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City of Detroit

CITY COUNCIL

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TO: COUNCIL MEMBERS
FROM: David Whitaker, Director *DW*
Legislative Policy Division Staff
DATE: October 29, 2019
RE: Mosaic Eastern Market 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.

Riopelle Market Development LP, is the project developer and owner of the parcel in the Mosaic Eastern Market Plan, located at **3500 Riopelle**, a long-time vacant and severely blighted former Detroit Water and Sewerage Department building in the Eastern Market. In 2017, the Detroit City Council approved the sale of the 105,000 square-foot building at 3500 Riopelle St., which has been vacant since the 1990s with the entire plot of land estimated at 272,832 square feet, to the George Jackson¹ led Ventra Group LLC, for \$700,000.²

The Mosaic Eastern Market project is an adaptive commercial mixed-use collective that will accommodate the Eastern Market Corporation's accelerator/commissary facility for food entrepreneurs, along with an eclectic mix of food and creative related business tenants. Currently, two single-story vacant buildings stand on the property; the larger 105,544-square foot building will be renovated, the smaller 2,000-square foot will be demolished.

¹ In January 2014 (three years prior to the transaction), George Jackson resigned from the Detroit Economic Growth Corp.(DEGC) after 12 years at the helm.

<https://www.craigslist.com/article/20140130/NEWS/140139992/george-jackson-explains-resignation-from-degc>

²Developer looks to lure brewery to Detroit after purchase of Eastern Market building, Edson, Moore and Company Building, By Ben Solis | bsolis@mlive.com

https://www.mlive.com/news/detroit/2017/07/council_new_brewery_water_plan.html

The vacant area surrounding it will be converted to a parking lot, which will accommodate approximately 370 on-site parking stalls. The renovated building will be known as the Mosaic Eastern Market, which will feature an approximately 66,910 square feet of flexible commercial/office space, approximately 12,235 square feet of food accelerator space, approximately 16,680 square feet of restaurant space, and approximately 16,977 square feet of common area and special event space. Mosaic Eastern Market will also be an example of green energy generation with the installation of an approximately 3,355-panel, 1,107-kilowatt solar array on the roof. Green, low-impact-design urban stormwater management systems (such as pervious pavers or bioswales) are also being contemplated for the project..

The total overall investment in this project is estimated between \$22 million and \$24,128,542.³ The developer is requesting a \$6,059,937 TIF,⁴ with the overall value of the plan estimated at \$8,610,239, which includes local brownfield costs. It is currently anticipated that this project will create approximately create an estimated 450 new full-time equivalent (FTE) jobs. The reimbursement and the total costs allocation under the plan is indicated below:

COSTS TO BE REIMBURSED WITH TIF	
1. Environmental Assessment and BEA Activities	\$109,570.00
2. Due Care Compliance Activities	\$1,067,500.00
3. Demolition	\$1,189,581.00
4. Asbestos and Lead Activities	\$265,000.00
5. Infrastructure Improvements	\$1,027,000.00
6. Site Preparation	\$263,424.00
7. Brownfield Plan & Work Plan Preparation and Implementation	\$37,500.00
8. Contingency (15%)	\$513,045.00
9. Interest	\$1,587,317.00
Total Reimbursement to Developer	\$6,059,937.00
10. Authority Administrative Costs	\$1,291,536.00
11. State Brownfield Redevelopment FLnd	\$324,620.00
12. Local Brownfield Revolving Fund	\$934,146.00
TOTAL Estimated Costs	\$8,610,239.00

Description of the Eligible Property & Legal Description

Address	3500 Riopelle Street
Parcel ID	07001977-87
Owner	Riopelle Market Development LP
Legal Description	See Attachment B

Property Subject to the Plan
ATTACHMENT B:

³ Page 22 of the pan list an investment of \$24,128,542 and page 41 list the investment at \$22 million.
⁴ 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 Eligible Property to which the Plan Applies

