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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: November 13, 2019  
RE: Midtown West 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 economically distressed and blighted areas within the City of Detroit.

### **Midtown West Brownfield Redevelopment Plan**

The project developer is PDH Development Group, LLC and Procida Development Group is the sole managing member of the developing entity. The property is currently owned by the City of Detroit and consists of one 2.162 acre parcel located at 931 Selden Street in the western portion of the Midtown neighborhood, bounded by Selden Street to the north, the proposed Fourth Ave. to the east, the proposed Tuscola to the south, and the John C. Lodge Service Drive to the west. The developer plans to build a 5-story mixed-use 175 unit residential apartment complex<sup>1</sup>, above 7,000 square feet of ground floor commercial retail space,<sup>2</sup> lounges, a gym, and an outdoor courtyard above 149 interior tenant parking spaces. This project is part of a larger plan that

<sup>1</sup> There will be approximately 8 studio apartments, 125 one-bedroom apartments, 38 two-bedroom apartments, 4 three-bedroom apartments one bedroom, and two-bedroom apartments available.

<sup>2</sup> The commercial retail space doesn't have any pre-planned tenants as of today. The development team may use the Motor City Match Program in order to find commercial/retail tenants.

includes the development of condominiums<sup>3</sup> and an extension of the roadway in anticipation of this project.<sup>4</sup> Construction is set to begin March 2020 and completed within 24 months.

Earlier this year, Council approved a NEZ for Midtown West. The project, which was subject to the CBO<sup>5</sup> process, the developer agreed to the NAC's request for fewer affordable units at a deeper affordable level. Instead of 20% of the affordable units at 80% AMI, at the time of the report, the developer agreed to provide 16 affordable apartments (10%), of which 4 will have rents affordable at 40% of AMI (\$19,850), 8 will have rents affordable at 60% of AMI (\$29,775), and 4 will have rents affordable at 80% of AMI. The affordable housing will be spread throughout the building in all 4 unit types (studios-3 BR).

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) it is considered a “facility.” The Planning and Development Department penned a letter and a resolution dated November 7, 2018 for the sale of the former Wigle Playfield/Recreation Center site for \$1.8 million. The City split the land into four development sites, including a 1 acre park at 910 Brainard and land set aside to rededicate and construct 4<sup>th</sup> Street and Tuscola Avenue through the site (See Figure 1 on page 10). Development on the properties will be completed in two phases; phase 1: includes 831 and 931 Selden developments; and phase 2: includes developments on 830 and 960 Brainard. The property is currently vacant, therefore, no persons or businesses will be displaced as a result of the project. The developer has received a 15- year Neighborhood Enterprise Zone Tax Abatement<sup>6</sup> for the residential portion of the project. The development team as of today has not submitted a request for the commercial portion of the property, but they may apply for a tax exemption under the Commercial Redevelopment Act<sup>7</sup> or a tax abatement under the Commercial Rehabilitation Act<sup>8</sup> for the commercial portion of the property. The developer is requesting a Brownfield TIF that is set to begin capture in 2021. **The capture period for this Brownfield request is 20 years.**<sup>9</sup>

The estimated total capital investment from the developer is approximately \$55 million. It is estimated that 208-265 temporary construction jobs will be needed to complete the project. Post-construction jobs include 7-8 property management positions and an unknown number of jobs related to the commercial retail space. The development team plans to provide qualified

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<sup>3</sup> The entire area (including the 2.612 acres for this project) is approximately 7 acres and is owned by the City of Detroit.

<sup>4</sup> The roadway extension project was approved at the April 9, 2019 regular session (Contract # 6001791). The contract was awarded to Angelo Iafrate Construction and construction was set to begin in September 2019 and projected to be completed in Spring 2020.

<sup>5</sup> The Community Benefits Ordinance (CBO) is a law that requires developers to proactively engage with the community to identify community benefits and address potential negative impacts of certain development projects. The ordinance was approved by Detroit voters in 2016.

