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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: Osi Art Apartments @ West End 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, in order to promote the revitalization of environmentally distressed and blighted areas within the City of Detroit.

## **Osi Art Apartments @ West End Brownfield Redevelopment Plan**

The project developer and current owner of the property as of May 2019, is 3820 West End, LLC. URGE Development, LLC and N'Namdi Holdings are collaborating to develop a 5- story mixed-use apartment complex in the emerging West End Gallery District,<sup>1</sup> located along the Grand River corridor in the Woodbridge Neighborhood. The property consists of one parcel, formerly 3834 W. Grand River Ave., now 3820 West Grand River Avenue. The property is bounded by a public alley to the north; Grand River Ave. to the south; a vacant parcel on Avery Street to the west; and the Patterson Dog and Cat Hospital to the east. The development team plans to build approximately 30 residential units<sup>2</sup> above estimated 5,000 square feet of commercial retail space<sup>3</sup> on the ground floor with 23 tenant parking spaces in the rear of

<sup>1</sup> According to the CAC, this is the first mixed-use development in the Arts and Gallery District on Grand River.

<sup>2</sup> There will be a mix of studios, one bedroom, and two-bedroom apartments available. The target demographic includes professionals and Wayne State University students and faculty. Possible AMI percentages being offered were not included in supporting documents.

<sup>3</sup> The commercial space plaza will include an art gallery, food options, coffee shops, and other amenities.

building.<sup>4</sup> Only the foundations of the former buildings will remain. Construction is set to begin in December 2019 and is expected to be completed within 18 months of commencement. The Property is considered an “eligible property” as defined by Act 381, Section 2 because: (a) the Property was previously utilized as commercial as well as industrial purposes; (b) it is located within the City of Detroit, a qualified local governmental unit under Act 381; and (c) the property was determined to be a facility in accordance to Part 201 of Michigan’s Natural Resources and Environmental Protection Act, 1994 PA 451. The property is currently vacant, therefore, no persons or businesses will be displaced as a result of rehabilitation.

According to the Tax Incremental Revenue Capture Estimate Table, the current taxable value is \$12,500 and the projected future taxable value is \$1,443,883 when the Brownfield TIF expires in 2036. The developer is eligible for and is requesting a 10-year Commercial Rehabilitation PA 210 Tax Abatement<sup>5</sup>, in addition to the currently requested Brownfield TIF, if approved, will begin its capture in 2020. **The capture period for this Brownfield request is 17 years.**<sup>6</sup>

The estimated total capital investment from the developer is approximately \$6.6 million. It is estimated that 43 temporary construction jobs will be required to complete the project and 2 non-skilled FTE positions will be created post-construction. The development team<sup>7</sup> is actively working with general contractor, Lewland Building, to ensure minority, women, and Detroit-based subcontractors are utilized. The team has also established partnerships with the City of Detroit, LISC, Motor City Match, and the Knight Foundation to assist with funding and research.

Community engagement activities include (February 2018 to date):

**Engaged with local neighborhood organizations (ongoing):**

- Greater Corktown Community meetings
- North Corktown
- South Woodbridge Block Club
- Woodbridge Development Corporation
- Woodbridge Citizen Council
- The Detroit arts community for additional input and feedback on the district strategy

**Presentations have been made to the following groups (ongoing)**

- Woodbridge Citizens Council (February 2018 / June 2018)
- Woodbridge Development Corporation Board of Directors (April 2018)
- Real Estate Executive Council (May 2018)
- Presentation: Woodbridge Citizens Council (September 2019 pending approval)

**Sponsorship**

- Scripps Park Community / Programming Partner (2018 – current)

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<sup>4</sup> Additional off-site parking will be made accessible.

<sup>5</sup> **Commercial Rehabilitation Tax Abatement**, PA 210 of 2005, as amended (MCL 207.841-207.856). Freezes the taxable value at the amount prior to rehabilitation for commercial properties that is being rehabilitated for the primary use of a commercial business or a multi-family residential facility for 1-10 years. If approved, it will lower the tax incremental revenues during the time period of exemption.

<sup>6</sup> The DBRA public hearing for the Plan was held on Tuesday, September 17, 2019 at 5:30 pm at Goodwill Industries of Greater Detroit, 3111 Grand River Ave. in Detroit, Michigan. Five people were in support of the project. No comments were received in opposition to the project.