The eligible property also includes adjacent public rights-of-way including Riopelle Street. BROWNFIELD ELIGIBLE PROPERTY BOUNDARY IS DESCRIBED BY SURVEY AS FOLLOWS:

Commencing at the Southwest corner of Lot 20 of F.J.B. Crane's Subdivision of Out Lots No. 53, 54, 57, 58 Riopelle Farm, as recorded in Liber 53 of Deeds, Page 346, Wayne County Records: thence North 26 degrees 00 minutes 00 seconds West 110.40 feet along the Easterly right-of-way line of Riopelle Street (43.60 feet wide) to the Southwesterly corner of Lot 17 of said F.J.B. Crane's Subdivision of Out Lots No. 53, 54, 57, 58 Riopelle Farm and the Point of Beginning thence continuing along said Easterly right-of way line of Riopelle Street North 26 degrees 00 minutes 00 seconds West 593.60 feet; thence along the Southerly right-of-way line of Hale Street (Variable Width) in the following three (3) courses: North 64 degrees 00 minutes 00 seconds East 149.64 feet; South 26 degrees 00 minutes 00 seconds East 10.00 feet; North 64 degrees 00 minutes 00 seconds East 250.00 feet; thence South 26 degrees 00 minutes 00 seconds East 694.00 feet along the Westerly right-of-way line of Orleans Street (50 feet wide) thence 64 degrees 00 minutes 00 seconds West 305.64 feet along the Northerly right-ofway line of Erskine Street (40 feet wide): thence North 26 degrees 00 minutes 00 seconds West 110.40 feet along the Easterly lines of Lots 18, 19, and 20 of said F.J.B. Crane's Subdivision of Out Lots No. 53, 54, 57, 58 Riopelle Farm; thence South 64 degrees 00 minutes 00 seconds West 94.00 feet along the Southerly line of Lot 17 of said F.J.B. Crane's Subdivision of Out Lots No. 53, 54, 57, 58 Riopelle Farm to the point of Beginning, being part of the Subdivision of Lot 5 of the Subdivision of the Rear of the Dequindre Farm North of North Street; F.J.B. Crane's Subdivision of Out Lots No. 53, 54, 57, 58 Riopelle Farm; Farrand's Sub'n of the North 60 feet of Out Lot 6 of the Sub'n of the Dequindre Farm; and the Subdivision of the Rear of the Antoine Dequindre Farm for the Administration of the Estate of Antoine Rivard; also being in the City of Detroit, Wayne County, Michigan.

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 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 "facility," as defined by Act 381.

AKT Peerless collected soil, groundwater, and wood block flooring samples to evaluate the recognized environmental conditions identified during its October 2018 Phase I Environmental Site Assessment (ESA). Analytical results were compared with Michigan Department of Environment, Great Lakes and Energy (EGLE) Residential Cleanup Criteria (RCC) provided in Part 201. The results indicate the following:

□ Arsenic, cadmium, chromium (total), lead, mercury, selenium, zinc, 1,2,4-trimethylbenzene, benzene, and xylenes were detected in subsurface soils at concentrations exceeding the EGLE Part 201 RCC.

□ The concentrations of 1,2,4-TMB, 1,3,5-TMB, benzene, ethylbenzene, and/or xylenes detected in soil samples AKT-18 (0.5-2.5') and AKT-19 (1-3') exceed the Non-Residential Soil Recommended Interim Action Screening Levels (RIASLs). Additionally, concentrations of mercury detected in soil samples AKT-1 (2-3'), AKT-3 (3-4'), AKT-4 (2-4'), AKT-5 (4-6'), AKT-12 (2-2.5'), AKT-15 (2-4'), AKT-18 (0.5-2.5'), AKT-19 (1-3'), AKT-20 (3-5'), and AKT-21 (3-5') exceed the Non-Residential Soil RIASLs.

□ Chromium (total), lead, selenium, 2-methylnaphthalene, and phenanthrene were detected in groundwater at the subject property at concentrations exceeding the EGLE Part 201 RCC, including the GSI and/or DW criteria.

