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TO: The Honorable Detroit City Council

FROM: David Whitaker, Director
Legislative Policy Division Staff

DATE: February 21, 2023

RE: Transformational Brownfield Plan for **Related Olympia Predevelopment Company, LLC (District Detroit)** per **Brownfield Redevelopment Act, Michigan Public Act 381 of 1996 amended by Public Acts 46-50 of 2017 Preliminary Report**

Introduction

The Council will be soon asked to review and approve the Related Olympia Predevelopment Company, LLC's[1] ("Developer") proposed Transformational Brownfield Plan proposal. The project entails the recently announced 10 mixed-use development projects within Detroit's DDA Development Area,[2] which proposed together, encompasses the Developer's Transformational Brownfield Plan (TBP) proposal, commonly referred to as **District Detroit**, with a total estimated investment cost of **$1.532 billion.**

The Legislative Policy Division (LPD) raised many questions regarding the District Detroit TBP proposal. Attachment 1 represents LPD's questions and responses from the Detroit Economic Growth Corporation (DEGC) to those questions. We appreciate these responses. In addition, LPD reviewed thoroughly The District Detroit Act 381 Combined Transformation Brownfield, which we found very useful in analyzing the District Detroit TBP proposal. A link to The District Detroit Act 381 Combined Transformation Brownfield document is provided in footnote 1 of this report.

For City Council's information, the Detroit Brownfield Redevelopment Authority's board approved The District Detroit Act 381 Combined Transformation Brownfield Plan by a 5-2 vote on Wednesday, February 8, 2023.

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[1] According to page 6 of The District Detroit Act 381 Combined Transformation Brownfield Plan, Related Olympia Predevelopment Company is a joint venture of The Related Companies LP and Olympia Development of Michigan, LLC for the sake of The District Detroit project. A link to the 781 page The District Detroit Act 381 Combined Transformation Brownfield Plan can be located using the following link: https://www.dropbox.com/s/d9093f968xy9w7w/FINAL%20RELATED%20ODM%20381%20Combined%20Transformational%20Brownfield%20Plan%20TBP%204860-8336-1570%20v.38.pdf?dl=0.

[2] The "DDA Act," Public Act 197 of 1975, enacted on August 13, 1975, authorized the use of Tax Increment Finance (TIF) to correct and prevent the deterioration of downtown areas in the State of Michigan.

Summary of District Detroit's TBP Incentive Package

The total incentive package as proposed, inclusive of $616 million in State of Michigan Transformational Brownfield capture, City of Detroit incentives in the form of Commercial Rehabilitation Exemption (PA 210) tax savings of $97 million and Neighborhood Enterprise Zone (PA 147) tax savings of $37 million, in addition to $25 million in public infrastructure improvements from the Downtown Development Authority (DDA), and a $23.7 million loan from the DDA to assist in providing deep levels of affordable housing.[3] This totals an incentive package with an estimated value of **$798.7 billion**, as illustrated in the chart below.

District Detroit Incentive Summary

Overall Project Incentives			Source of Incentive		
Incentive	**Amount in millions**	**Overall Incentive %**	**State**	**DDA****	**City Gen Fund**
State TBP	**$616**	77%	$616	$0	$0
Commercial Rehab (PA 210)	**$97**	12%	$0	$97	$0
NEZ (PA 147)	**$37**	5%	$0	$37	$0
DDA Infrastructure Improvements	**$25**	3%	$0	$25	$0
DDA Loan of Deep Affordable Units*	**$23.7**	3%	$0	$23.7	$0
Incentives Totals	**$798.7**	100%	$616	$182.7	$0

*$23.7M loan applies to the creation of 139 units (20% of 679 units) at rents equivalent to 50% AMI.
**The $182.7M in DDA incentives amounts to 23% of the projected incentive sources.

Traditional Brownfield versus a Transformational Brownfield Plan

The traditional Brownfield Redevelopment Act, Michigan Public Act 381 of 1996, at its inception, was created to provide a mechanism to develop brownfield properties where there has been a release, or a threat of a release of hazardous materials, with the assistance of tax increment financing.

The Transformational Brownfield legislation, effective July 24, 2017, is the result of the following five approved Michigan Senate Bills and five subsequent Michigan public acts:

1. **Senate Bill 111 (PA 46)** Amended the Brownfield Redevelopment Financing Act.
2. **Senate Bill 112 (PA 47)** Amended the Income Tax Act.
3. **Senate Bill 113 (PA 48)** Amended the General Sales Tax Act.
4. **Senate Bill 114 (PA 49)** Amended the Use Tax Act.
5. **Senate Bill 115 (PA 50)** Amended the Michigan Renaissance Zone Act.

Public Act 46 of 2017, is the primary act which contains the fundamental elements of the Transformational Brownfield legislation. A Transformational Brownfield Plan (TBP) is defined as a brownfield plan that, among other requirements, "will have a transformational impact on local economic development and community revitalization based on the extent of brownfield redevelopment and growth in population, commercial activity, and employment that will result from the plan." A Transformational Brownfield Plan (TBP) project at a minimum, must involve a level of capital investment at or above the metrics illustrated below:

Population	Capital Investment
600,000 and up	$500 million
599,999 - 150,000	$100 million
149,000 - 100,000	$75 million
50,000 - 99,999	$50 million
25,000 - 49,999	$25 million
24,999 and under	$15 million

MCL 125.2652 (2) (vv) (i) – (iv)

[3] Affordable loan can be forgiven over time, with a demonstration of 50% of Detroit residents occupying the affordable units. Under these terms, a "Detroit resident" is defined as someone that has lived in the city for a minimum of 3 years prior to occupancy.

TBP projects must be a mixed-use development, meaning a real estate project with planned integration of some combination of retail, office, residential, or hotel uses. The project could be a single development on eligible property or consist of a series of developments on eligible property that are part of a "related program of investment", even if they are not contiguous. This section is a significant divergence from conventional brownfield projects. Traditionally, the parcels of the conventional brownfield plans were either adjacent or contiguous parcels.

DEGC's chart below provides a summary of a traditional brownfield versus a transformational brownfield plan:

	Traditional Brownfield Plan	Transformational Brownfield Plan
ELIGIBLE PROPERTY	4 Types of Property Qualification	Same as Traditional
MINIMUM INVESTMENT	No Minimum Investment Amount	**$500 Million Minimum Investment**
COSTS COVERED	Specific, Limited Construction Costs	**All Construction Costs**
TAXES CAPTURED & REIMBURSED	Incremental Property Taxes – 30 yrs	**Incremental Property Taxes – 30 yrs**
		Construction Materials – 100% Sales Tax Exemption
		Construction Labor - 100% State Income Tax Capture
		Permanent Employees – 50% State Income Tax Capture – 20 yrs
		Development Residents – 100% State Income Tax Capture – 20 yrs

DEGC
Detroit Economic Growth Corporation
BROWNFIELD TAX INCREMENT FINANCING (TIF)
1

The chart below illustrates how the transformational brownfield program works for the proposed District Detroit project:

THE MICHIGAN TRANSFORMATION BROWNFIELD PROGRAM: HOW DOES IT WORK?

UNIQUE PARTNERSHIP THAT PROVIDES MAJOR STATE INCOME TAX INCENTIVES ON TOP OF TYPICAL LOCAL PROPERTY TAX INCENTIVES

TOTAL TAX INCENTIVES CONTRIBUTED TO THE PROJECT

City of Detroit General Fund	$0*
Detroit Public Schools	$0*

* No Impact Because DDA Would Otherwise Capture Taxes

Downtown Development Authority (DDA) Investment	$48 Million
Property Tax Abatement Benefit (PA 210, NEZ)	$133 Million
Traditional Brownfield Tax Increment Financing	$214 Million
Transformational Brownfield Revenues – from State	$402 Million
Total Incentives Over 35 Years	$798 Million

THIS ASSUMES PROJECT IS FULLY BUILT OUT

THE DEVELOPER RECEIVES NOTHING IF THEY DO NOT BUILD

THE DEVELOPERS CAN EARN THESE INCENTIVES OVER 35 YEARS BY BUILDING THE PROJECTS & FILLING THE BUILDINGS WITH CITY OF DETROIT RESIDENTS & EMPLOYEES

DEGC
Detroit Economic Growth Corporation
APPENDIX
3

It is important to note that there were amendments to the TBP legislation. Section 14a. (7) of Act 381 of 1996, as amended, provides the limits and requirements for the allowed State income and withholding tax captures. The following requirements were removed from the TBP requirements in Act 381 with the recent amendments to the Act:

- The third-party economic impact analysis requirement has been removed which was formerly in Section 14a

- The threshold for triggering the 3rd party underwriting analysis has increased from $1.5M to $10M in withholding and income tax capture in any one year which is in Section 14a(6). The District Detroit TBP meets the $10M threshold and has completed 3rd party underwriting with MEDC.

- There has never been a requirement for job creation in the TBP portion of the Act. There is a requirement to state the projected direct job creation for any Act 381 Plan, but it is not a commitment to create a minimum number of jobs. The TBP allows State income and withholding taxes as some of the significant extra incentives effectively creates a financial incentive for the developer to create jobs at the TBP locations.

Attachment 2 provides much more detail on the traditional brownfield versus the transformational brownfield plan.