<sup>7</sup> URGE Development Group is a real estate development and business innovation firm based in Detroit. It is led by Roderick A. Hardamon, a former Wall Street executive that has invested in and developed over 20 single and/or multi-family projects. Dr. George N’Namdi, is the owner of N’Namdi Holdings. He created the G.R. N’Namdi Gallery, then partnered with East Forest Art Project, LLC to develop the Sugar Hill Arts District, home to N’Namdi Center complex which contains the N’Namdi Center for Contemporary Art, SEVA restaurant, and The Black Box (a retail space, a performing arts theater and an outdoor patio).

The Developer is requesting a \$360,172 TIF<sup>8</sup> reimbursement and the total costs under the plan is an \$817,951 for “eligible activities” as illustrated below:

**COSTS TO BE REIMBURSED WITH TIF**

1. Environmental Assessment Activities	\$16,850.00
2. Department Specific Activities	\$95,048.00
3. Demolition	\$60,000.00
4. Infrastructure Improvements	\$50,000.00
5. Site Preparation	\$30,884.00
6. Storm Water Management	\$50,000.00
7. Brownfield Plan & Work Plan Preparation	\$14,500.00
8. Contingency (15%)	\$42,890.00
<b>Total Reimbursement to Developer</b>	<b>\$360,172.00</b>
9. Authority Administrative Costs	\$122,693.00
10. State Brownfield Redevelopment Fund	\$60,436.00
11. Local Brownfield Revolving Fund	\$274,650.00
<b>TOTAL Estimated Costs</b>	<b>\$817,951.00</b>

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:

	Reimbursement Costs	BRA Admin. Reimbursement	State Revolving Fund	Local Revolving Fund
<u>School Capture</u>				
State Education Tax (SET)	\$ 44,102		\$ 60,436	\$ 16,335
School Operating Tax	\$ 264,609			\$ 98,009
<u>Local Capture</u>				
Wayne Co	\$ 1,233	\$ 2,939		\$ 3,839
WC Jails	\$ 1,168	\$ 2,785		\$ 3,639
WC Parks	\$ 306	\$ 730		\$ 954
WC HCMA	\$ 265	\$ 632		\$ 826
WC RESA	\$ 120	\$ 287		\$ 374
WC RESA SP ED	\$ 4,194	\$ 9,999		\$ 13,065
WC RESA ENH	\$ 2,491	\$ 5,938		\$ 7,759
WC Comm College	\$ 4,036	\$ 9,622		\$ 12,572
General City	\$ 24,847	\$ 59,240		\$ 77,401
Library	\$ 5,767	\$ 13,749		\$ 17,964
WC Tax	\$ 7,034	\$ 16,771		\$ 21,912
<b>TOTALS</b>	<b>\$ 360,172</b>	<b>\$ 122,693</b>	<b>\$ 60,436</b>	<b>\$ 274,650</b>

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

Zoo	\$ 972
DIA	\$ 1,945
Debt Service	\$ 87,519
School Debt	\$ 126,417
<b>TOTAL</b>	<b>\$ 216,854</b>

<sup>8</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

<b>Address</b>	3834 West Grand River Avenue (Now 3820 West Grand River Avenue)
<b>Parcel ID</b>	08001182-4
<b>Owner</b>	3820 West End, LLC
<b>Legal Description</b>	Land situated in the City of Detroit, County of Wayne, State of Michigan, described as follows:  Lots 7 through 9, both inclusive, Block 3 of Avery and Murphy's Subdivision of out lots 8 and 9 Lognon Farm and out lots 100, 101, 104, 105 and the northerly 358.64 feet of out lot 106 and westerly 71 feet of out lot 97, according to the plat thereof recorded in Liber 9 of Plats, Page 42 of Wayne County Records.

### Feasibility of the Brownfield Approval

- ✚ The City of Detroit Building, Safety Engineering, and Environmental Department has received the **Phase I Environmental Site Assessment**<sup>9</sup>, **Phase II Environmental Site Assessment**<sup>10</sup>, and **Baseline Environmental Site Assessment**<sup>11</sup> pursuant to USEPA's guidelines.
- ✚ Demolition of the remaining foundations of the former structures.
- ✚ The site is currently vacant.
- ✚ Construction of approximately 30 new residential units, commercial retail plaza on the ground floor, and a parking lot in the rear of the building.
- ✚ Concentrations of volatile organic compounds (VOCs) in excess of the soil volatilization of indoor air inhalation (SVIC) was found on the property.<sup>12</sup>

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

Attachments: **ATTACHMENT E:** Estimated Cost of Eligible Activities Table  
**ATTACHMENT G:** Environmental Assessment  
**ATTACHMENT H:** 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

<sup>9</sup> The Phase I ESA (Environmental Site Assessment) is generally considered the first step in the process of environmental due diligence.