<sup>6</sup> **Neighborhood Enterprise Zone Tax abatement**, PA 147 of 1992, as amended, freezes the taxable value of the rehabilitated residential portion of the facility for up to 15 years (17 years in a qualified historic building).

<sup>7</sup> **Commercial Redevelopment Act** (Commercial Facilities Exemption), PA 255 of 1978, as amended, Taxable value is frozen for a term of 1-12 years.

<sup>8</sup> **Commercial Rehabilitation Act**, PA 210 of 2005, as amended 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.

<sup>9</sup> The DBRA public hearing for the Plan was held on Tuesday, September 24, 2019 at 5:30 pm at Midtown Detroit, Inc. 3939 Woodward Ave., Suite 100 in Detroit, Michigan. Three people were in support of the project. No comments were received in opposition to the project.

local subcontractors with an opportunity to participate in the competitive process and their general contractor will handle the direct hiring.<sup>10</sup>

The Developer is requesting a \$4,251,029 TIF<sup>11</sup> reimbursement and the total costs under the plan is an \$8,277,713 for “eligible activities” as illustrated below:

**COSTS TO BE REIMBURSED WITH TIF**

1. Environmental Assessment Activities	\$65,000.00
2. Environmental Reporting and Compliance	\$50,000.00
3. Department Specific Activities	\$248,298.00
4. Vapor Mitigation System	\$750,000.00
5. Environmental Response Activities and Oversight	\$50,000.00
6. No Further Action Report	\$25,000.00
7. Infrastructure Improvements (including Parking)	\$1,809,635.00
8. Site Preparation	\$121,326.00
9. Storm Water Management	\$50,000.00
10. Brownfield Plan & Work Plan Preparation and Implementation	\$60,000.00
11. Contingency (15%)	\$475,088.00
12. Interest	\$548,683.00
<b>Total Reimbursement to Developer</b>	<b>\$4,251,029.00</b>
13. Authority Administrative Costs	\$1,205,852.00
14. State Brownfield Redevelopment Fund	\$389,197.00
15. Local Brownfield Revolving Fund	\$2,431,635.00
<b>TOTAL Estimated Costs</b>	<b>\$8,277,713.00</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:

School Capture	TOTALS	Reimbursement of costs & interest	DBRA Admin. Costs	State Redev. Fund	Local Brownfield Revolving Fund
State Education Tax (SET)	\$ 778,394	\$ 250,721	\$ -	\$ 389,197	\$ 138,476
School Operating Tax	\$ 2,335,181	\$ 1,504,927	\$ -	\$ -	\$ 830,854
<b>School Total</b>	<b>\$ 3,113,575</b>	<b>\$ 1,755,048</b>	<b>\$ -</b>	<b>\$ 389,197</b>	<b>\$ 969,330</b>
<b>Local Capture</b>					
City Operating	\$ 2,467,277	\$ 1,192,508	\$ 576,122	\$ -	\$ 698,647
Library	\$ 572,635	\$ 276,772	\$ 133,713	\$ -	\$ 162,150
Wayne County Operating	\$ 967,273	\$ 467,512	\$ 225,863	\$ -	\$ 273,898
Huron Clinton Metropolitan Authority	\$ 27,620	\$ 13,350	\$ 6,449	\$ -	\$ 7,821
Wayne County ISD	\$ 449,432	\$ 217,224	\$ 104,945	\$ -	\$ 127,263
Wayne County ENH	\$ 259,465	\$ 125,407	\$ 60,586	\$ -	\$ 73,471
Wayne County Community College	\$ 420,436	\$ 203,209	\$ 98,174	\$ -	\$ 119,053
<b>Local Total</b>	<b>\$ 5,164,138</b>	<b>\$ 2,495,981</b>	<b>\$ 1,205,852</b>	<b>\$ -</b>	<b>\$ 1,462,305</b>
<b>Total Captured School and Local Taxes</b>	<b>\$ 8,277,713</b>	<b>\$ 4,251,029</b>	<b>\$ 1,205,852</b>	<b>\$ 389,197</b>	<b>\$ 2,431,635</b>

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

<b>Non-Capturable Millages</b>	
City Debt	\$ 1,154,565
School Debt	\$ 1,667,705
Wayne County DIA	\$ 25,657
Wayne County Zoo	\$ 12,829
<b>Total Non-Capturable Taxes</b>	<b>\$ 2,860,756</b>

<sup>10</sup> The developer and its contractors will comply will local laws regarding the hiring of Detroiters.