District Detroit Project Summary

The proposed District Detroit project would include the construction and operation of 10 renovated historic or new projects, including 4 mixed-income residential buildings, 4 commercial office buildings and 2 hotels, along with additional open public and green space. The proposed projects include integrated parking plans, a projected 1,253,000 square feet of commercial office space, 146,000 square feet of retail space, 467 hotel rooms and 695 residential units. At least 20% of the residential units will be available to rent at rates affordable to those earning no more than 50% of Area Median Income, equivalent to an annual salary of $35,800 or less for a two-person household.[4]

A significant ancillary component to the TBP is the development of the University of Michigan Center for Innovation in Detroit (referred to as the "**DCI**"), that will include a world-class research and education center anchored by the University of Michigan.[5] The Projects on the DCI Block will support and amplify the education center and will incorporate an existing building and replace a four-acre surface parking lot at Grand River Avenue and W. Columbia Street. The plan for the DCI Block is to be grounded in innovation, inclusivity, accountability, sustainability, and community and the DCI is expected to generate interest from the international business community that this TBP seeks to attract, benefitting Detroiters and the State of Michigan.[6]

The table below provides a District Detroit project summary, including investment and square footage amounts for the proposed ten projects encompassing the District Detroit project:

[Rest of page is blank]

[4] Source: City of Detroit's website link to the District Detroit project information.

[5] The education center building of the DCI project is not being funded with support from this TBP; the other DCI Block buildings are. The DCI project has received a $100 million earmark from the state and a $100 million personal funding commitment from Ross, a Detroit native, major University of Michigan donor and owner of the Miami Dolphins. According to the Developer, the DCI project will not be seeking any tax incentives.

[6] Page 6 of The District Detroit Act 381 Combined Transformation Brownfield Plan. https://www.dropbox.com/s/d9093f968xy9w7w/FINAL%20RELATED%20ODM%20381%20Combined%20Transformational%20Brownfield%20Plan%20TBP%204860-8336-1570%20v.38.pdf?dl=0.

Project Summary[7]

		PROGRAM						
		Investment $/M	Mixed Income Residential Units	Mixed Income Residential Gross SF	Office Gross SF	Retail Gross SF	Hotel Keys	Hotel Gross SF
TOTAL	Dev Begin Date	**$1,532**	**695**	**519,073**	**1,253,397**	**146,477**	**467**	**386,802**
2200 Woodward – Office	Jun, 2023	340	-	-	492,900	28,000	-	-
2250 Woodward – Residential	Oct, 2024	216	287	294,439	-	26,992	-	-
2211 Woodward – Fox Hotel	Apr, 2026	121	-	-	-	10,961	177	194,028
2300 Woodward – Mixed-Use	Apr, 2025	84	-	-	131,100	18,400	-	-
2305 Woodward / 2300 Cass – A/B Flexible Site – Office	Oct, 2026	279	-	-	545,950	10,050	-	-
2455 Woodward – Little Caesars Arena Hotel	Apr, 2024	191	-	-	-	21,900	290	252,900
408 Temple – The American Residential	Oct, 2026	69	131	152,325	-	5,310	-	-
2505 Cass – DCI Residential	Apr, 2024	150	261	247,300	-	8,750	-	-
2115 Cass – DCI Business Incubator	Apr, 2025	60	-	-	83,447	10,753	-	-
2210 Park – Detroit Life Residential	Apr, 2024	24	16	41,308	-	3,000	-	-

The following provides detail on each project:[8]

1. **2200 Woodward Avenue—Office –** This project is one of two new buildings proposed to replace a surface parking lot between Comerica and Woodward Avenue (the other building will be the 2250 Woodward Residential Project discussed below). This Project is a high-rise office This tower above ground floor retail on the south half with two levels of underground parking under both buildings.
2. **2250 Woodward Avenue – Residential –** This project is one of two new buildings proposed to replace a surface parking lot between Comerica Park and Woodward Avenue (the other building will be the 2200 Woodward Office Project discussed above). This Project is a high-rise residential tower above ground floor retail on the north half with two levels of underground parking under both buildings.
3. **2211 Woodward Avenue – Fox Hotel** - One existing building renovation is the conversion and adaptive reuse of the office tower surrounding the Fox Theatre to hotel use.
4. **2300 Woodward Avenue – Mixed-Use** - A new building is proposed for the parking lot south of St. John's Church, which would be replaced by a mid-rise office tower with ground floor retail.
5. **2305 Woodward Avenue/2300 Cass (A/B Flexible Site) – Office** - Another new high-rise office tower building is proposed for one of two locations, to be dictated by market demands (2305 Woodward Avenue or 2300 Cass).
6. **2455 Woodward Avenue – Little Caesars Arena Hotel** - A new hotel is proposed for the vacant areas south of Little Caesars Arena.
7. **408 Temple – The American Residential** - An existing building renovation includes the conversion and adaptive reuse of the former American Hotel to mixed-income apartments above ground floor retail.
8. **2205 Cass – DCI Residential** - As part of the DCI Block, a parking lot will be the site of new construction of an apartment building.
9. **2115 Cass – DCI Business Incubator** - As part of the DCI Block, the former Loyal Order of Moose Lodge will be converted and repurposed and expanded into part of an existing parking lot for use as a business incubator.
10. **2210 Park – Residential** - Finally, the conversion of the Detroit Life Building to market-rate apartments over ground floor retail.

Five of the ten District Detroit projects would redevelop surface parking lots. Attachment 3 provides additional District Detroit project details with project renderings, including more details on DDA loans for affordable housing and infrastructure components of District Detroit TBP project.

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[7] Page 8 of The District Detroit Act 381 Combined Transformation Brownfield Plan. https://www.dropbox.com/s/d9093f968xy9w7w/FINAL%20RELATED%20ODM%20381%20Combined%20Transformational%20Brownfield%20Plan%20TBP%204860-8336-1570%20v.38.pdf?dl=0.

[8] Ibid

District Detroit Project Timeline

According to the DEGC, the proposed District Detroit project approvals timeline is as follows:

01/30/2023	DBRA - TBP #1 Board Meeting and CAC Meeting
02/06/2023	DBRA - TBP Local Public Hearing
02/08/2023	DBRA - TBP #2 Board Meeting (note: on Wednesday, February 8, 2023, the Detroit Brownfield Redevelopment Authority board approved the District Detroit TBP by a 5-2 vote.)
02/16/2023	PED Hearing PA210 Dist. (Projects 1,5a,10; 8, 9,5b) + NEZ-N Dist. (2,8)
02/23/2023	PED Hearing PA210 District (Projects 6,7), NEZ-N (10), NEZ-R (7)
03/02/2023	DBRA – TBP City Council Public Hearing at PED*
03/07/2023	COW Vote on the -TBP - Transformational Brownfield Plan
04/25/2023	TBP Michigan Strategic Fund Board Meeting

* Assumes CBO Report is completed and filed in time for March 2 PED Committee. If the Neighborhood Advisory Council requires more time, PED would not take action to send all items to formal session until its March 9 meeting. In that event, full Council approval would not occur until March 14.

District Detroit Transformational Impacts[9]

What does this mean for Detroit and its residents as well as the State of Michigan? Construction of the Projects is anticipated to support approximately 12,450 direct[10], on-site construction jobs with total wages expected to exceed $865 Million throughout the construction period (an annual average wage of $70,000 per year), and approximately 5,790 post-construction direct full time equivalent (FTE) jobs with an average annual income of $95,000 per year. The labor income impact of the direct, permanent non-construction jobs totals approximately $548 Million per year with a total anticipated economic impact of $1.6 Billion. Beyond the City of Detroit, the State also will experience increased indirect[11] and induced[12] employment and economic impact as discussed further in this TBP.

Detroiters will additionally benefit from projected net tax revenue increases. Independent projections indicate that the TBP will create $113 Million in net fiscal revenue to the City's general fund over the first 10 years through City income taxes, corporate income taxes, utility user taxes and other miscellaneous tax revenues as well as generating a combined $751 Million in net fiscal revenues over the period (35 years) this TBP will be in place. The State will

[9] "Transformational Impacts" section is from pages 9-10 of The District Detroit Act 381 Combined Transformation Brownfield Plan. https://www.dropbox.com/s/d9093f968xy9w7w/FINAL%20RELATED%20ODM%20381%20Combined%20Transformational%20Brownfield%20Plan%20TBP%204860-8336-1570%20v.38.pdf?dl=0.

[10] Direct jobs are the jobs and payroll directly created by the District Detroit TBP project. [10] Indirect jobs and salaries are created in new or existing area firms, such as maintenance companies and service firms, that may supply goods and services for the District Detroit TBP project. Induced jobs and salaries are created in new or existing local businesses, such as retail stores, gas stations, banks, restaurants, and service companies that may supply goods and services to new workers and their families. Source: a DEGC report using Total Impact, an economic and fiscal impact analysis tool developed by consulting firm, Impact DataSource.

[11] Ibid

[12] Ibid

experience similar benefits and independent projections predict this TBP will create $98 Million in net fiscal revenue to the State over the first 10 years through various taxes as well as generating a combined $1 Billion in net fiscal revenues over the life of this TBP.