<sup>10</sup> Phase II ESA II is typically voluntary to evaluate known release/presence or potential release/presence of hazardous substances for legal or business reasons.

<sup>11</sup> BEA can be used by a person or business protect from liability for cleanup of existing contamination on a property if they buy, lease, or foreclose a contaminated property.

<sup>12</sup> B-SEED confirmed that concentrations of VOCs were found qualifying the property as a "facility," as defined in Michigan Department of Environment, Great Lakes and Energy (EGLE) Part 201 of NREPA, PA 451 of 1994.

**ATTACHMENT E**  
**Estimated Cost of Eligible Activities Table**

The estimated cost of eligible activities is \$360,172. The total amount of increment tax revenues are \$817,250. For informational purposes, the eligible activities intended to be paid for with tax increment revenues are presented below:

Item/Activity	Total Request	MSF Act 381 Eligible Activities	MDAQ Act 381 Eligible Activities
<b>Pre-Approved Activities</b>			
Phase I ESA	\$ 2,300		\$ 2,300
Phase II ESA BEA Due Care	\$ 14,550		\$ 14,550
<b>Sub-Total Pre-Approved Activities</b>	<b>\$ 16,850</b>		<b>\$ 16,850</b>
<b>Environmental Remediation Activities</b>			
Contaminated Soil Excavation, Disposal, Backfill Activities	\$ 82,048		\$ 82,048
Oversight, Sampling, and Reporting	\$ 13,000		\$ 13,000
<b>Sub-Total Environmental Remediation Activities</b>	<b>\$ 95,048</b>		<b>\$ 95,048</b>
<b>Demolition Activities</b>			
Building Foundation Demolition	\$ 60,000	\$ 60,000	
<b>Demolition Activities Sub-Total</b>	<b>\$ 60,000</b>	<b>\$ 60,000</b>	
<b>Infrastructure Improvements</b>			
Right-of-Way and Alley Way Improvements	\$ 50,000	\$ 50,000	
<b>Demolition Activities Sub-Total</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	
<b>Site Preparation</b>			
Traffic Control, Fencing, Signage, Relocate Utilities	\$ 30,884	\$ 30,884	
<b>Site Preparation Activities Sub-Total</b>	<b>\$ 30,884</b>	<b>\$ 30,884</b>	
<b>Urban Storm Water Management System</b>			
Urban Storm Water Management System	\$ 50,000	\$ 50,000	
<b>Urban Storm Water Management System Activities Sub-Total</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	
<b>Brownfield Plan &amp; Act 381 Work Plan Activities</b>			
Plan Preparation and Implementation	\$ 14,500	\$ 7,250	\$ 7,250
<b>Brownfield Plan and WorkPlan Activities Sub-Total</b>	<b>\$ 14,500</b>	<b>\$ 14,500</b>	<b>\$ 14,500</b>
<b>Eligible Activities Sub-Total</b>	<b>\$ 317,382</b>	<b>\$ 205,384</b>	<b>\$ 126,398</b>
<b>Contingency</b>			
Eligible 15% Contingency (not including Brownfield Plan Work Plan & Phase I ESA Phase II ESA BEA Due Care)	\$ 42,890	\$ 28,633	\$ 14,257
<b>Developer Eligible Reimbursement Total</b>	<b>\$ 360,172</b>	<b>\$ 234,017</b>	<b>\$ 140,655</b>
TIF Capture for Local Brownfield Revolving Fund	\$ 274,650	\$ -	\$ -
TIF Capture for State Brownfield Redevelopment Fund	\$ 60,436		
Administrative Fees	\$ 122,693	\$ -	\$ -
<b>TOTAL</b>	<b>\$ 817,951</b>	<b>\$ 234,017</b>	<b>\$ 140,655</b>

**ATTACHMENT G**  
**Environmental Assessment**

TO: THE DETROIT BROWNFIELD REDEVELOPMENT AUTHORITY

FROM: DETROIT, BUILDINGS, SAFETY ENGINEERING, AND ENVIRONMENTAL DEPARTMENT

PROJECT: 3820 West End LLC / Urge Development Project

DATE: August 12, 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 Mannik & Smith Group on behalf of Urge Development/ 3820 West End LLC, as developer, as part of its Brownfield Plan submittal to the Detroit Brownfield Redevelopment Authority (DBRA), for the 3820 West End 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
  