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>Developer Reimburse.</u>	<u>DBRA Admin. Costs</u>	<u>State Brownfield Fund</u>	<u>Local Revolving Fund</u>
School Operating Tax	\$ 1,947,722	\$0	\$0	\$0
State Education Tax	\$ 324,620	\$0	\$ 324,620	\$0
City Operating	\$ 1,828,779	\$ 623,597	\$0	\$ 451,037
Library	\$ 424,445	\$ 144,732	\$0	\$ 104,682
Wayne Co Operating	\$ 694,417	\$ 236,790	\$0	\$ 171,266
HCMA	\$ 19,514	\$ 6,654	\$0	\$ 4,813
Wayne ISD	\$ 317,534	\$ 108,276	\$0	\$ 78,314
Wayne ENH	\$ 183,318	\$ 62,510	\$0	\$ 45,212
WCCC	\$ 297,048	\$ 101,291	\$0	\$ 73,262
Wayne Parks	\$ 22,539	\$ 7,686	\$0	\$ 5,559
TOTAL	\$ 6,059,937	\$ 1,291,536	\$ 324,620	\$ 934,146
In addition, the following taxes are projected to be generated <u>but shall not be captured</u> during the life of this Plan:				
City Debt	\$ 1,309,679			
School Debt	\$ 1,891,759			
Wayne Zoo	\$ 29,104			
Wayne DIA	\$ 14,552			
TOTAL	\$ 3,245,095			

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 Predevelopment Activities, Due Care Compliance Activities, Response Activities, Demolition, Lead and Asbestos Abatement, Site Preparation, Public and Private Infrastructure Improvements, and the preparation and implementation of a brownfield plan and Act 381 work plan.

A summary of the eligible activities and the estimated cost of each eligible activity intended to be paid for with Tax Increment Revenues from the property.

In addition to the Brownfield, The Developer has applied or will apply for a property tax abatement under the **Obsolete Property Rehabilitation Act, PA 146 of 2000**, as amended, (OPRA). If approved, the approved OPRA will reduce the property tax obligations of the Property for the period applicable under the abatement certificate, thereby reducing the amount of tax increment revenues available pursuant to this plan for the Mosaic Eastern Market mixed-use project. **The period for this Brownfield request is for 30 years.**

Feasibility of the Brownfield Approval

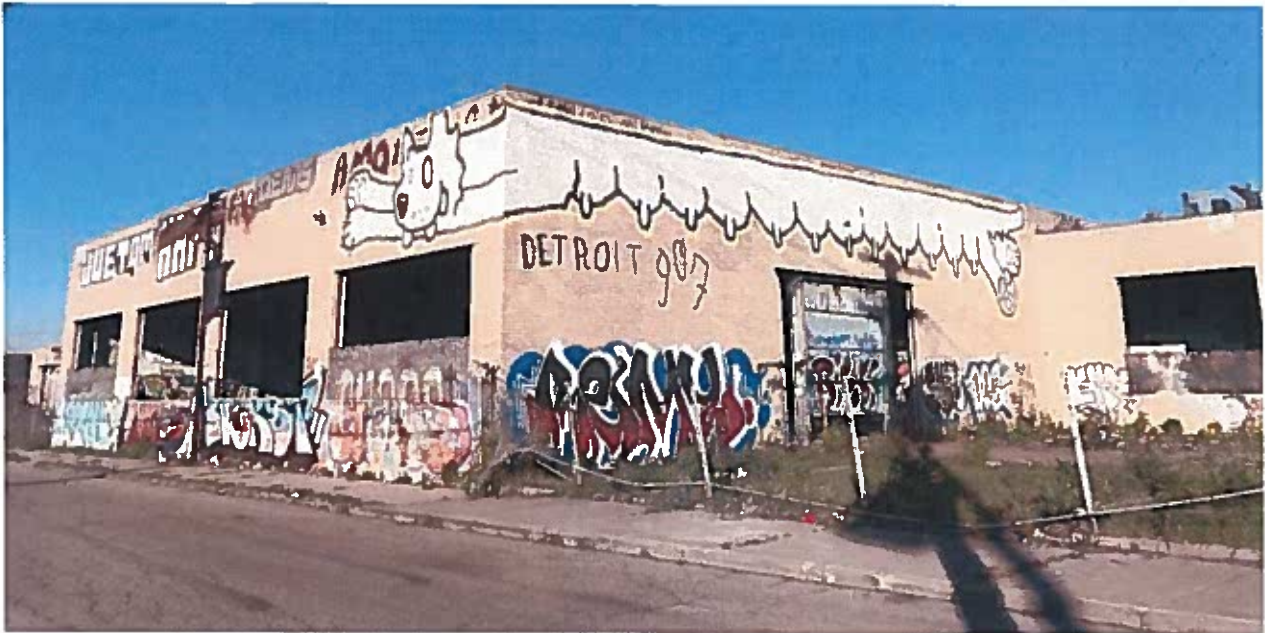
The existing (smaller) 2,000 square foot building on the site will be demolished and the vacant area surrounding it will be converted into a parking lot, which will accommodate approximately 370 onsite parking spaces.