Population Growth – The District Detroit already draws interest from those who want to live and work close to the action. That interest is expected to grow as thousands of new housing units in and around The District Detroit are filled with new residents from the region and outside the State. As new attractions begin to open throughout the area and new opportunities draw in even more residents, it is expected that more of Michigan's recent college graduates will choose Detroit over other cities with higher costs of living.[13] As a result of the Covid-19 pandemic, younger workers have begun to relocate to the Midwest from coastal cities. Recent events have documented the appeal of Michigan with its abundant water and moderate climate to potential "climate migrants." These Projects will make The District Detroit, and the surrounding area, more appealing to such itinerant employees.

Catalyst for Growth in Employment and Commercial Activity – This TBP includes development of two buildings and common areas of the University of Michigan's planned DCI Block, a mixed-use block anchored by a world-class research and education center.[14] This TBP will foster greater educational opportunities for Detroiters and strengthen the connection between the City and the University of Michigan through the DCI Block's programs, incubator and connection to the surrounding area. These connections will provide greater opportunities to support Detroit entrepreneurship in an affordable environment and provide surrounding businesses more direct access to students at the DCI. The ecosystem of innovation and employment activated by this TBP will attract the pool of talent Michigan produces that, in recent years, has left to seek an urban experience in other States. This will provide these students a viable alternative to leaving the State.

This TBP should continue to revitalize the community. The Projects are expected to attract a growing daytime population, filling the proposed retail and office developments. As growth continues, so will interest from outside investors and employers who want to locate near this expanded economic nucleus. The incredible potential that exists in these proposed Projects will undoubtedly create a positive economic and cultural impact on the City for many years to come.

No other city boasts this many sports and entertainment venues in such close proximity. The developments proposed in this TBP stitch together this constellation of sports and entertainment anchors with an innovation/academic block, modern offices, hotels, retail and residential to create demand and activity in the live, work, play and learn environment that young people and employers are seeking.

Summary of District Detroit Project Economic and Fiscal Impacts[15]

The Projects in this TBP are projected to provide significant new and rehabilitated retail, business and residential development activity and investment to The District Detroit and surrounding area, as well as a significant infusion of economic opportunities, jobs and other follow-on benefits and related prospects. Among the highlights are the following:[16]

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[13] As much as the City of Detroit needs to make room for legacy Detroiters, who have stuck it out over the many down years, the City also needs to attract new residents to the City who can afford market rate living.

[14] "Two of the three buildings comprising the DCI Block will receive funding through this Plan. A third building – a research and education building - is being separately financed. Without the two buildings contemplated as part of this TBP, the Block's maximum transformational impact will be difficult to realize." Source: page 9 of the of The District Detroit Act 381 Combined Transformation Brownfield Plan. https://www.dropbox.com/s/d9093f968xy9w7w/FINAL%20RELATED%20ODM%20381%20Combined%20Transformational%20Brownfield%20Plan%20TBP%204860-8336-1570%20v.38.pdf?dl=0.

[15] Ibid, pages 20-21.

[16] City Council should note that the employment and wage assumptions, conclusions and information summarized in the previous two sections and throughout this TPB is found in the October 2022, TBP Economic and Fiscal Impact Analysis report by HR&A Advisors, Inc., engaged by the Developer. Attachment A in the District Detroit TBP represents a copy of this report. LPD reviewed this report and found the employment and wage assumptions, conclusions, and economic and fiscal projections to be reasonable. But Council should note that LPD does not contain any staff with an advanced degree in economics.

- Construction period impacts (including tenant improvements) are expected to include 19,780 direct, indirect and induced jobs, $1,300,000,000 in labor income and $2,800,000,000 in total economic output.
- Ongoing direct impacts from operations is expected to annually support 5,790 permanent jobs, $548,300,000 in labor income and $1,600,000,000 in total economic output.
- Beyond these direct impacts, spending by employees, businesses and residents within The District Detroit is projected to also support indirect and induced economic impacts totaling 8,010 new indirect or induced jobs, $503,800,000 in annual labor income and $1,532,900,000 in total annual economic output.
- Net fiscal benefit to the State throughout the construction period and over the full 35-year TBP is expected to be $1,040,000,000 in total.
- Net fiscal benefit to the City general fund throughout the construction period and over the full 35-year TBP is expected to be $751,000,000 in total.
- Net fiscal benefit to the Downtown Development Authority throughout the construction period and over the full 35-year TBP is expected to be $374,000,000 in total.
- Net fiscal benefit to the other property tax jurisdictions (i.e., DIA, Zoo, Wayne County, Schools, Library) throughout the construction period and over the full 35-year TBP is expected to be $19,000,000 in total.
- This Project is planned to include at least $1.533 Billion in new development with direct equity investment by Developer and its capital partners, which is well in excess of the Act 381 statutory requirements.
- An anticipated 2,516,793 GSF of space expected to be developed into: 1,253,397 GSF of office space, 146,477 GSF of retail space; 519,073 GSF of housing space, 386,802 GSF of hotel and 467 new hotel rooms. The building square footage is planned as:

2200 Woodward Office – 520,900 GSF; 28,000 GSF Retail; 492,900 Office	2250 Woodward Residential – 256,050 GSF; 26,992 GSF Retail; 294,439 GSF Residential
2211 Woodward Fox Hotel –207,350 GSF; 10,961 GSF Retail[16]; 194,026 GSF Hotel	2300 Woodward Mixed Use – 149,500 GSF; 18,400 GSF Retail; 131,100 GSF Office
2305 Woodward/2300 Cass Flexible Site – Office - 556,000 GSF; 10,500 GSF Retail; 545,950 GSF Office	2455 Woodward Little Caesars Arena Hotel - 274,800 GSF; 21,900 GSF Retail; 252,900 Hotel
408 Temple - The American Residential – 157,635 GSF; 5,310 GSF Retail; 152,325 Residential	2205 Cass DCI Residential – 256,050 GSF; 8,750 GSF Retail; 247,300 GSF Residential
2115 Cass DCI Business Incubator – 94,200 GSF; 10,753 GSF Retail; 83,447 Office; 3000	2210 Park Detroit Life Residential – 44,308 GSF; 3000 GSF Retail; 41,308 GSF Residential

- 695 new residential units are anticipated to be constructed, with 139 units (20 percent of the total units) being reserved as affordable at 50% of Area Median Income.
- The ratio of the increase in revenue to the various taxing authorities to the total tax incentives is estimated to be 2.8 to 1.

Historic Designation Advisory Board’s Historic Evaluation and Assessment of Impact of District Detroit/The Detroit Center for Innovation Projects

On February 15, 2023, Janese Chapman, Director of the Historic Designation Advisory Board (HDAB), and Rebecca Savage, Lead Architectural Historian of HDAB, presented the following memorandum to City Council regarding the Impact of the District Detroit/The Detroit Center for Innovation projects on historical structures:

“The intent of this memorandum is to provide City Council with information related to the District Detroit and the Detroit Center for Innovation in order to make an informed decision regarding the proposed Olympia Development of Michigan and Related Companies project. This memorandum provides an evaluation of the area’s historic properties, as well as a general assessment related to the potential impacts to the historic buildings in the area.

The City of Detroit Historic Designation Advisory Board (HDAB), under the powers enumerated to it in the City of Detroit Ordinance 161-H of 1976, is asked to review and provide comment regarding historic preservation in Detroit. The HDAB's role is only advisory in regard to the use of the Transformational Brownfield Plan funds, and in the use of the DDA's funds.

The Historic Designation Advisory Board commends:

- The restoration of the **Eddystone Hotel** as Eddystone Apartments – restoration completed in 2022 (National Register and City of Detroit designated)
- The planned restoration of the **Henry Street** apartment buildings - not part of the Transformational Brownfield Plan (City of Detroit local designation)
- The planned restoration of the **Detroit Life Building** 2210 Park Ave. (National Register listed and City of Detroit designated)
- The planned restoration of the **American Hotel** 408 Temple Street (National Register listed and City of Detroit designated)
- The restoration of the **United Artists Building** at 150 Bagley- not part of the Transformational Brownfield Plan (National Register listed)
- The renovation of the **Fox Theater** at 2211 Woodward (National Historic Landmark)

The HDAB also commends the City Council contractual requirement for the restoration of the Eddystone Hotel in 2019, and recommends a contractual requirement be added regarding "The District Detroit" renovations announced as part of the Transformational Brownfield Plan funds.

The Historic Designation Advisory Board notes these negative impacts on historic properties:

- The planned demolition of the **Film Exchange Building** at 2310 Cass Avenue. (eligible for the National Register, but not listed)
- The planned renovation of the **Loyal Order of Moose Lodge** at 2115 Cass Avenue is not in accordance with the Secretary of the Interior's guidelines for Historic Properties. (The Loyal Order of Moose Building is determined eligible for the National Register of Historic Places, but not listed)
- The **Blenheim Apartments** at 2218 Park Avenue (National Register listed and locally designated) was not included in the Transformational Brownfield Plan. The delayed renovation may negatively impact the Blenheim Apartments.
- The **Alhambra Apartments** at 100-112 Temple was not included in the Transformational Brownfield Plan. (National Register listed and locally designated). The delayed renovation may negatively impact the Alhambra Apartments.

The HDAB notes that the new construction projects in "The District" may have an adverse effect on the properties mentioned above: the Film Exchange Building, the Loyal Order of Moose Lodge, the Blenheim Apartments, the Alhambra Apartments, and others in the Cass Park local historic district that are smaller contributing historic buildings not described above.