- 1   Phase II Environmental Site Assessment, pursuant to ASTM Standard 1903 (if appropriate)
  
- 1   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. Max

Its: General Manager

**ATTACHMENT H  
Incentive Information Chart**

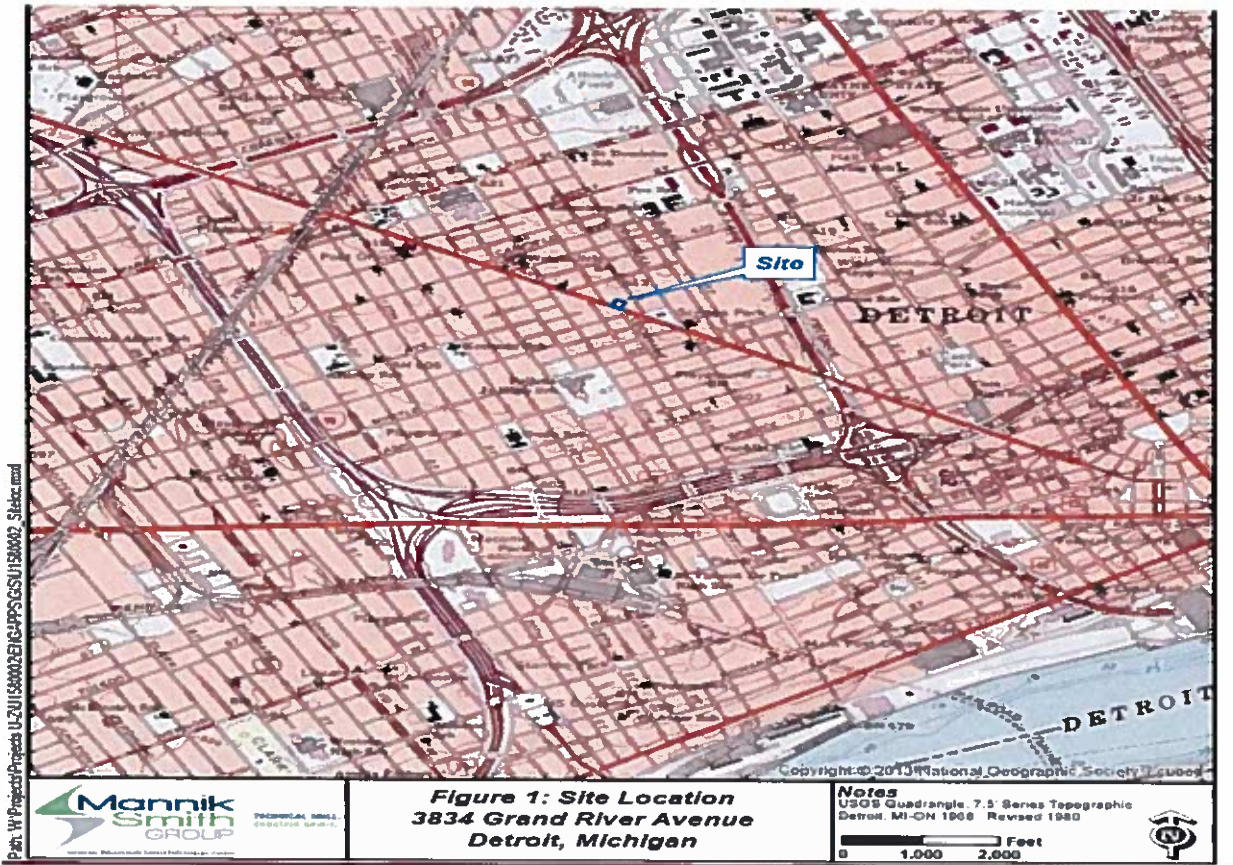
<b>Project Type</b>	<b>Incentive Type</b>	<b>Investment Amount</b>	<b>District</b>
Mixed-use	Brownfield/Obsolete Property Rehabilitation Tax Abatement	\$5.0 Million Hard Cost Investment \$6.6 Million Total Investment	General Business District (B4)

<b>Jobs Available</b>							
<b>Construction</b>				<b>Post Construction</b>			
<b>Professional</b>	<b>Non-professional</b>	<b>Skilled Labor</b>	<b>Non-Skilled Labor</b>	<b>Professional</b>	<b>Non-professional</b>	<b>Skilled Labor</b>	<b>Non-Skilled Labor</b>
2	1	10	30	0			2

**Planned Redevelopment**



## Map of Redevelopment Site



## Satellite View of Redevelopment Site