The Developer represents and warrants that a Phase I Environmental Site Assessment (“ESA”) and Phase II ESA, baseline environmental assessment, and due care plan, pursuant to Part 201 of Michigan’s Natural Resources and Environmental Protection Act (MCL 324.20101 et seq.), have been or will be performed on the Property (“Environmental Documents”). Attached hereto as Attachment G is the City of Detroit’s Department of Buildings, Safety Engineering and Environmental acknowledgement of its receipt of the Phase I ESA and the Phase II ESA.⁵

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, HRD
Stephanie Grimes Washington, Mayor's Office
Malinda Jensen, DEGC
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC

⁵ Phase II ESA could include surficial and sub-surficial soil analysis, or groundwater analysis, or installing monitoring wells, or indoor air sampling, mold sampling, asbestos sampling, lead sampling, etc. The need for any sampling or testing in Phase II Environmental Site Assessments is based purely on the findings of the Phase I ESA.



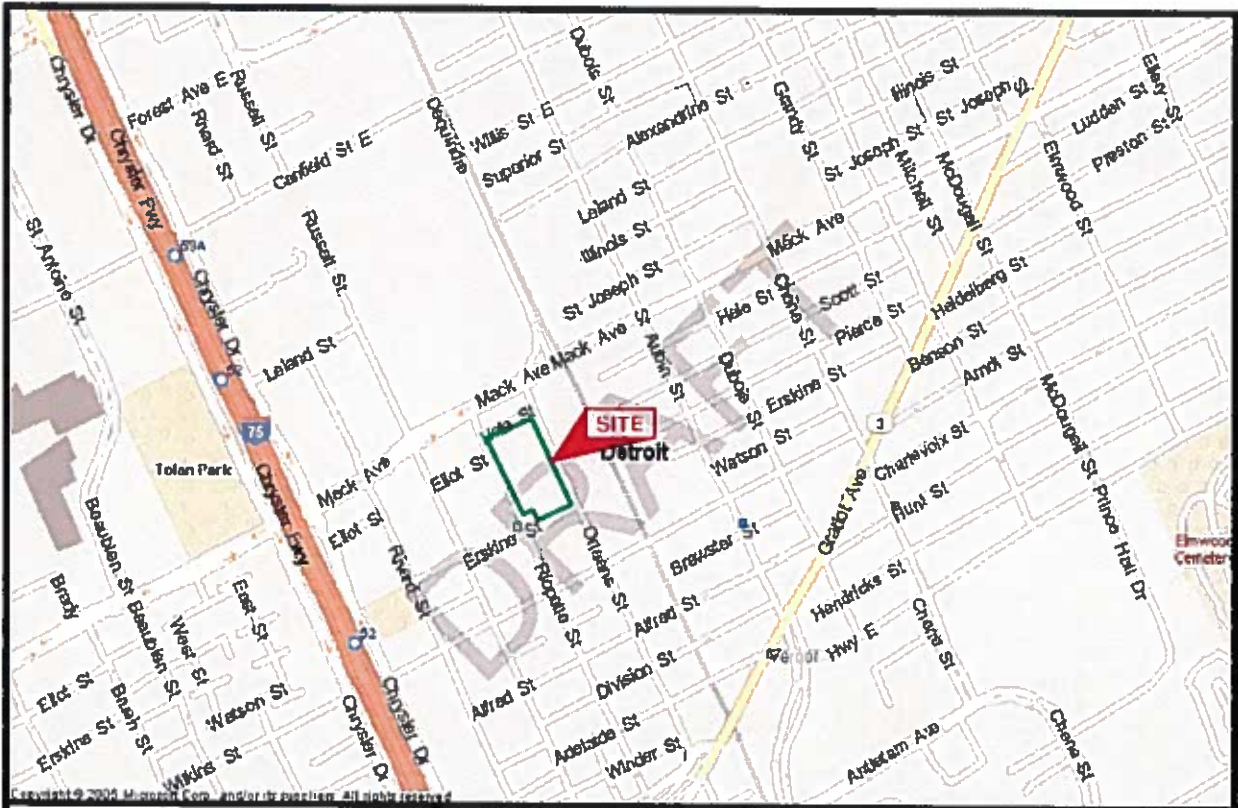
3500 Riopelle St., the former Detroit Water and Sewerage Department building.⁶