The HDAB notes that the overall impact of the Olympia Development of Michigan and the Related Companies investment in Detroit will be a positive one. The planned new construction and infrastructure improvements in "The District" are positive improvements. HDAB looks forward to a future with historic preservation and an ongoing adaptive reuse of historic structures as part of the plan."

District Detroit Project Gap Analysis

Uses and Sources for the proposed District Detroit TBP project are as follows:

(in Millions)	$ Total	% of Total
USES		
Hard Cost	$950.9	62%
Infrastructure Costs	$29.4	2%
Leasing, Marketing, Tenant Improvements	$163.9	11%
Financing Costs	$61.4	4%
Soft Cost	$326.7	21%
Total Uses	**$1,532.5**	**100%**
SOURCES		
Developer Equity	$654.7	43%
Debt Financing	$727.0	47%
DDA Affordable Housing Loan	$23.8	2%
DDA Infrastructure Reimbursement	$25.0	2%
TBP Sales/Use Exemption	$38.1	2%
Low-Income Housing Tax Credit Equity	$37.2	2%
Federal Historic Tax Credit Equity	$26.7	2%
Total Sources	**$1,532.5**	**100%**

Source: DEGC

Parenthetically, it is important to note that the Developer must secure upfront private financing up to $727.0 M, as denoted in the table above, in order to start the District Detroit project before the Transformational Brownfield Plan (TBP) benefits and City's tax incentives kick in. As a result, the TBP benefits and tax incentives do not provide upfront financing. This is explained in more detail in the next section of this report entitled "Tax Incentives as it relates to the Developer's Financing for the District Detroit Project". Nonetheless, the TBP benefits and City's tax incentives are necessary to cover the financial gap between project costs and market rents, as will be explained in this section of the report. The TBP benefits and City's tax incentives are also necessary for the Developer to receive a modest return on investment of 4.4%, as will be explained in more detail in the section of this report entitled "Developer's Return on Investment from District Detroit Project" located below.

The City's remarkable rebound since its 2013 bankruptcy, spurred by internal reform initiatives, while aligning private sector investments, has positioned the City with its strongest outlook in half a century. While the benefits of this resurgence have been widespread, renewed urban investment has led to particularly high demand in the construction industry.[17]

As a result, the City's composite construction cost for labor and materials is 9th (above median) for 20 major cities in the United States.[18] Developer further indicated that Construction cost, supply chain backlogs and contractor pricing all impact the cost of development. Based upon the feedback from the development community, raw materials such as lumber experienced a 300% cost increase during the height of Covid 19 and are still 30% higher than pre-Covid pricing. Flooring, HVAC, electrical equipment, plumbing supplies and insulation material prices remain 10% to 50% higher than pre-Covid pricing. Despite material prices decreasing from Covid-19 highs, this has not translated into lower General Contractor pricing. A growing labor shortage is also impacting GC pricing.

Meanwhile the City's average office rents of $20.15 per square foot are the third lowest among the 54 largest urban markets, significantly below the $38.65 per square foot national average and only slightly higher than Grand Rapids, MI and Louisville, KY.[19] As a further example, Detroit's office rental rate, places Detroit as the 16th of 20 major US cities. Denver, by way of contrast, averages $33.64/square foot for office space. Taking the differing costs of construction between those two cities into account, and assuming that the required rate of return on investment is a

[17] Page 29 of The District Detroit Act 381 Combined Transformation Brownfield Plan. https://www.dropbox.com/s/d9093f968xy9w7w/FINAL%20RELATED%20ODM%20381%20Combined%20Transformational%20Brownfield%20Plan%20TBP%204860-8336-1570%20v.38.pdf?dl=0.

[18] Ibid. Note: City's composite construction cost for labor and materials is from ENR.com, construction economics, ENR's cost indexes by City, Attachment E of the District Detroit TBP. LPD reviewed this report and it appeared reasonable.

[19] Ibid. Note: *Jones Lange LaSalle Research Report*, "US Office Statistics," Q3 2022. Attachment F of the District Detroit TBP. LPD reviewed this report and it appeared reasonable.

7% yield-to-cost[20] for both cities, the rental rate in Detroit would fund a construction cost of $233/square foot, where in Denver, the rent would support construction of $343/square foot. Applying the TBP financing benefit proposed in this TBP to this example would support investment in Detroit construction of office space at a cost of $371/square foot, yielding a competitive built environment to cities, like Denver, with higher rental rates, strengthening Detroit's ability to compete nationally for tenants.[21]

Developer further indicated If the developer was to experience higher rents and/or occupant income levels than projected, the TBP reimbursement could be accelerated, however the amount of the TBP reimbursement would not increase. The City and MSF in the TBP are agreeing to a not-to-exceed amount of $616 million with the Transformational Brownfield Plan. Conversely if the developer experienced lower rents and occupant income levels than projected, the TBP reimbursement could be reduced if the developer reached the final year of TBP reimbursement and did not reach the $616 million total figure.

The discrepancy (or "gap") between costs of construction and rent generating revenue underscores the necessity of Act 381 Transformational Brownfield financing proposed in this TBP to make this program of investment economically viable.[22] LPD concurs with this with this conclusion.

Tax Incentives as it relates to the Developer's Financing for the District Detroit Project

LPD inquired about the Developer's need to provide private financing upfront to start the District Detroit project before the Transformational Brownfield Plan (TBP) benefits and City's tax incentives kick in. We further questioned would the lenders still want the Developer to receive approval of the TBP tax benefits and the PA 210 and NEZ tax incentives to provide financing for the project. If the answer is yes, we wondered would the developer seek Council's approval of the PA 210 and NEZ tax incentives while seeking approval of the TBP tax benefits.

The Developer responded indicating that it must secure up front private financing to start the District Detroit projects. The TBP, abatements, and other tax incentives do not provide any up-front funds. The Developer will be seeking approval of the TBP and tax abatement districts concurrently but will return to City Council for approval of tax abatement certificates. The projects must be started for any TBP incentives to commence and completed in order for any of the tax abatements to start. In addition, the leasing and employment revenue projections must be realized in order for the Developer to receive the State employment tax revenue-related TBP incentives in the first 25 years of the 35-year total period of the TBP. (emphasis added)

Similar to many other development projects seeking tax incentives, the Developer has stated that their investors and lenders require approval of the tax incentives before being willing to finalize their financing commitments to the projects.

Developer's Return on Investment from District Detroit Project

The DEGC has reported that the returns on the District Detroit project would be 2 percent without incentives; 4.4 percent[23] with incentives. The DEGC has further reported that in 2021 and 2022 City Council voted to approve

[20] "Yield to cost", or development yield, is a benchmark that investors utilize to assess a project based on its cost and potential return. To calculate it simply divide the net operating income by the project's total cost. Source: https://www.dealpath.com/blog/yield-on-cost-real-estate-development/.

[21] Page 29 of The District Detroit Act 381 Combined Transformation Brownfield Plan. https://www.dropbox.com/s/d9093f968xy9w7w/FINAL%20RELATED%20ODM%20381%20Combined%20Transformational%20Brownfield%20Plan%20TBP%204860-8336-1570%20v.38.pdf?dl=0. Note: A representative from Plante Moran, real estate advisor for the Developer, also explained how the tax incentives "fill in" the gap in construction office cost. LPD found this to be reasonable.

[22] Ibid. It is important to note that the TBP tax benefits of $616 million plus the City's tax incentives of $133 million plus the DDA loans of $49 million used to cover the financial gap between costs of the District Detroit project and market rents equate to $798 million, or about 52% of total project cost of $1.53 billion.

[23] LPD met with representatives from Plante Moran and DEGC to review the Developer's pro forma statements supporting the need of the tax incentives and achieve a rate of return on investment of 4.4%. (A pro forma, Latin for "for the sake of form," is a financial model for a construction project based on costs and sources of funding.) The financial models (proformas) prepared by the Developer and shared with LPD for review are considered confidential and proprietary information. We found the financial

incentives on $2.0 billion in mixed-use projects. DEGC also indicated that in 2021, average returns on major projects were 4.3%, but 7.1% average returns in 2022. LPD inquired why would the District Detroit developer settle for a 4.4% return.

The Developer responded indicating at the 2.0% return, it would not pursue the project. At the 4.4% return the projects are at the borderline of viability. The Developer is working to reduce costs and secure higher rents from commercial office tenants wherever possible to enhance returns. During the pre-application underwriting and estimating of the projects, the Fed raised interest rates over 225 bps (i.e., 2.25%). These large rate increases have had significant impact on levered returns nationally.

It is important to note a viable return is necessary for other investors to participate in the project. While the District Detroit Developer may settle for a particular return, that same return may not attract other sources of capital that would help drive successful project financing.

LPD inquired is the one percent the Developer will be paying on the DDA loans instrumental in helping the Developer achieve a 4.4% return on the overall District Detroit project.

The Developer responded the overall incentives package is critical in helping it to achieve a viable return. The DDA Affordable Loan is also instrumental in enabling the residential projects to produce the 50% Area Median Income (AMI) depth of affordability. The loan program is an innovative means of creating deep affordable housing within the DDA without pulling from other affordable housing resources like HOME/CDBG funds.

