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TO: COUNCIL MEMBERS
FROM: David Whitaker, Director 
Legislative Policy Division Staff
DATE: January 14, 2020
RE: City Club Apartments 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.

CCA CBD Detroit LLC, a Delaware limited liability company, is the project developer and owner of the parcel in the City Club Apartments Plan, located at 313 Park Avenue, which is located on the former site of the historic *Statler Hotel*.¹ The hotel closed its doors and ceased operations in 1975 and was vacant for 30 years, until it was demolished in 2005.

The plan is to construct a mixed-use building on the site that will contain approximately 288 apartments, with 11,291 square feet of retail, additional commercial space and an underground parking garage with a capacity for approximately 396 vehicles. The Detroit City Council approved a Neighborhood Enterprise Zone (NEZ) for the parcel in 2016 and pursuant to the NEZ agreement dated July 15, 2016, twenty percent (20%) of the apartments (57)² will be offered as affordable housing for those with income not greater than 80% of area median income (AMI).³

¹ "The (Statler) hotel -- designed by George B. Post in the Italian and Renaissance Revival styles -- cost \$3.5 million to build (\$70.9 million today), making it Detroit's most expensive and luxurious hotel at the time. It also was the largest hotel in the Midwest when it opened, Feb. 6, 1915." *Statler Hotel* By DAN AUSTIN of HistoricDetroit.org <https://www.historicdetroit.org/buildings/statler-hotel>

² At the time of the agreement, the developer anticipated developing 287 apartments.

³ Detroit-Warren-Livonia 80% of AMI is \$42,750 (which equates to approximately \$1,068 for rent). –Section 8 Income Limits (2019) <https://www.huduser.gov/portal/datasets/il/il19/Section8-IncomeLimits-FY19.pdf>

The total overall investment in this project is estimated.⁴ The developer is requesting a **\$4,118,324 (without MSF work plan approval)⁵ or a \$6,510,156 (with MSF work plan approval) TIF,⁶** with the overall value of the plan estimated at **\$5,085,121 or \$11,309,617 (with MSF work plan approval)**, which includes local brownfield costs. It is currently anticipated that this project will create approximately 450 temporary construction jobs and 58 FTE jobs created under this Plan. Of the 58 FTE's, approximately 50 part time and full-time retail jobs are anticipated for the commercial and retail establishments and 8 full time jobs anticipated to be related to property management.. The reimbursement and the total costs allocation under the plan are indicated in the chart below (*without MSF work plan approval*) and on the following page (*with MSF work plan approval*):

**Estimated Cost of Eligible Activities Table
(without MSF work plan approval)**

Description of Eligible Activities	Estimated Cost
1. Brownfield Plan and Possible Work Plan Preparation	\$15,000
2. Baseline Environmental Assessment Activities	\$28,000
3. Additional Response Activities (effective 4/3/17, part of "Department Specific Activities")	\$0
4. Due Care Activities	\$0
5. Site Preparation	\$0
6. Infrastructure Improvements, including a 396 space parking garage, storm water management features and right of way improvements	\$4,060,324
7. Lead and Asbestos Survey and Abatement	\$0
8. Site Demolition	\$0
9. Brownfield Plan Implementation	\$15,000
10. Department Specific Activities Contingency (15%)	\$0
11. MSF Activities Contingency	\$0
Subtotal Site Eligible Activities	\$4,118,324
12. Interest	\$204,028
13. DBRA Administrative Fees	\$762,768
14. Local Brownfield Revolving Fund	\$0
15. State Brownfield Redevelopment Fund	\$0
Total Estimated Cost to be Funded Through TIF	\$5,085,121

⁴ At the time of the NEZ approval in 2016, the estimated investment in the project was \$65,000,000: LPD Report, Application of VG Statler City, LLC for a Neighborhood Enterprise Zone (NEZ) Certificate (Public Act 147 of 1992) in the area bounded by Park Avenue, Washington Blvd., Clifford and Bagley, dated July 6, 2016. A significant part by the additional costs were caused by the unknown underground obstructions and unforeseen cost conditions and circumstances, which now account for the majority of the increase.

