit Institute of Arts	\$41,527	\$0	(\$40,524)	\$0	\$0	\$1,003
Total	\$35,010,745	(\$7,685,248)	(\$12,749,529)	\$0	\$0	\$14,575,968

Charst courtesy of the DEGC

PROJECT INVESTMENT ESTIMATES²

Capital Cost	Total Cost
Hard Cost	\$71,000,000 to \$72,000,000
Soft Cost	\$33,000,000
Total Capital Cost	\$104,000,000

² Source: Chemical Bank Brownfield Plan

Conclusion

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 Bank³ has indicated that approximately 250 FTE jobs will be created post-construction, although, this number may include current employees relocating to Detroit.⁴ 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. The total value of the ten-year PA 210 abatement to Chemical Bank is estimated at \$12.7 million

Based on the investment and jobs, the new Chemical Bank Headquarters is projected to provide the City of Detroit a net benefit of **\$9.78 million** and all of the impacted taxing units, a net benefit of **\$14.57 million** over the ten years of the PA 210 abatement.

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



Chemical Bank's artist rendering of a 20-story tower it will build in downtown Detroit.
(Photo: Neumann/Smith Architecture)⁵

³ 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>

⁴ 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.

⁵ <https://www.freep.com/story/money/personal-finance/susan-tompson/2018/07/25/chemical-bank-detroit-building/832827002/>

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