LPD inquired were other reasons why the low ROI of 4% is acceptable to the developers is because of 1) the large level of private equity that's being put into the project, 2) the longevity of the project (35 years), 3) the fact that the first project to the tune of $350 M plus is coming on board first.

The Developer responded indicating that generally speaking, the biggest reason is the longevity of the project is there's a long-term hold investment thesis on the part of the owners (Related/Olympia) wherein they rarely, if ever, sell property. That is what gives them comfort in making this investment. The development all needs to come online together to create the ecosystem to support the investment: DCI, Office, Residential, etc. The amount of the equity ($655 million) equates to over 40% of the total investment. That equity amount is one of the reasons for the low return.

LPD inquired why isn't the Developer able to provide more equity into the District Detroit project to eliminate or significantly reduce the need for the transformational brownfield tax incentives offered by the state and tax incentives offered by the City of Detroit.

The Developer responded but for the incentive, it would not be able to secure the financing required to construct the project.

District Detroit Project Cost/benefit Analysis

It is anticipated that the District Detroit TBP projects will generate $751.05 million in gross net benefits to the City of Detroit over a 35-year period, assuming individual job goals are achieved, as illustrated in the charts below.

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information and the assumptions supporting the financial information to be reasonable. In addition, Council should note that the DEGC also reviewed the confidential data and also found the financial information and supporting assumptions to be reasonable.

District Detroit City of Detroit Gross Net Benefits and DDA Incentive Summary[24]

City of Detroit: Incentive Summary over 35 Years					DDA: Property Tax Benefit over 35 Years			
Year	Total Benefits to the City of Detroit	Additional Costs to the City of Detroit	Net Benefits to the City of Detroit	Present Value of Net Benefits	DDA Tax Revenue	Real Property Tax Abatement	Brownfield Capture	DDA Capture
1	$2,324,750	($12,000)	$2,312,750	$2,312,750	$0	$0	$0	$0
2	$2,324,990	($12,240)	$2,312,750	$2,202,619	$1,418,593	($1,333,719)	$0	$84,874
3	$8,382,333	($1,112,374)	$7,269,959	$6,594,067	$3,711,908	($3,170,501)	$0	$541,407
4	$12,785,669	($2,022,910)	$10,762,759	$9,297,276	$4,893,582	($4,126,517)	($10,835)	$756,231
5	$13,076,896	($2,063,368)	$11,013,528	$9,060,857	$6,683,371	($5,481,461)	($11,096)	$1,190,815
6	$18,536,661	($3,495,929)	$15,040,732	$11,784,807	$7,280,182	($6,041,832)	($12,916)	$1,225,434
7	$19,058,152	($3,565,848)	$15,492,305	$11,560,596	$7,434,777	($6,171,832)	($13,218)	$1,249,726
8	$19,593,925	($3,637,165)	$15,956,760	$11,340,172	$7,589,287	($6,304,433)	($13,527)	$1,271,327
9	$20,144,469	($3,709,908)	$16,434,561	$11,123,558	$7,744,178	($6,439,685)	($13,842)	$1,290,651
10	$20,710,648	($3,784,106)	$16,926,542	$10,911,000	$7,902,168	($6,577,642)	($14,164)	$1,310,362
11	$21,292,913	($3,859,788)	$17,433,125	$10,702,427	$8,063,320	($6,718,358)	($14,491)	$1,330,471
12	$21,891,730	($3,936,984)	$17,954,747	$10,497,768	$8,227,697	($4,774,641)	($14,826)	$3,438,231
13	$22,507,577	($4,015,724)	$18,491,853	$10,296,956	$8,395,364	($3,739,604)	($130,063)	$4,525,697
14	$23,140,945	($4,096,038)	$19,044,907	$10,099,921	$8,566,386	($2,742,194)	($134,802)	$5,689,390
15	$23,792,342	($4,177,959)	$19,614,383	$9,906,596	$8,740,831	($611,337)	($137,546)	$7,991,947
16	$24,512,876	($4,303,298)	$20,209,578	$9,721,153	$8,918,767	($215,019)	($189,768)	$8,513,979
17	$25,255,025	($4,432,396)	$20,822,628	$9,539,086	$9,100,264	($92,838)	($193,614)	$8,813,811
18	$26,019,438	($4,565,368)	$21,454,070	$9,360,340	$9,285,393	($19,211)	($197,538)	$9,068,645
19	$26,806,784	($4,702,329)	$22,104,454	$9,184,857	$9,474,227	$0	($201,539)	$9,272,688
20	$27,617,749	($4,843,399)	$22,774,350	$9,012,584	$9,666,841	$0	($205,621)	$9,461,220
21	$28,453,043	($4,988,701)	$23,464,342	$8,843,464	$9,863,309	$0	($209,784)	$9,653,525
22	$29,313,396	($5,138,362)	$24,175,034	$8,677,444	$10,063,710	$0	($214,031)	$9,849,679
23	$30,199,559	($5,292,513)	$24,907,046	$8,514,470	$10,268,121	$0	($218,363)	$10,049,759
24	$31,112,306	($5,451,289)	$25,661,018	$8,354,491	$10,476,624	$0	($222,781)	$10,253,843
25	$32,052,436	($5,614,827)	$26,437,608	$8,197,454	$10,680,625	$0	($227,288)	$10,453,338
26	$33,020,769	($5,783,272)	$27,237,497	$8,043,308	$10,897,297	$0	($231,884)	$10,665,413
27	$34,017,856	($5,956,770)	$28,061,086	$7,891,920	$11,116,456	$0	($236,573)	$10,879,883
28	$35,045,151	($6,135,473)	$28,909,677	$7,743,408	$11,341,827	$0	($241,355)	$11,100,471
29	$36,103,264	($6,319,538)	$29,783,726	$7,597,639	$11,571,705	$0	($246,233)	$11,325,472
30	$37,193,120	($6,509,124)	$30,683,996	$7,454,564	$11,806,181	$0	($251,209)	$11,554,972
31	$38,315,672	($6,704,397)	$31,611,274	$7,314,136	$12,045,346	$0	($256,284)	$11,789,062
32	$39,471,899	($6,905,529)	$32,566,370	$7,176,308	$12,289,295	$0	($261,461)	$12,027,834
33	$40,662,813	($7,112,695)	$33,550,118	$7,041,035	$12,538,123	$0	($266,741)	$12,271,382
34	$42,085,091	($7,326,076)	$34,759,015	$6,947,373	$12,596,291	$0	($76,490)	$12,519,800
35	$43,352,490	($7,545,858)	$35,806,632	$6,815,964	$12,851,211	$0	($78,024)	$12,773,187
	$910,174,736	($159,133,556)	$751,041,179	$301,122,366	$313,503,255	($64,560,824)	($4,747,908)	$244,194,523

Net Benefit to the City	$751,041,179
Total Cost to City	$159,133,556
Rate of Return	16%

[24] Chart courtesy of DEGC

City of Detroit Gross Benefits Summary over the First 35 Years[25]

	Amount
Real Property Taxes, before abatement	$313,966,250
Personal Property Taxes, before abatement	$0
New Residential Property Taxes	$0
Municipal Income Taxes - Direct Workers	$450,749,681
Municipal Income Taxes - Indirect Workers	$148,725,486
Municipal Income Taxes - Corporate Income	$52,332,215
Municipal Income Taxes - Construction Period	$11,563,747
Municipal Income Taxes - New Residents	$24,432,118
Utility Revenue	$36,850,608
Utility Users' Excise Taxes	$29,236,483
State Revenue Sharing - Sales Tax	$826,029
Building Permits and Fees	$0
Miscellaneous Taxes & User Fees	$154,995,373
Subtotal Benefits	$1,223,677,990
Cost of Providing Municipal Services	($122,282,948)
Cost of Providing Utility Services	($36,850,608)
Subtotal Costs	($159,133,556)
Net Benefits	$1,064,544,434

Incentive Summary over the First 35 Years

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Brownfield Capture	DDA Capture	Net Benefits After Tax Abatements & Incentives
City of Detroit	$1,223,677,990	($159,133,556)	($64,560,824)	($4,747,908)	($244,194,523)	$751,041,179
Wayne County	$104,620,738	($29,948,027)	($15,423,192)	($14,530,512)	($43,134,576)	$1,584,431
Detroit Public Schools	$403,632,570	($122,550,349)	($31,944,896)	($138,053,298)	($99,743,641)	$11,340,385
State Education	$56,094,284	$0	($2,548,075)	($48,601,760)	($1,025,564)	$3,918,885
Downtown Dev. Authority	$8,680,590	$0	($1,764,656)	$0	($6,915,934)	$0
Wayne RESA	$50,890,604	$0	($10,345,428)	($36,567,733)	($3,977,443)	$0
Wayne County Comm. College	$30,270,345	$0	($6,153,585)	$0	($24,116,760)	$0
Wayne County Zoo	$934,905	$0	($190,055)	$0	$0	$744,850
Detroit Institute of Arts	$1,869,809	$0	($380,109)	$0	$0	$1,489,700
Total	$1,880,671,835	($311,631,933)	($133,310,820)	($242,501,210)	($423,108,441)	$770,119,431

The charts above present a projection that the proposed District Detroit TBP will generate a gross net benefit to the City of Detroit of $751,041,179 over 35 years. Over the same 35-year period, the DDA is projected to realize $244,194,523 in new tax captures from the District Detroit TBP properties located in the City of Detroit. In addition, the TBP will generate a gross net benefit of $19,078,252 for the other taxing jurisdictions (Wayne County, Detroit Public Schools, State Education, Wayne County Zoo, and Detroit Institute of Arts) over 35 years.