⁵ In the event that the Michigan Strategic Fund ("MSF") does not approve the use of school taxes to reimburse eligible activity costs.

⁶ 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.

**Estimated Cost of Eligible Activities Table
(with MSF work plan approval)**

Description of Eligible Activities	Estimated Cost
1. Brownfield Plan and Possible Work Plan Preparation	\$15,000
2. Baseline Environmental Assessment Activities	\$28,000
3. Additional Response Activities (effective 4/3/17, part of "Department Specific Activities")	\$0
4. Due Care Activities	\$0
5. Site Preparation	\$0
6. Infrastructure Improvements, including a 396 space parking garage, storm water management features and right of way improvements	\$6,452,156
7. Lead and Asbestos Survey and Abatement	\$0
8. Site Demolition	\$0
9. Brownfield Plan Implementation	\$15,000
10. Department Specific Activities Contingency (15%)	\$0
11. MSF Activities Contingency	\$0
Subtotal Site Eligible Activities	\$6,510,156
12. Interest	\$1,441,612
13. DBRA Administrative Fees	\$1,420,055
14. Local Brownfield Revolving Fund	\$994,472
15. State Brownfield Redevelopment Fund	\$943,322
Total Estimated Cost to be Funded Through TIF	\$11,309,617

Description of the Eligible Property & Legal Description

Address	Tax ID	Basis of Eligibility	Developer
313 Park Avenue	02000315-7	Facility	CCA CBD Detroit LLC

Property Subject to the Plan

ATTACHMENT B:

Legal Description of Eligible Property to which the Plan Applies

Land situated in the City of Detroit in the County of Wayne in the State of Michigan:

PARCEL 1

Lot 16 and the South 40 feet of Lot 17 and the West 5 feet of vacated Washington Blvd, adjacent and 1/2 vacated alley West of and adjacent of Governor and Judges Plan of Section 10, as recorded in Liber 34 of Deeds, Page 553, Wayne County Records.

PARCEL 2

Lot 26, also that part of the Westarly one-half of that portion of public alley, 20 feet wide, Governor and Judge's Plan as recorded in Liber 34, Page 553 of Deeds, Wayne County Records.

PARCEL 3

North 20 feet of Lot 27, Block 10, also that part of the Westarly one-half of that portion of public alley, 20 feet wide, Governor and Judge's Plan, as recorded in Liber 34 of Deeds, Page 553, Wayne County Records.

PARCEL 4

Lot 67 and West one-half of vacated alley formerly located on East side of Lot 67, also the East one-half of vacated alley formerly located on the West side of Lot 67, Section 10, Governor and Judges Plan, as recorded in Liber 34, Page 553 of Deeds, Wayne County Records.

PARCEL 5

The South 40 feet of Lot 27, also that part of the Westerly one-half of that portion of public alley, 20 feet wide, Plat of Section 10, Governor & Judge's Plan as recorded in Liber 34, Page 553 of Deeds, Wayne County Records.

PARCEL 6

Land in the City of Detroit, County of Wayne, Michigan, being all of Lots 10 through 24 of the Plan of Section 10 of the "Plat of the City of Detroit as laid out by the Governor & Judges", recorded in the Governor & Judges Journal, Wayne County, and in Liber 34 of Deeds, Page 553, Wayne County Records; also the vacated westerly 5.00 feet of Washington Blvd., vacated by the Common Council of the City of Detroit on January 2, 1912 and May 16, 1916; also that part of the Easterly one-half of that portion of public alley, 20 feet wide, adjoining Lots 16 thru 18, of above said Section 10 of the "Governor & Judges Plan of the City of Detroit."