<sup>11</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	931 Selden (Parcel 1; currently vacant land)
Parcel ID	04000759.005
Owner	City of Detroit
Legal Description	<p>LAND SITUATED IN THE COUNTY OF WAYNE, CITY OF DETROIT, STATE OF MICHIGAN, IS DESCRIBED AS FOLLOWS:</p> <p>PARCEL 1  PART OF LOTS 3 THROUGH 7, ALL OF LOTS 8 THROUGH 11, PART OF LOT 12, FORSYTH CONNOR ESTATES AS RECORDED IN LIBER 1 OF PLATS, PAGE 219, WAYNE COUNTY RECORDS, PART OF LOTS 1 THROUGH 9, AND ADJACENT VACATED ALLEYS AND PART OF VACATED TUSCOLA AVENUE, BONSWOR &amp; SCOTT'S SUBDIVISION BLOCK 3 AS RECORDED IN LIBER 3 OF PLATS, PAGE 69, WAYNE COUNTY RECORDS, BEING MORE PARTICULARLY DESCRIBED AS: COMMENCING AT THE NORTHEAST CORNER OF SAID LOT 1 OF BONSWOR &amp; SCOTT'S SUBDIVISION BLOCK 3, THENCE S67°13'00"W 1.50 FEET TO A POINT; THENCE S22°47'00"E 3.00 FEET TO THE POINT OF BEGINNING; THENCE S22°47'00"E ALONG THE WESTERLY RIGHT OF WAY LINE OF FOURTH AVENUE (58 FEET PROPOSED RIGHT OF WAY), 272.50 FEET TO A POINT ON THE NORTHERLY RIGHT OF WAY OF TUSCOLA AVENUE (58 FEET PROPOSED RIGHT OF WAY); THENCE S67°13'00"W ALONG SAID RIGHT OF WAY, 361.98 FEET TO A POINT ON THE EASTERLY RIGHT OF WAY OF JOHN C LODGE DRIVE (VARIABLE WIDTH RIGHT OF WAY); THENCE N20°45'40"W ALONG SAID RIGHT OF WAY, 67.54 FEET TO A POINT; THENCE N67°13'00"E 29.00 FEET TO A POINT ON THE EASTERLY LINE OF SAID LOT 11, FORSYTH CONNOR ESTATES; THENCE N23°26'45"W ALONG SAID EASTERLY LINE OF LOT 11, 82.01 FEET TO THE SOUTHWEST CORNER OF SAID LOT 4; THENCE S67°13'00"W ALONG THE SOUTHERLY LINE OF SAID LOT 3, 18.00 FEET TO A POINT ON THE EASTERLY RIGHT OF WAY LINE OF SAID JOHN C LODGE DRIVE; THENCE N20°15'52"W ALONG SAID RIGHT OF WAY, 123.12 FEET TO A POINT ON THE SOUTHERLY RIGHT OF WAY LINE OF SELDEN STREET (53 FEET PROPOSED RIGHT OF WAY); THENCE N67°13'00"E ALONG SAID RIGHT OF WAY, 344.13 FEET TO THE POINT OF BEGINNING.</p>

## Feasibility of the Brownfield Approval

- ✚ The City of Detroit Building, Safety Engineering, and Environmental Department has received the **Phase I Environmental Site Assessment**<sup>12</sup>, and **Baseline Environmental Site Assessment**<sup>13</sup> pursuant to USEPA's guidelines.
- ✚ The site is currently vacant.
- ✚ Construction of approximately 175 new residential units and commercial retail space on the ground floor.
- ✚ Construction of enclosed parking level.
- ✚ Arsenic, benzo(a)pyrene, benzo(b)fluoranthene and dibenzo(a,h)anthracene in soil and fill were found on the property making it a "facility."
- ✚ Eligible activities include properly managing contaminated soils, geotechnical evaluations, and removal and replacement of fill material.
- ✚ Storm Water Management features, which included an underground retention capable of detaining a 10 year storm, which will slowly be released into the city sewer.
- ✚ Improvements to the right of way of adjacent streets.