“This rendering shows plans for Riopelle Market in Eastern Market in Detroit which would have a mix of food-centered space like restaurants, accelerators and other uses, as well as office space.”⁷

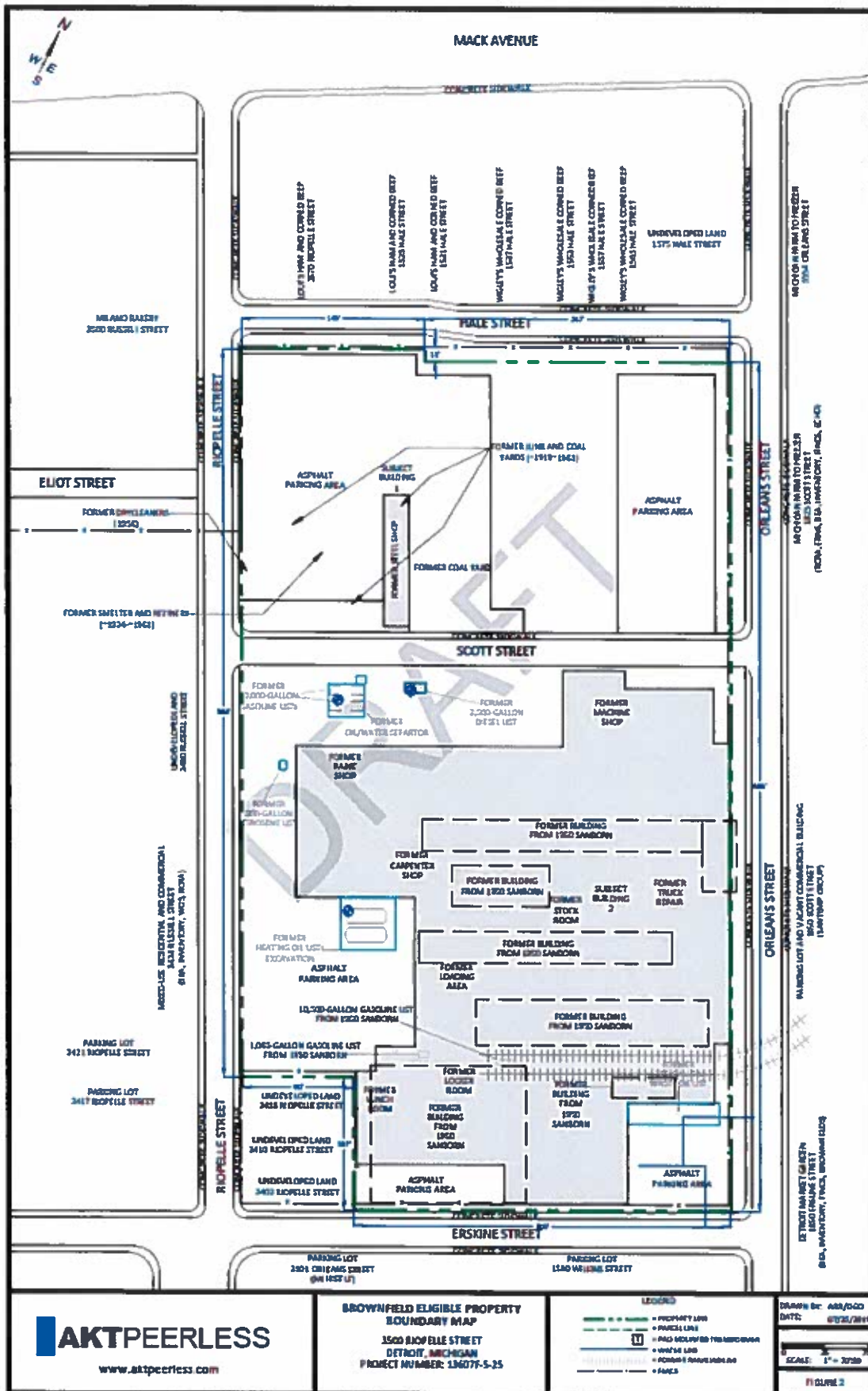
⁶ Source: Crain’s Detroit Business <https://www.crainsdetroit.com/property-development/tidal-wave-new-landlords-swoops-eastern-market>