Except for the Lot 16 and the South 40 feet of Lot 17 and the West 5 feet of vacated Washington Blvd. adjacent and 1/2 vacated alley West of and adjacent of Governor and Judges Plan of Section 10, recorded in Liber 34 of Deeds, Page 553, Wayne County Records.

PARCEL 7

Lot Twenty-Five (25), also the Westerly one-half of that portion of public alley, 20 feet wide, of the Plan of Section 10 of the "Plat of the City of Detroit as laid out by the Governor & Judges", recorded in the Governor & Judges Journal, Wayne County, and in Liber 34 of Deeds, Page 553, Wayne County Records.

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 residential purpose; (b) it is located within the City of Detroit, a qualified local governmental unit under Act 381; and (c) the Property is a "facility" pursuant to Part 201.

The tax parcel included in this plan is a facility under Part 201 due to the presence of arsenic, lead, benzo(a)Pyrene, polychlorinated bi-phenyls, 1, 2-dichlorobenzene, 1, 3-dichlorobenzene, 1, 4-dichlorobenzene, and other hazardous substances above the Part 201 generic residential cleanup 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:

Captured Taxes	Totals	Reimbursement of costs & Interest	DBRA Admin. Fee	State Redev. Fund	Local Brownfield Revolving Fund
School Operating Taxes	\$0	\$0	\$0	\$0	\$0
State Education Taxes	\$0	\$0	\$0	\$0	\$0
School Taxes Total	\$0	\$0	\$0	\$0	\$0
Wayne County Winter, Jail and Parks	\$1,423,381	\$1,209,874	\$213,507	\$0	\$0
REBA	\$3,661,739	\$3,112,479	\$549,261	\$0	\$0
Local Taxes Total	\$5,085,120	\$4,322,352	\$762,768	\$0	\$0
Total Captured Incremental Taxes	\$ 5,085,120	\$ 4,322,352	\$ 762,768	\$ -	\$ -

In addition, in the event that school taxes are not approved by the MSF for use in the reimbursement of MSF eligible costs, the following taxes are projected to be generated but shall not be captured during the life of this Plan:

City Debt	\$5,971,462
School Debt	\$8,625,445
DIA Tax	\$132,699
Zoo Tax	\$66,350
Total Debt and Special Millages	\$14,795,955

Eligible Activities and Projected Costs

The “eligible activities” that have been carried out or are intended to be carried out at the Property are considered “eligible activities” as defined by Section 2 of Act 381, because they consist of infrastructure improvements and interest. The adoption of this Plan is being requested after the commencement of construction due to the discovery of significant unknown underground obstructions during construction. Due to the location of the obstructions over 30 feet below grade, the extent, type, thickness and cost to remove the obstructions could not reasonably have been discovered and determined prior to the commencement of construction.

The extent of the problem was not known until deep, difficult underground work was conducted. This necessitated revision of planned measures required under the EPA-approved PCB remediation plan and EGLE-approved work plan after experts were consulted as to how to break, cut and remove PCB-contaminated, concrete encased, steel I-beams more than 30 feet below grade.

Although eligible activities in connection with the Project are expected to exceed \$10,000,000, the Developer is requesting approval of only Six Million Five Hundred Ten Thousand One Hundred Fifty-Six Dollars (\$6,510,156) of these costs, which amount corresponds to the additional costs that have been incurred due to the discovery of the unknown underground obstructions. Further, in the event that the Michigan Strategic Fund (“MSF”) does not approve the use of school taxes to reimburse eligible activity costs, the Developer seeks approval for only Four Million One Hundred Eighteen Thousand Three Hundred Twenty Four Dollars (\$4,118,324) of the eligible activity costs and interest.