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

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<sup>12</sup> The **Phase I ESA** (Environmental Site Assessment) is generally considered the first step in the process of environmental due diligence.

<sup>13</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.

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

The estimated cost of eligible activities is \$3,702,346. The total amount of increment tax revenues are \$8,277,713. For informational purposes, the eligible activities intended to be paid for with tax increment revenues are presented below:

<b>Department Specific Activities (EGLE)</b>	
Phase I, Phase II and BEA	\$ 65,000
Environmental Reporting and Compliance	\$ 50,000
Tipping Fees	\$ 246,296
Environmental Response Activities and Oversight	\$ 50,000
Soil Vapor Mitigation System (pending)	\$ 750,000
No Further Action Report	\$ 25,000
Brownfield Plan and Work Plan Preparation (50%)	\$ 15,000
Brownfield Plan Implementation (50%)	\$ 15,000
<b>Subtotal</b>	<b>\$ 1,216,296</b>
Contingency - 15% (excluding plan preparation)	\$ 177,944
<b>Total Department Specific Activities</b>	<b>\$ 1,394,241</b>
<b>MSF Activities</b>	
Site Preparation - Fence, Demolition / Clearing of Debris	\$ 121,326
Infrastructure Improvements (less tipping fees included above)	\$ 821,204
Infrastructure Improvements: Parking	\$ 988,431
Stormwater Management (less greenfield costs)	\$ 50,000
Brownfield Plan and Work Plan Preparation (50%)	\$ 15,000
Brownfield Plan Implementation (50%)	\$ 15,000
<b>Subtotal</b>	<b>\$ 2,010,961</b>
Contingency - 15% (excluding plan preparation)	\$ 297,144
<b>Total MSF Activities</b>	<b>\$ 2,308,105</b>
<b>Brownfield Eligible Activities</b>	<b>\$ 3,702,346</b>

Estimated Interest	\$ 548,683
DBRA Administrative Fees	\$ 1,205,852
Local Brownfield Revolving Fund	\$ 2,431,635
State Brownfield Redevelopment Fund	\$ 389,197
<b>Total</b>	<b>\$ 8,277,713</b>

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

TO: THE DETROIT BROWNFIELD REDEVELOPMENT AUTHORITY

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

PROJECT: PDH DEVELOPMENT GROUP LLC/ MIDTOWN WEST 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 ASTI Environmental on behalf of PDH Development Group, LLC, as developer, as part of its Brownfield Plan submittal to the Detroit Brownfield Redevelopment Authority (DBRA), for the Midtown West 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)
- 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. May

Its: General Manager

**ATTACHMENT H  
Incentive Information Chart**

Project Type		Incentive Type		Investment Amount	District		
Mixed Use New Construction		NEZ & Brownfield TIF		\$55,000,000	5		
<b>Jobs Available</b>							
<b>Construction</b>				<b>Post Construction</b>			
Professional	Non-Professional	Skilled Labor	Non-Skilled Labor	Professional	Non-Professional	Skilled Labor	Non-Skilled Labor
3 -5	20 – 30	75 – 80	110-150	0	3- 4	0	4

(post-construction jobs will be with an unrelated property management company)

**1. What is the plan for hiring Detroiters?**

- **Subcontractor selection for the Project (as defined in this Plan) shall include a prequalification assessment prior to bidding. As part of the prequalification process, evaluation of geographic location of the business and their associated staff assigned to the Project will occur along with capacity assessment, relevant work experience, financial standing, and insurance and performance qualifications. It is the team's goal to provide local subcontracts that are qualified with the opportunity to participate within the Project based on a qualified and competitive process.**

**2. Please give a detailed description of the jobs available as listed in the above chart, i.e: job type, job qualifications, etc.**