Furthermore, as denoted in the chart above, the DBRA will capture $4,747,908 in incremental property taxes over the 35 year period in the City of Detroit. This capture relates to the Detroit Public Library.

It is important to note that the $133.3 million in real property tax abatement impacting all taxing jurisdictions as a result of the City's PA 210 and NEZ tax incentives as denoted in the chart above represents tax savings to the Developer and reduces the incremental property taxes captured by the DDA. This reduction does not impact the City's general fund. As a result, the total net DDA tax capture over 35 years is $289.8 million ($423.1 million minus $133.3 million in City's tax incentives, as both are denoted in the chart above). Also, as a result, the City of Detroit does not contribute any dollars to the District Detroit project.

Charts above were prepared by the DEGC[26]. The cost/benefit analysis is based on the following:

[25] Chart courtesy of DEGC

[26] Council should note that the DEGC used a report prepared using the results of an economic impact analysis performed using Total Impact, a model developed by Impact DataSource. The DEGC report primarily used the job numbers developed by the

- $462,995 in real property taxes – this represents property taxes calculated on the library millage due to uncapping of land values for the LCA Hotel and the Temple residential sites.

- $687.8 million in municipal taxes

  - $450 million from direct workers – calculated on 6,308 new direct ongoing jobs with an average annual salary of $96,561; 35% assumed to be city residents; 65% assumed to be non-resident employees; 20% work-from-home factor of non-city employees; 10% vacancy factor; 3% annual increases due to inflation.

  - $148 million from indirect workers – calculated on 2,365 indirect jobs with an average annual salary of $83,912 as determined using RIMS II[27] multipliers and applicable NAICS codes[28]; 25% assumed to be city residents; 75% assumed to be non-city residents; 20% work-from-home factor; no vacancy assumption; 3% annual increases due to inflation.

  - $52 million from corporate income – calculated based on $150 per direct FTE jobs; 3% annual increase due to inflation.

  - $11 million from construction workers – calculated on 12,450 construction jobs and $61,921 average wage; 25% assumed to be city residents; 75% considered non-city residents.

  - $24 million from new residents – calculated on the 695 new residential units; 30% assumed to be new Detroit households; household incomes based on income needed to afford the average rents of each site.

- $29 million utility user tax – calculated on 5% gas and electricity usage estimates for each project; 3% annual increase due to inflation.

- $826K from state sales tax revenue – sales tax estimates based on $562/household and $363/direct FTE; revenue sharing based on 4% sales tax (other 2% goes to schools); 15% is subject to revenue sharing; City of Detroit gets 6.4% of the 15%

- $154 million in misc. taxes – calculated based on $674/household & 436/direct FTE.

- (-) Less $122 million in costs of providing municipal services – calculated based on $532/household & $344/direct FTE.

HR&A Advisors, Inc. Economic Impact Report and other data to calculate the estimated benefits before tax abatement, including estimated property taxes, estimated income taxes, estimated utility users, estimated state revenue sharing sales taxes, building permits and fees, and miscellaneous taxes and user fees. The DEGC report also shows the calculations for the City tax incentives (NEZ and PA 210 Commercial). LPD found that the assumptions used to create this cost/benefit analysis to be reasonable. But Council should note that LPD does not contain any staff person with an advanced degree in economics.

[27] According to the Impact DataSource report referenced in footnote 23, the economic impact estimates in the Impact DataSource report are based on the Regional Input-Output Modelling System (RIMS II), a widely used regional input-output model developed by the U.S. Department of Commerce, Bureau of Economic Analysis. The RIMS II model is a standard tool used to estimate regional economic impacts. In addition, the Developer indicated that all construction jobs and wage assumptions we produced by economic development consulting firm, HR&A. HR&A's economic impact analysis estimates the multiplier effects of the proposed development on the economy in terms of jobs, earnings, and economic output. HR&A used the IMPLAN input-output model to estimate the economic impacts of the Proposed Projects within Detroit and Michigan, using multipliers for the city and state.

[28] The North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. Source:https://www.census.gov/programs-surveys/economic-census/year/2022/guidance/understanding-naics.html.

- Equals to approximately $751 million in gross net benefits to the City of Detroit over 35 years.

Put in another way, as the preceding chart, the $751.0 million in gross net benefits to the City of Detroit is based on estimated total benefits before tax abatement of $1.22 billion, less a net of $179.6 million in estimated 30-year DDA TBP capture ($244.2 million in gross DDA tax capture less $64.6 million in City's tax incentives which reduces the DDA capture equals net of $179.6 million in DDA tax capture), less $4.7 million in DBRA TBP capture, and less $159.1 million in cost of services and utility deductions.

LPD concludes it is quite significant for the City to potentially receive gross net benefits in the neighborhood of $751.0 million, which is all upside to the City of Detroit! As a result**, the ratio of gross net benefits to cost** ($751.0 million in gross net benefits over $159.1 million in cost of services and utility deductions), **is 4.72/1.0, a very positive ratio and potential return on the City's investment.**

Present value of net benefits to the City

The present value of gross net benefits of $751.0 million to the City discussed previously is $301.1 million in 2023 dollars as depicted below by the Developer:

Net Benefit: $751 Million (Present Value (5%): $301,122,366)

- Real Property Taxes: $462,995 (Present Value: $109,510)
- Income Tax Direct FTE: $450,749,681 (Present Value: $177,068,141)
- Income Tax Indirect FTE: $148,725,486 (Present Value: $58,420,376)
- Income Tax Construction: $11,563,747 (Present Value: $10,513,644)
- Corporate Income Tax: $52,332,215 (Present Value: $20,536,776)
- New Resident Income Tax: $24,432,118 (Present Value: $9,637,729)
- Utility User Tax: $29,236,483 (Present Value: $11,499,791
- State Sales Tax Sharing: $826,029 (Present Value: $328,462)
- Misc. Taxes & Fees: $154,995,373 (Present Value: $61,633,138)
- Less Costs of City Services: $122,282,948 (Present Value: 48,625,205)

The present value of the cost to the City in the form of services and utility deductions is $63.3 million in 2023 dollars as depicted below by the Developer:

Costs of City services and utility deductions: $159,133.556 (Present Value (5%): $63,278,666)

On a present value basis, LPD still concludes it is quite significant for the City to potentially receive present value net benefits about $301.1 million when the present value cost to the City in the form of cost of services and utility deductions equals only approximately $63.3 million. As a result, the ratio **of present value of net benefits to cost is 4.76/1.0, still a very positive ratio and potential return on the City's investment.**

An Annual View of Net Benefits from the District Detroit TBP Project

The two charts below depicts an annual view of actual annual tax collections prior to the establishment of the TBP and projected annual tax collections after the establishment of the TBP:

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ACTUAL ANNUAL TAX COLLECTIONS PRIOR TO THE ESTABLISHEMENT OF THE TBP

Annual Collections	Category of Tax Collection of the District Detroit TBP Properties
$23,000	General Fund Share of City Property Taxes that were established prior the creation of the DDA. Pursuant to the DDA statute, new property tax revenues established, after the creation of the DDA, inure to the DDA and not to the City general fund.
$178,000	Employee City Income Taxes[29]
$48,000	Corporate City Income Taxes[30]
N/A	Utility Users Taxes (currently a nominal amount)
$249,000	**Total City Taxes currently collected Annually from the properties in the TBP**

PROJECTED ANNUAL TAX COLLECTIONS AFTER THE ESTABLISHEMENT OF THE TBP

Annual Collections	Category of Tax Collection of the District Detroit TBP Properties
$23,000	General Fund Share of City Property Taxes that were established prior the creation of the DDA. Pursuant to the DDA statute, new property tax revenues established, after the creation of the DDA, inure to the DDA and not to the City general fund. **(unchanged)**
$18,142,857	Employee City Income Taxes[31]
$1,485,714	Corporate City Income Taxes[32]
$1,800,000	Utility Users Taxes[33]
$21,451,571	**Total Estimated City Taxes collected Annually from the properties in the TBP**

Currently, as illustrated in the first chart above "ACTUAL ANNUAL TAX COLLECTIONS PRIOR TO THE ESTABLISHEMENT OF THE TBP," the City of Detroit only realizes $249,000 in annual tax collections from the proposed District Detroit properties. However, once completed, as illustrated in the second chart "PROJECTED ANNUAL TAX COLLECTIONS AFTER THE ESTABLISHEMENT OF THE TBP," the City of Detroit is projected to realize on average, $21,451,571 in income from the proposed District Detroit TBP properties.

District Detroit TBP Projected Job Creation and Workforce Development Plans

Regarding projected job creation associated with the District Detroit project, it was mentioned previously that the project should generate approximately 6,000 new direct ongoing jobs and 12,450 construction jobs. The chart below provides a breakdown of the number of direct and construction jobs, the types of jobs expected, and anticipated constructions wages by project site:

[29] The $178,000 in annual income taxes is derived from the *income tax annual share* of the $211,000 in annual employee and corporate City income taxes from the Fox Office Building and the *income tax annual share* of the $15,000 in annual employee and corporate City income taxes from Hockeytown Café.