In addition to the Brownfield, the Developer has received approval of property tax abatements under the Neighborhood Enterprise Zone Act, PA 147 of 1994, as amended (NEZ) and a Commercial Rehabilitation Act tax abatement, PA 210 of 2005. If approved, the approved NEZ certificates will reduce the residential property tax obligations of the property for the period applicable under each abatement certificate, and the PA 210 will reduce the taxable obligation for the commercial portion of the property, thereby reducing the amount of tax increment revenues available pursuant to this plan for the City Club Apartments mixed-use project. **The period for this Brownfield request is for 30 years.**

Feasibility of the Brownfield Approval

The overall project consists of the construction of a mixed-use building that will contain approximately 288 apartments, 11,291 square feet of retail and other commercial space and an underground parking garage with capacity for approximately 396 vehicles. Over 100 of the parking spaces are expected to be available for parking for the general public, including customers of the retail businesses in the building, with daytime capacity for public parking expected to be approximately 200 vehicles.

The project encountered over \$6,500,000 of unexpected costs due to substantial, deep previously unknown underground obstructions including concrete encased steel I-beams contaminated by PCBs and other contaminants. Substantial additional effort was required approximately 30’ below grade in the Winter of 2016-2017 to identify and remove and properly dispose of these obstructions, causing delays in the project timeline. The additional costs

include winter conditions, special equipment for deep excavation, torch-cutting of steel I-beams, removal and disposal of contaminated steel, soils and concrete and similar costs.



Pictures of some of the unexpected underground obstructions

The cleanup plan consists of 1) removing and properly disposing the PCB contamination at levels greater than 100 ppm⁷ from the property, 2) construction a new building on the property and using the building itself or clean fill as a cap, and 3) placing a restricted covenant (deed restriction) on the delineated PCB contamination area that is designated as a low-occupancy area and requiring preservation of a newly installed cap.⁸

The project implements several notable “green” construction aspects, including:

1. 9,179 square feet of vegetated green roof system.
2. Drip irrigation for landscape beds, including evapotranspiration (ET) based irrigation controller with rain sensor.
3. ICC 700-2012 National Green Building Standard^{TM9}

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

⁷ Removing (PCB) Polychlorinated Biphenyl at levels greater than 100 Parts Per Million (ppm)

⁸ *Source, page 5 SME PCB Remediation Notification and Certification Work Plan CCA CBD Detroit Redevelopment Former Statler Hotel Site, dated September 9, 2016*

⁹ A new green multifamily building can be awarded a Bronze, Silver, Gold, or Emerald certification level, depending on the number of green practices successfully incorporated in its design and construction. Existing multifamily buildings can also attain one of the four levels of certification when remodeled according to the requirements of the NGBS. Home Innovation Research Labs certifies the entire building, not individual apartments.

cc: Auditor General's Office
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Site Map



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INCENTIVE INFORMATION CHART:

Project Type	Incentive Type	Investment Amount	District
Mixed use	Brownfield plan	\$92,000,000*	6

*Investment has increased since commencement of project

Jobs Available							
Construction				Post Construction**			
Professional	Non-Professional	Skilled Labor	Non-Skilled Labor	Professional	Non-Professional	Skilled Labor	Non-Skilled Labor
5	10	285	150	4	42	6	6

**Primarily expected jobs by tenants. An estimated 8 jobs will be created by the Developer.

1. What is the plan for hiring Detroiters?

Detroit-based contracting and employment—The Developer has a binding agreement to comply with the Mayor’s executive orders under the Development Agreement signed in 2015 with the DDA.

- The Developer worked with the D2D Business Program as a vehicle for engaging Detroit-based contractors, vendors and suppliers for all phases of the Project.
- Retail tenants will be connected with Detroit Employment Solutions to aid in recruiting Detroit residents for jobs.

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

- 50 part time and full time retail jobs expected for the commercial and retail establishments.
- 8 full time apartment employees will be engaged.

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

No. New residents to Detroit are expected to be attracted to live at the property.

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

There has been outreach to the downtown business organizations and to other neighboring property owners. Specifically, the Capital Park Neighborhood group supported the project on the record at the Historic Commission meeting (when the Certificate of Appropriateness was issued).



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5. When is construction slated to begin?

Construction began in the Fall of 2016.

6. What is the expected completion date of construction?

Early, 2020.

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