⁷ Source: ‘Tidal wave’ of new landlords swoops into Eastern Market: by, KIRK PINHO
<https://www.crainsdetroit.com/property-development/tidal-wave-new-landlords-swoops-eastern-market>



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 <p>www.aktpeerless.com</p>	<p>PROPERTY LOCATION MAP</p> <p>3500 RIOPELLE STREET DETROIT, MICHIGAN PROJECT NUMBER: 13607F-5-25</p>	<p>LEGEND</p> <p>N W E S</p>	<p>DRAWN BY: ARR DATE: 7/25/2010</p> <hr/> <p>FIGURE 1</p>
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City of Detroit
CITY COUNCIL
COUNCIL PRESIDENT DALE W. JONES

INCENTIVE INFORMATION CHART:

Project Type	Incentive Type	Investment Amount	District
Renovation/New Con.	Tax Abatement	\$22,000,000	3500 Riopelle OPRA District

Jobs Available							
Construction				Post Construction			
Professional	Non-Professional	Skilled Labor	Non-Skilled Labor	Professional	Non-Professional	Skilled Labor	Non-Skilled Labor
26	104	78	52	45	68	112	225

1. What is the plan for hiring Detroiters? please see attachment for answers to the following questions.
2. Please give a detailed description of the jobs available as listed in the above chart, i.e.: job type, job qualifications, etc.
3. Will this development cause any relocation that will create new Detroit residents?
4. Has the developer reached out to any community groups to discuss the project and/or any potential jobs?
5. When is construction slated to begin?
6. What is the expected completion date of construction?

*Please contact Linda Wesley at (313) 628-2993 or wesleyl@detroitmi.gov to schedule a date to attend the Skilled Trades Task Force.



1. The plan for hiring Detroiters

The project will use Executive Order requirements as the basis for all trade contracts in terms of local participation. Riopelle Market Development, LP will work with local workforce development programs and will participate in Council President Jones' Skilled Trades Taskforce to optimize the use of Detroit-based subcontractors. The general contractor selected for the job is LS Brinker, a Detroit-based contractor with headquarters on Michigan Avenue in Detroit.