[30] The $48,000 in annual corporate income taxes is derived from the *corporate income tax annual share* of the $211,000 in annual employee and corporate City income taxes from the Fox Office Building and the *corporate income tax annual share* of the $15,000 in annual employee and corporate City income taxes from Hockeytown Café.

[31] Annual City Income Tax figure of $18,142,857 derived from calculating the annual average of the 35-year TBP projection of $635 million in City Income Taxes.

[32] Annual Corporate City Income Taxes figure of $1,485,714 derived from calculating the annual average of the 35-year TBP projection of $52 million in Corporate City Income Taxes.

[33] Annual Corporate City Income Taxes figure of $1,800,000 derived from calculating the annual average of the 35-year TBP projection of $63 million in Corporate City Income Taxes.

Project	New Direct Ongoing Jobs FTE	Types of Jobs Expected	Direct Construction Jobs	Total Anticipated Construction Wages
2200 Woodward - Office	2000	Retail and various office including executives and clerical, financial and technology based	2,470	$171,769,157
2250 Woodward - Residential	240	Retail; Apartment management, maintenance and housekeeping	2,040	$141,866,024
2211 Woodward - Fox Hotel	220	Retail and hotel management and service employees; restaurant employees	940	$65,369,639
2300 Woodward - Mixed Use	610	Retail and various office including executives and clerical, financial and technology based	630	$43,811,566
2305 Woodward/ 2300 Cass -Flexible Office	1790	Retail and various office including executives and clerical, financial and technology based	2,180	$151,601,928
2455 Woodward - Little Caesars Arena Hotel	420	Retail and hotel management and service employees; restaurant employees	1,480	$102,922,410
408 Temple American - Residential	50	Apartment management, maintenance and housekeeping	660	$45,897,831
2205 Cass - DCI Residential	80	Apartment management, maintenance and housekeeping	1,410	$98,054,458
2115 Cass DCI - Business Incubator	350	Various entrepreneurial businesses and support.	420	$29,207,711
2210 Park Detroit Life - Residential	30	Apartment management, maintenance and housekeeping	220	$15,299,277
Total	**5,790**		**12,450**	**$865,800,000**

As denoted previously, the average annual salary for the projected 6,000 direct job is around $97,000; and the average annual salary for the projected 12,450 construction jobs is around $62,000. Obviously, many of the higher paying jobs must be filled highly skilled individuals that may be difficult to be filled with Detroiters. As a matter of fact, it may even be difficult for the Developer to fill many of the lower paying jobs as well.

LPD inquired how the Developer plans to attract Detroiters for the direct and construction jobs when there are other major developments going on in the City. The Developer responded by indicating it plans to work closely with Detroit at Work and other program partners to identify Detroit construction talent and seek full compliance with Executive Order 2021-2. The scale and duration of the 10-project development program is especially well suited to bringing Detroiters into the skilled trades early in the overall timeline so they can be trained and positioned to seize future construction jobs in the same development program.

If City Council approves the District Detroit TBP project, it is apparent that the Developer may need to develop a robust plan to attract Detroiters to fill the highly skilled office jobs.

A View of District Detroit's TBP State and Local Tax Incentives

Chart below shows District Detroit's total transformational brownfield tax incentives by dollar value and by percentage:

Project	**Combined Totals over 30 years**	**Combined Totals over 30 years**
Estimated Other Taxing Jurisdictions Developer Property Tax Capture	$214,408,643	31.5%
Estimated **20-year** State Withholding Taxes Captured	$278,350,271	40.9%
Estimated **20-year** State Income Taxes Captured	$ 74,011,403	10.9%
Construction Sales/Use Tax Exemption	$ 34,114,899	5.0%
Construction Income Tax Revenue	$ 11,422,200	1.7%
Total Estimated Non-City Taxes Captured/Exemptions	$616,307,416	90.5%
City Share of Incentives	***$ 64,560,824***	***9.5%***
Estimated Grand Total Value of Incentives	$680,086,240	100.0%

Chart above shows an estimated $680.1 million in total transformational brownfield tax incentives, of which, only $64.6 million or 9.5% comes from City (local) tax incentives. The remaining $616.3 million in transformational brownfield tax incentives comes from construction sales/use tax exemption, tax increment property tax revenues captured by the DBRA, construction State income tax revenues, withholding State tax capture revenues, and State income tax revenues[34]. **As a result, 90.5%, the lion share of the transformational brownfield tax incentives, are to come from the State.**

It is important to note that the State's Michigan Strategic Fund (MSF), which gives final approval of the transformational brownfield plans, is very selective in approving TBPs given their impact on State revenue sources. Since the inception of the TBP legislation in July of 2017, only two TBP projects have been approved in Michigan by the MSF: The Bedrock TBP, and the redevelopment of a former paper mill in the Village of Vicksburg in Kalamazoo County (Vicksburg Paper Mill TBP).

[34] Under the Plan, the DBRA captures tax increment property taxes up to 30 years, captures 100% construction sales/use tax, 100% of construction State income taxes, captures 50% of State withholding income taxes up to 20 years, and captures 100% of State income taxes up to 20 years. The DBRA tax increment captures and the State captures, including the construction sales/use tax exemption, were calculated by the Table 5a consolidated income tax withholding tax, and TIF Tables attached in the District Detroit TBP. The TIF Tables used assumptions prepared by the Developer and the City. LPD reviewed these tables and found the financial calculations and assumptions to be reasonable.

Also, according to the Developer, the required minimum investment required by community population is by far the largest threshold to meet for the TBP program (for example for Detroit with a population over 600,000, the minimum TBP investment is $500 million). The minimum investment requirements mean that projects seeking the TBP incentive are large, complex projects for a community. It is the size and complexity of projects sized for the TBP that are likely the major factor limiting the number of projects that have sought the TBP incentive, which will minimize the impact on State revenue sources.

To illustrate this point, the table below examines how the combined State income tax revenues that will be captured and the combined sales/use taxes exempted from the two TBP projects approved by the MSF so far, and the proposed District Detroit TBP if approved by City Council and the MSF, will impact the State net income tax, sales tax, and use tax revenues:

TBP Project	**(A)** **Amount of Total State Income Taxes Captured and Sales/Use Taxes Exempted**	**(B)** **Projected 2022-2023 Net Income Tax, Sales Tax, and Use Tax**	**(A)/(B)** **Percentage of TBP's Total State Income Taxes and Sales/Use Taxes Exempted of Projected 2022-2023 Net Income Tax, Sales Tax, and Use Tax Revenues**[35]	**Projected Net Fiscal Benefit to the State from TBP Project over the life of the TBP project**
Bedrock	$386.8 M[36]	$26,043.4 M[37]	1.50%	$1.9 B[38]
Vicksburg Paper Mill	$ 20.9 M[39]	$26,043.4 M	0.08%	$39.6 M[40]
Proposed District Detroit	$401.9 M[41]	$26,043.4 M	1.54%	$1.0 B[42]
Combined Total	**$809.6 M**	**$26,043.4 M**	**3.11%**	**$2.9 B**

The table above shows that the combined State net income tax revenues that will be captured and the combined sales/use taxes exempted from two approved TBP projects and the proposed District Detroit TBP project will have an extremely small impact on State revenue sources, only 3.1% of FY 2022-2023 State net income tax, sales tax, and

[35] Note: This percentage could change significantly based on changes in State revenue sources on an annual basis due to vagaries in the State economy. FY 2022-2023 is chosen for ease of discussion.
[36] Source: LPD's Supplemental Report No. 2 on Bedrock's TBP dated November 8, 2017. https://detroitmi.gov/sites/detroitmi.localhost/files/migrated_docs/legislative-policy-reports/2017/Trans%20Brownfield%20Sup%20Rpt%202.pdf
[37] Source: Michigan Senate Fiscal Agency's January 2023 Monthly Revenue Report, which also reports the FY 2022-2023 total revenues by category. https://www.senate.michigan.gov/sfa/Publications/MonthRev/MRR_MostRecent.pdf
[38] Source: Bedrock TBP Assessment by UofM's Research Seminar in Quantitative Economics dated April 30, 2018. https://www.michiganbusiness.org/4a81a7/globalassets/documents/reports/medc-reports/economic-fiscal-impact-rsqe.pdf
[39] Source: Vicksburg Paper Mill TBP Assessment by UofM's Research Seminar in Quantitative Economics dated June 6, 2019. https://www.michiganbusiness.org/4a81c4/globalassets/documents/reports/medc-reports/paper-city-tbp-economic-and-fiscal-impact-analysis.pdf
[40] Source: Ibid
[41] Source: Page 41 of 69 of District Detroit's TBP.
[42] Source: Page 20 of 69 of District Detroit's TBP.

use tax revenues, but will be offset by the projected net fiscal benefit to the State from these projects. **As a result, the citizens of Detroit should see no impairment of services delivered by the State in the City of Detroit by the two approved TBP projects and the proposed District Detroit project.**

It is also important to note that the City (local) tax incentives anticipated to be used for the TB Projects do not reduce property tax revenues of the City but instead reduce the amount of tax increment property taxes captured by the DBRA and DDA under the Plan. The tax increment property tax capture is up to 30 years, the Neighborhood Enterprise Zone (NEZ) capture is 15 years, the Obsolete Property Rehabilitation Act (OPRA) capture is 12 years, and the PA 210 Commercial Rehabilitation Act capture is 10 years.

