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TO: COUNCIL MEMBERS
FROM: David Whitaker, Director
Legislative Policy Division Staff
DATE: October 9, 2019
RE: Petit Bateau 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.

Petit Bateau Brownfield Redevelopment Plan

The project developer is Petit Bateau, LLC. The developer intends to convert an entire block of seven parcels located on Fredrick Street into twenty townhomes and two buildings comprised of sixty-five residential units of various types. The property includes 503, 511, 525, 541, 555, 561, and 565 Fredrick St., which is bounded by Beaubien St., Fredrick St., Antoine St. and an alleyway (map of area on page 8 & 9).

The plan involves the construction of a 5-story mixed-use building with 39 units, the "East Building," a 4-story mixed-use building with 26 units, the "West Building," twenty (20) residential townhomes, and 3,200 square feet of commercial retail space on the ground floor of the East Building. According to the information in the plan, this is "one of the last development sites in Midtown and Historic Art Center neighborhood"¹
Construction is set to begin in the Fall of 2019/Winter 2020 and is expected to be completed by the end of 2021 or early 2022. Some activities may commence prior to the adoption of this plan.

¹ ATTACHMENT C

According to Buildings, Safety Engineering, and Environmental Department (B-SEED) the Property is considered an “eligible property” as defined by Act 381, Section 2, because (a) it was utilized for a commercial, industrial, public, or residential purpose; (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” as defined by Act 381. 511 Fredrick is adjacent and contiguous to the other parcels that are considered a “facility.” All of the parcels are owned by Petit Bateau LLC, except 511 and 565 Fredrick St. 511 is owned by Bernard Friedman, who is under contract with Petit Bateau LLC and 565 is owned by the city of Detroit PD&D under a development agreement. Petit Bateau has a purchase agreement on the City land, which has been in place for over a decade. The Community Advisory Committee on July 24, 2019 and the Planning and Development Department recommends approval. The developer is eligible for and is requesting a local and/or state 15- year Neighborhood Enterprise Zone PA 147 Tax Abatement² and a Brownfield TIF that is set to begin capture in 2020. **The capture period for this Brownfield request is 25 years.**³

The estimated total capital investment from the developer is approximately \$23.4 million It is estimated that 100 temporary construction jobs will be needed to complete the project and 2 FTE property management jobs will be required post-construction. It is currently unknown how many new jobs will be created after the commercial retail space on the ground floor is filled and operational. The developer and his contractors intend on working with local trades to meet the current Executive Orders.⁴ The property has been occupied by residential, multi-family apartments, a church, and an auto repair shop. The property is currently vacant, so no businesses or residents will be displaced or relocated as result of this development.

The Developer is requesting a \$2,279,193 TIF⁵ reimbursement and the total costs under the plan is \$3,690,728 for “eligible activities” as illustrated below:

COSTS TO BE REIMBURSED WITH TIF		
1	Baseline Environmental Assessment Activities	\$10,000.00
2	Due Care Activities	\$200,000.00
3	Demolition	\$2,620.00
4	Lead and Asbestos Abatement	\$2,500.00
5	Infrastructure Improvements	\$1,680,700.00
6	Site Preparation	\$60,000.00
7	Brownfield Plan & Work Plan Preparation	\$30,000.00
8	Contingency (15%)	\$293,373.00
Total Reimbursement to Developer		\$2,279,193.00
9.	Authority Administrative Costs	\$474,063.00
10	State Brownfield Redevelopment Fund	\$163,677.00
11.	Local Brownfield Revolving Fund	\$773,795.00
TOTAL Estimated Costs		\$3,690,728.00

²Neighborhood Enterprise Zone PA 147 Tax Abatement, MCL 125.2781 - 125.2797. The tax exemption freezes the taxable value of the rehabilitated portion of the facility for up to 15 years (17 years for a rehabilitated facility in a qualified historic building), exempting from local property tax all real property improvements.