- **Construction related jobs shall include, but not limited to; skilled trades such as carpentry, electrical, mechanical, plumbing, finish work (painting, flooring and millwork), building faade and enclosure work. These jobs shall be provided via subcontractors selected to the project team. In addition to subcontract related positions, general labor positions will be available as well. Qualifications are subject to the individual business hiring requirements. A contact name and information shall be provided for inquiries.**
- **Post construction jobs will be related to building maintenance and operations**



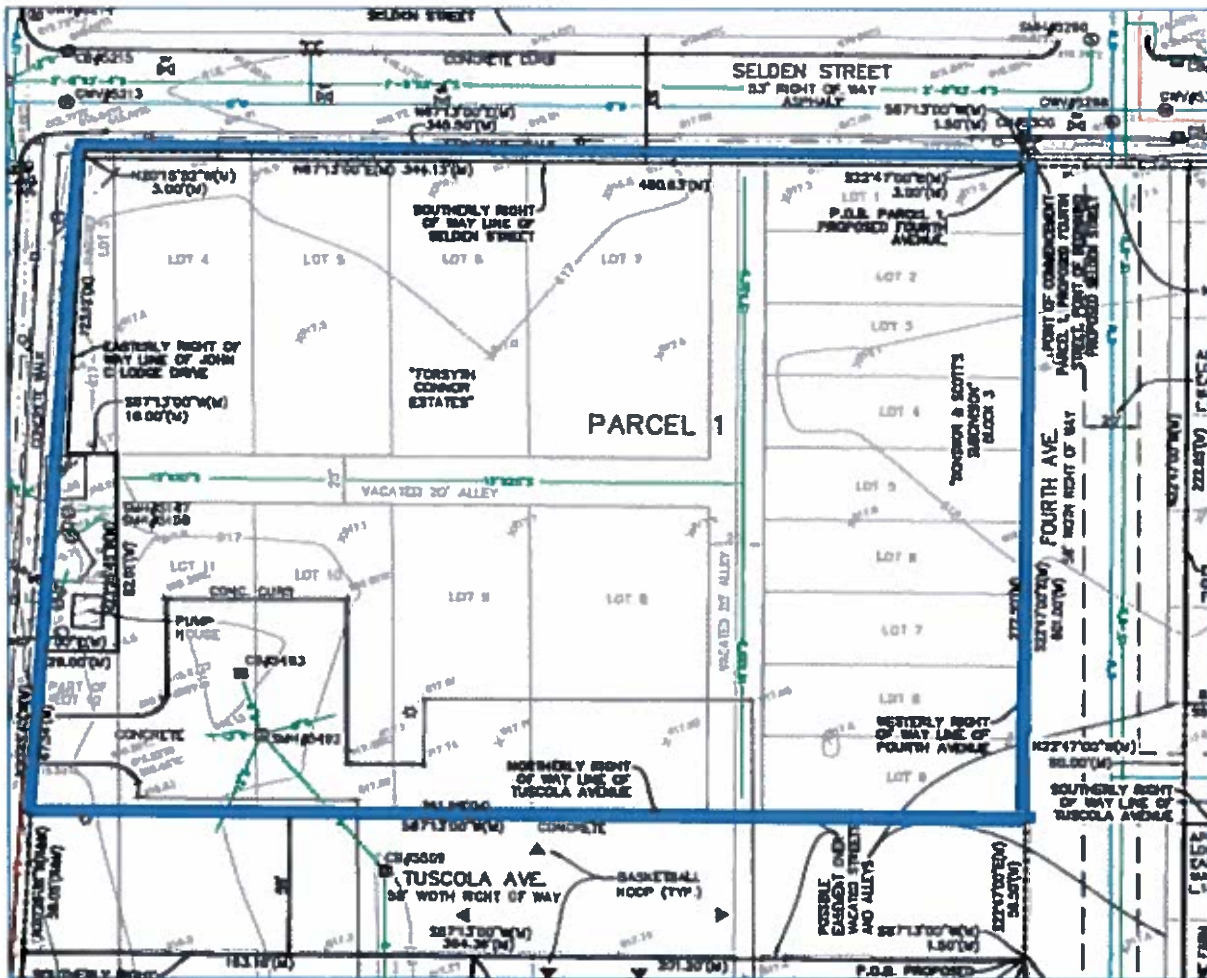
3. Will this development cause any relocation that will create new Detroit residents?