2. Detailed description of the jobs available

The proposed redevelopment includes 66,910 square feet of flexible commercial/office space, 12,235 square feet of food accelerator space, 15,680 square feet of restaurant space, 16,977 square feet of common area and special event space. The types of jobs that will be available will largely depend on the tenants, but may include: office personnel, restaurant servers, hosts and hostesses, chefs, bartenders, restaurant management positions, custodial staff, food processing specialists, distillery and/or brewery operators and production line staff. Average wages for new hires may range from \$10/hour to \$18/hour or for salary positions, from \$35,000 to \$45,000.

3. New Detroit residents

The project will create new commercial and retail attractions in the Eastern Market District drawing more residents to the neighborhood as well as supporting other recent redevelopments in Eastern Market. However, the project itself will not provide any additional residential space.

4. Community outreach for hiring

Riopelle Market Development LP will work with local workforce development programs and local consulting groups to increase opportunities for Detroit residents in order to meet Executive Order 2014-5 and 2015-1 requirements.

5. & 6. Construction schedule

The project is anticipating a spring 2020 start date, pending approvals of the various economic incentives by the administering agencies.

Attachment B

TO: THE DETROIT BROWNFIELD REDEVELOPMENT AUTHORITY
FROM: DETROIT, BUILDINGS, SAFETY ENGINEERING, AND ENVIRONMENTAL DEPARTMENT
PROJECT: RIOPELLE MARKET DEVELOPMENT LP/ MOSAIC EASTERN MARKET PROJECT
DATE: September 10, 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 AKT Peerless on behalf of Riopelle Market Development, LP, as developer, as part of its Brownfield Plan submittal to the Detroit Brownfield Redevelopment Authority (DBRA), for the Mosaic Eastern Market Project.

- 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 the site is a facility and 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. [Signature]

Its: General Manager



September 22, 2019

Brian Vosburg, AICP
Brownfield Redevelopment Manager
Detroit Economic Growth Corporation
500 Griswold, Suite 2200
Detroit, MI 48226

Re: **Mosaic Project**

Dear Mr. Vosburg,

Eastern Market Partnership strongly supports the Mosaic Project in the Eastern Market District located at Project. Located at 3500 Riopelle this long dormant – abandoned – facility can become another gem in the cluster of Eastern Market Development. The brownfield redevelopment tax increment financing incentive will assist with the redevelopment of the site and building, which in turn will help continue the revitalization of the Eastern Market District.

This project will enable another 105,000 square feet of commercial development in an area with high demand for space. Included in the project is a 15,000 square foot food accelerator which will enable 8-10 emerging food companies to scale up their operations.

Once again please know that the Eastern Market Partnership stands in full support of this project and looks forward to being part of the neighborhood rebirth.

Sincerely,

Daniel S. Carmody
President

Eastern Market Corporation a 501(c)3 organization
1799 Hazlett Street, Detroit, MI 48227
T 313.893.0100 | F 313.893.0100
www.easternmarket.org



CITY OF DETROIT
PLANNING AND DEVELOPMENT DEPARTMENT

COLMAN A. YOUNG MUNICIPAL CENTER
3 WOODWARD AVENUE SUITE 803
DETROIT, MICHIGAN 48226
(313) 224-1339 • TTY: 711
(313) 224-1310
WWW.DETROITMI.GOV

August 19, 2019

Ms. Jennifer Kanalos
Authorized Agent
Detroit Brownfield Redevelopment Authority
600 Griswold, Suite 2200
Detroit, Michigan 48228

RE: Mosaic Eastern Market Brownfield Redevelopment Plan

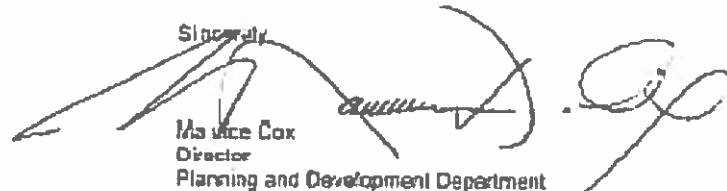
Dear Ms. Kanalos,

The Detroit Brownfield Redevelopment Authority (DBRA) has asked that the Planning and Development Department to review and comment on the Mosaic Eastern Market Brownfield Redevelopment Plan (the "Plan").