³ The DBRA public hearing for the Plan was held on Thursday, August 1, 2019 at 5:30 pm at the Charles H. Wright Museum of African American History, 315 E Warren Ave. in Detroit, Michigan. There was one comment in support of the project and no comments against it.

⁴ Council President Brenda Jones' INCENTIVE INFORMATION CHART

⁵ 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.

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:

Taxing Jurisdictions	Reimbursement	DBRA	SBRF Capture	LBRF Capture
	Costs	Admin Costs		
School Operating Tax	\$683,922	\$0	\$0	\$76,969
State Education Tax	\$113,987	\$0	\$163,677	\$12,828
City General Operating	\$715,195	\$228,888	\$0	\$330,249
HCMA	\$7,671	\$2,455	\$0	\$3,542
Wayne County Op	\$202,468	\$64,797	\$0	\$93,492
WCCC	\$116,169	\$37,178	\$0	\$53,642
Library	\$165,991	\$53,123	\$0	\$76,648
Wayne County Other	\$77,918	\$24,936	\$0	\$35,979
Wayne County ISD	\$195,872	\$62,686	\$0	\$90,446
Total	\$2,279,193	\$474,063	\$163,677	\$773,795

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

City Debt	\$471,582
School Debt	\$875,795
DIA	\$13,473
Zoo	\$6,737
Total	\$1,367,587

Legal Description of the Eligible Property

Owner	Petit Bateau LLC
Address	503 Frederick
Parcel ID	003001481
Legal Description	N FREDERICK W 38 FT OF E 218 FT OF S 145.09 FT OF 195 LYG N & ADJ FREDERICK AVE 60'WDPLAT OF COMMISSIONERS SUB OF L BEAUBIEN FARM L6 P475-8 CITY RECORDS, W C R 3/3 38 X 145.09
Owner	Bernard Friedman (Under contract with Petit Bateau LLC)
Address	511 Frederick
Parcel ID	03001482
Legal Description	N FREDERICK W 45 FT OF E 180 FT OF S 145.09 FT OF 195 LYG N & ADJ FREDERICK AVE 60'WDPLAT OF COMMISSIONERS SUB OF L BEAUBIEN FARM L6 P475-8 CITY RECORDS, W C R 3/3 45 X 145.09
Owner	Petit Bateau LLC
Address	525 Frederick
Parcel ID	03001483

Legal Description	N FREDERICK W 45 FT OF E 135 FT OF S 145.09 FT OF 195 LYG N & ADJ FREDERICK AVE 60'WDPLAT OF COMMISSIONERS SUB OF L BEAUBIEN FARM L6 P475-8 CITY RECORDS, W C R 3 3 45 X 145.09
Owner	Petit Bateau LLC
Address	541 Frederick
Parcel ID	03001484-6
Legal Description	N FREDERICK E 90 FT OF S 145.09 FT OF 195 LYG N & ADJ FREDERICK AVE 60'WDPLAT OF COMMISSIONERS SUB OF L BEAUBIEN FARM L6 P475-8 CITY RECORDS, W C R 3 3 W 32 FT OF 10BLK 36 FERRY & LYSTERS SUB L12 P42 PLATS, W C R 3 64 122 X 145.09
Owner	Petit Bateau LLC
Address	555 Frederick
Parcel ID	03001487-8
Legal Description	N FREDERICK E 16 FT OF 10 W 16 FT OF 9 BLK 36 FERRY & LYSTERS SUB OF BLKS 32, 34 THRU 38 L12 P42 PLATS, W C R 3 64 32 X 145.09
Owner	Petit Bateau LLC
Address	561 Frederick
Parcel ID	03001489.001
Legal Description	N FREDERICK E 32 FT 9 8 THRU 7 W 28 FT 6BLK 36--- FERRY & LEYSTERS L12 P42 PLATS W C R 3 64 156 X 145.09
Owner	City of Detroit P&DD (Subject to Development Agreement with Petit Bateau LLC)
Address	565 Frederick
Parcel ID	03001489.002L
Legal Description	N FREDERICK E 16 FT 6BLK 36---FERRY & LEYSTERS L12 P42 PLATS W C R 3 64 16 X 145.09