- We believe a portion of the new residents will be new to Detroit.

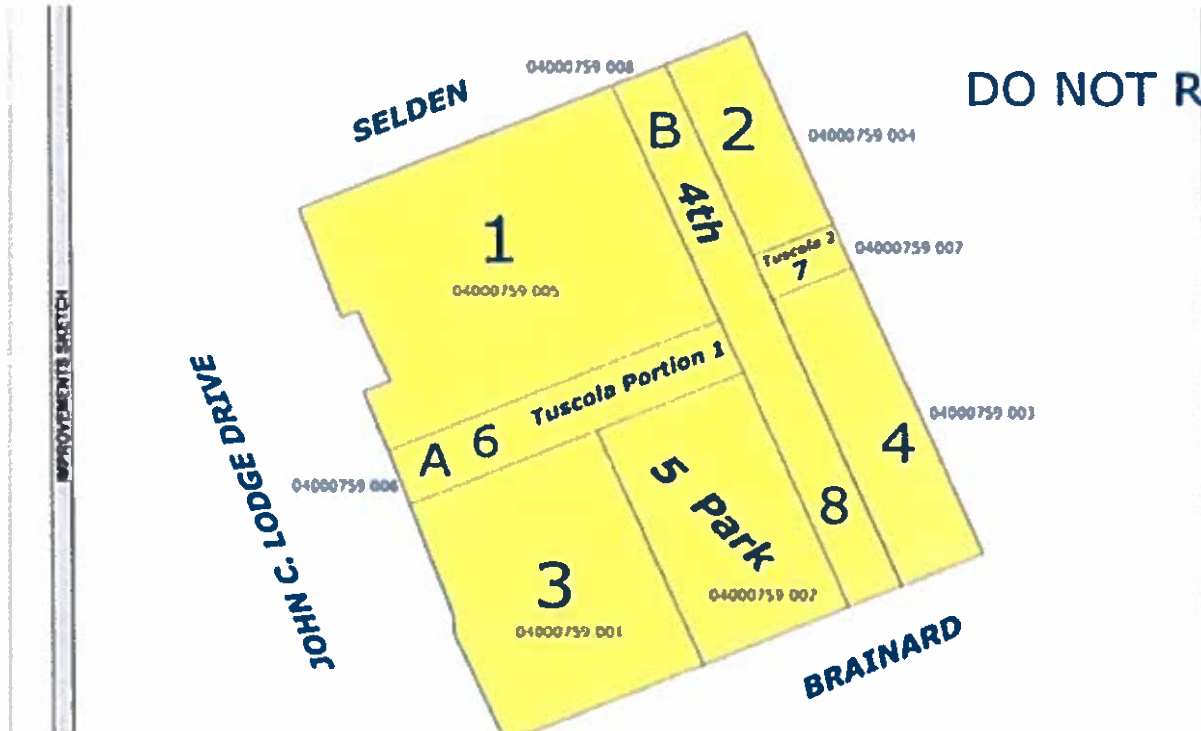
4. Has the developer reached out to any community groups to discuss the project and/or any potential jobs?

- The developer held a lengthy voluntary community benefits process in accordance with the Community benefits ordinance. At the conclusion of this process the developer signed a community benefits agreement.
- While specific conversations related to jobs have not occurred the developer, in accordance with its contractor intends to comply with the local laws requiring the hiring of Detroiters.
- As the developer is not hiring any employees directly, it will rely on its contractors, specifically its general contractor to implement a hiring plan.

### Site Map



**Figure 1**  
**Tax Parcels Depiction**  
**(Brownfield Plan includes Parcel 1 area)**



\*Note: Parcel 6, 7, and 8 are a part of the Roadway Extension Project.

**Planned Redevelopment**