Riopelle Market Development, LP is the project developer ("Developer"). The property in the Plan is located on single parcel of land at 3500 Riopelle in Detroit's Eastern Market and is bounded by Riopelle Street to the west, Erskine Street to the south, Orleans Street to the east, and Hale Street to the north.

The Plan consists of an adaptive commercial, mixed-use collective that will contain Eastern Market Corporation's accelerator/commissary facility for food entrepreneurs, along with an eclectic mix of food and creative related business tenants. The existing 106,544-square foot building will be completely rehabilitated to support reuse and a surface parking lot will be constructed on the vacant property to the north of the building. The Mosaic Eastern Market will contain an estimated 10 tenant spaces including special event space.

The review for this brownfield plan is complete and all comments have been forwarded to the developer. No adverse comments were received. The Planning and Development Department recommends approval of the brownfield plan as submitted.

Sincerely,

Maurice Cox
Director
Planning and Development Department

c: B. Vosburg



September 26, 2019

Erin Vosburg, AICP
Brownfield Redevelopment Manager
Detroit Economic Growth Corporation
500 Griswold, Suite 2200
Detroit, MI 48226

Re: Mosaic at Eastern Market

Dear Mr. Vosburg,

On behalf of Amore Da Roma, we support Mosaic at Eastern Market project located on Riopelle in Eastern Market. The Brownfield Redevelopment tax increment financing incentive will assist with the redevelopment of the site and building, which in turn, will revitalize Eastern Market.

The site of the above referenced project is located next door to us and has been empty for decades. It's been a danger to our employees as well as our customers and an eyesore with graffiti and gang signs. It is our belief that this project will stimulate additional housing in the area along with new businesses and commercial activity.

Amore Da Roma is in full support of this project and looks forward to being part of the neighborhood rebirth.

Sincerely,
AMORE Da ROMA

Guy Pelino
Owner

3401 Riopelle, Detroit, MI 48207 | 313.831.5910

313.831.1690

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Attachment E.

Eligible Activities Cost Detail

Mosaic Eastern Market
 3500 Riopelle
 Detroit, MI
 AKT Peerless Project No. 13607F
 As of October 3, 2019

ELIGIBLE ACTIVITIES COST SUMMARY				Estimated Cost of Eligible Activity
Predevelopment Activities				\$ 109,570
Due Care Compliance Activities				\$ 1,067,500
TOTAL ENVIRONMENTAL ELIGIBLE ACTIVITIES				\$ 1,177,070
Demolition				\$ 1,189,581
Lead and Asbestos Activities				\$ 265,000
Site Preparation Activities				\$ 263,424
Eligible Infrastructure Improvement Activities				\$ 1,027,000
TOTAL NON-ENVIRONMENTAL ELIGIBLE ACTIVITIES				\$ 2,745,005
Total Environmental and Non-Environmental Eligible Activities				\$ 3,922,075
15% Contingency on Eligible Activities				\$ 513,045
Brownfield Plan B Act 381 WP Preparation				\$ 25,000
Brownfield Plan B Act 381 WP Implementation				\$ 12,500
Total Eligible Activities Cost with 15% Contingency				\$ 4,472,620
Interest (calculated at 5%, simple)				\$ 1,587,317
Total Eligible Activities Cost, with Contingency & Interest				\$ 6,059,937
BRA Administration Fee				\$ 1,291,536
State Revolving Fund				\$ 324,620
Local Brownfield Revolving Fund (LBRF)				\$ 934,146
Total Eligible Costs for Reimbursement				\$ 8,610,239