Feasibility of the Brownfield Approval

- ↓ There is no indication that the City of Detroit Building, Safety Engineering, and Environmental Department has received the **Phase I & Phase II Environmental Site Assessment**⁶, pursuant to USEPA's.
- ↓ The property is one of the last development sites in Midtown and the Historic Art center neighborhood.
- ↓ The site is currently vacant.
- ↓ Ethyl benzene, arsenic, chromium and selenium was found in the soil that exceeds acceptable screening levels⁷.
- ↓ "Eligible Activities" include baseline environmental assessment activities⁸, demolition, lead and asbestos abatement, site preparation, and infrastructure improvements.
- ↓ Installation of a green storm water management system.

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

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

⁶ The Phase I ESA & Phase II ESA (Environmental Site Assessment) Phase I is generally considered the first step in the process of environmental due diligence. Phase II is typically voluntary to evaluate known release/presence or potential release/presence of hazardous substances for legal or business reasons

⁷ According to, the EGLE Part 201 Generic Cleanup Criteria (GCC). Therefore, based on the results of the analytical sampling, the Property is classified as a "facility" under Part 201 of the Natural Resources and Environmental Protection Act, 451 P.A. 1994, as amended.

⁸ The Project was a recipient of EPA grant funding from the DBRA/City of Detroit to pay for initial site assessments. Grant funded costs are not included as part of the Reimbursable Costs.

ATTACHMENT E
Estimated Cost of Eligible Activities Table

The estimated cost of eligible activities is \$2,279,193. The total amount of increment tax revenues are \$3,690,728. For informational purposes, the eligible activities intended to be paid for with tax increment revenues are presented below:

Description of Eligible Activities	Estimated Cost
Environmental Activities	
1. Baseline Environmental Assessment Activities	\$ 10,000
2. Due Care Activities – soil excavation, transportation and disposal	\$ 200,000
Subtotal – Environmental Activities	\$ 210,000
3. Contingency (15%)	\$ 31,500
4. Brownfield Plan and Work Plan development and preparation	\$ 15,000
Total Environmental Activities	\$ 256,500
Non-Environmental Activities	
5. Demolition	\$ 2,620
6. Lead and Asbestos Abatement	\$ 2,500
7. Site Preparation	\$60,000
8. Infrastructure Improvements (including green storm water management system)	\$ 1,680,700
Subtotal – Non-Environmental Activities	\$ 1,745,820
9. Contingencies (15%)	\$ 261,873
10. Brownfield Plan and Work Plan development and preparation	\$ 15,000
Total Non-Environmental Activities	\$ 2,022,693
Total Estimated Cost to Developer to be Funded Through TIF	\$ 2,279,193
11. State Brownfield Revolving Fund	\$ 163,677
12. DBRA Administrative Fees	\$ 474,063
13. Local Brownfield Revolving Fund	\$ 773,795
Total Potential Capture	\$ 3,690,728

ATTACHMENT G
Environmental Assessment

TO: THE DETROIT BROWNFIELD REDEVELOPMENT AUTHORITY

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

PROJECT: FREDERICK STREET DEVELOPMENT PROJECT, NAILLII, LLC

DATE: November 20, 2018

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 The Platform, LLC, as developer, as part of its Brownfield Plan submittal to the Detroit Brownfield Redevelopment Authority (DBRA), for the Cass/York Fisher development 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. Max

Its: General Manager

ATTACHMENT H Incentive Information Chart

Project Type	Incentive Type	Investment Amount	District
New Construction	Brownfield TIF	\$23,400,000	5

Jobs Available							
<i>Construction</i>				<i>Post Construction</i>			
Professional	Non-Professional	Skilled Labor	Professional	Professional	Non-Professional	Skilled Labor	Professional
2	1	77	20	1	1	0	0

*Construction Jobs includes: general contractor, subcontractors, carpenters, laborers, operators, roofers, plumbers, electricians, elevator technicians, and landscapers.

Satellite View of the Project Site