School Tax Capture

As indicated on the Chart on page 14 above, the DBRA would capture an estimated $242.5 million in tax increment property taxes for the TB Projects under the Plan over a 35-year period. From this total an estimated $138.1 million would come from captured school operating tax revenues.

The DBRA's capture of school operating tax revenues would not impact the funding for the Detroit Public Schools Community District (the new DPS under PA 192-197 of 2016), which is charged with the purpose of providing student education to its students. Under this legislation, the State's School Aid Fund provides the full funding to the Detroit Public Schools Community District based on the full per pupil foundation allowance ($9,150 per pupil for FY 2022-23[43]) and is <u>not</u> impacted by tax abatements.

Under Act 381, as amended by PA 46-50 of 2017, a transformational brownfield plan is <u>not</u> allowed by law to capture school debt taxes since these taxes will be captured by the Downtown Development Authority (DDA) under PA 396 of 2012 for the purposes of financing a "Catalyst Project" where the new Little Caesars Arena falls under[44]. The DDA would capture an estimated $87.3 million[45] in school debt taxes during the duration of the District Detroit Plan. It is worth repeating that these school debt taxes therefore <u>cannot</u> be captured by the DBRA by law.

District Detroit Eligible Property Information

For a traditional PA 381 Brownfield project to be considered eligible, the property must be included in a Brownfield plan and qualify as either a facility/site, functionally obsolete, blighted, historic resource, transit-oriented property/development or targeted development area. The developer is reimbursed for the cost of brownfield remediation through the annual local property tax which is paid on the property, captured by the local brownfield authority and remitted to the developer over a period of up to 30 years, once the remediation efforts and costs are verified.

The following information supports why the 10 District Detroit project sites are eligible brownfield sites for the purposes of redevelopment under the more traditional Brownfield program.[46]

- The Eligible Property includes 10 Project sites. All Project sites are located within the City of Detroit, Wayne County, Michigan.[47] Project site qualifications include three historic resources[48] and seven sites with facility or

[43] Michigan House Fiscal Agency report entitled "Fiscal Snap shop: The Foundation Allowance" dated January 2023. Note: Governor Gretchen Witmer is proposing a $9,608 full per-pupil foundation allowance for FY 2023-24 in her proposed FY 2023-24 State of Michigan budget (source: https://www.detroitnews.com/story/news/local/michigan/2023/02/09/michigan-governor-gretchen-whitmer-state-budget-schools-universities-tax-relief-corporate-subsidies/69884571007/)
[44] MCL 125.2652 Section 2(ss)(ii) of Act 381.
[45] Source: Page 8 of Table 5a Consolidated Income Tax, Withholding Tax; and TIF Tables attached to the District Detroit TBP.
[46] Source: Pages 21-24 and 33-34 of The District Detroit Act 381 Combined Transformation Brownfield Plan. https://www.dropbox.com/s/d9093f968xy9w7w/FINAL%20RELATED%20ODM%20381%20Combined%20Transformational%20Brownfield%20Plan%20TBP%204860-8336-1570%20v.38.pdf?dl=0.
[47] The City of Detroit is a "***qualified local unit of government***" within the meaning of Act 381. MCL 125.2652(*ll*).
[48] **"Historic resource"** means that term as defined in section 90a of the Michigan strategic fund act, 1984 PA 270, MCL 125.2090a. Section 90a of the Michigan strategic fund act defines a "historic resource" as a publicly or privately owned historic building, structure, site, object, feature, or open space either manmade or natural, individually listed or located within and

facility adjacent status.[49] Attachment 4 represents a summary of the site-specific eligible property information. Attachment 5 also shows legal description of the project sites.

- Details regarding environmental conditions and other qualifying conditions relating to each of the Projects in the District Detroit TBP are included in Attachment 5 entitled "Site Conditions and Known Environmental Contamination."

- Functionally obsolete, blighted and/or historic conditions: the District Detroit TBP includes three buildings designated as historic-2210 Park Avenue, 408 Temple Street, and 2211 Woodward Avenue. Attachment 6 entitled "Historic District Detroit Properties" contains more information explaining why these properties qualify as a Brownfield for inclusion in the District Detroit TBP on the basis of their status as a contributing historic resource.

Transformational Brownfield Plans ("TBPs") are defined as plans that will have a "transformational impact on local economic development and community revitalization based on the extent of brownfield redevelopment and growth in population, commercial activity, and employment that will result from the Plan."

Per Michigan Public Act 381 of 1996, as amended ("Act 381"), TBPs must be a mixed-use development and, with respect to TBPs in Detroit, with certain exceptions, must have a minimum level of capital investment of $500 million or more. This investment can be one project or a series of developments on eligible property that are a "related program of investment." In addition to the capture of property tax increment revenues by the brownfield authority ("TIR"), TBPs allow for the capture by the State of Michigan of construction period tax revenues, state income tax revenues, and withholding tax revenues ("TR" and together with TIR, "TCR") as well as certain sales and use tax exemptions. Eligible activities under TBPs are expanded to include the "construction, restoration, alteration, renovation or improvement of buildings."

Estimated tax capture revenues, including property tax increment revenues, construction sales/use exemptions, construction income tax revenues, income tax capture revenues, and withholding tax capture revenues[50] to be generated and utilized to reimburse Developer for Eligible Activities as described above completed according to the TBP are provided in the table below:

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contributing to a historic district designated by the national register of historic places, the state register of historic sites, or a local unit acting under the local historic districts act, 1970 PA 169, MCL 399.201 to 399.215.

[49] **"Facility"** means any area, place, parcel or parcels of property, or portion of a parcel of property where a hazardous substance in excess of the concentrations that satisfy the cleanup criteria for unrestricted residential use has been released, deposited, disposed of, or otherwise comes to be located. Facility does not include any area, place, parcel or parcels of property, or portion of a parcel of property where any of the following conditions are satisfied: (i) Response activities have been completed under this part or the comprehensive environmental response, compensation, and liability act, 42 USC 9601 to 9675, that satisfy the cleanup criteria for unrestricted residential use. (ii) Corrective action has been completed under the resource conservation and recovery act, 42 USC 6901 to 6992k, part 111, or part 213 that satisfies the cleanup criteria for unrestricted residential use. (iii) Site-specific criteria that have been approved by the department for application at the area, place, parcel of property, or portion of a parcel of property are met or satisfied and hazardous substances at the area, place, or property that are not addressed by site-specific criteria satisfy the cleanup criteria for unrestricted residential use. (iv) Hazardous substances in concentrations above unrestricted residential cleanup criteria are present due only to the placement, storage, or use of beneficial use by-products or inert materials at the area, place, or property in compliance with part 115. (v) The property has been lawfully split, subdivided, or divided from a facility and does not contain hazardous substances in excess of concentrations that satisfy the cleanup criteria for unrestricted residential use. (vi) Natural attenuation or other natural processes have reduced concentrations of hazardous substances to levels at or below the cleanup criteria for unrestricted residential use. MCL 324.20101(1)(s).

[50] **Property tax increment revenues:** from various taxing jurisdictions, except City of Detroit, which are captured by the DDA-capture period is 30 years; **Construction Sales/Use Tax Exemption:** on construction materials; **Construction Period Tax Capture Revenues**: on wages paid to individuals physically present and working within the eligible property for the construction, renovation, or other improvement of eligible property (100% State income tax capture); **Income Tax Capture Revenues**: income tax from individuals domiciled within the eligible property (100% State income tax capture-capture period is 20 years); and **Withholding Tax Capture Revenues**: income tax withheld from individuals employed within the eligible property (50% of the State withholding tax revenues-capture period is 20 years).

ESTIMATED TAX CAPTURE REVENUE					
Tax Capture Revenue		**Captured Taxes**	**DBRA Admin Costs**	**State Brownfield Fund**	**Taxes Available for Developer Reimbursement**
School Operating		$138,053,298	-	-	$138,053,298
State Education		$48,601,760	-	$18,915,987	$29,685,773
Wayne County Operating - Winter		$6,596,105	$1,093,068	-	$5,503,037
Wayne County Parks - Winter		$1,647,879	$272,975	-	$1,374,904
Wayne County Jail - Winter		$6,286,528	$1,041,379	-	$5,245,149
Wayne County RESA		$646,253	$107,053	-	$539,200
Wayne County RESA SP ED		$22,569,158	$,738,637	-	$18,830,521
Wayne County Special RESA ENH		$13,352,321	$2,211,845	-	$11,140,476
Library		$4,747,908	$11,622	-	$4,036,286
Property Tax Subtotal		**$242,501,210**	**$9,176,580**	**$18,915,987**	**$214,408,643**
Construction Income Tax Revenues		$11,422,200	-	-	$11,422,200
Construction Sales / Use Exemptions		$38,114,899	-	-	$38,114,899
Income Tax Capture Revenues		$74,011,403	-	-	$74,011,403
Withholding Tax Capture Revenues		$278,350,271	-	-	$278,350,271
Total		**$644,399,983**	**$9,176,580**	**$18,915,987**	**$616,307,416**

Source: Page 40 of District Detroit TBP.

Table below shows the taxes captured per the District Detroit TBP by project:

TBP Tax Overview

($ in Millions)

PROJECT NAME	TOTAL DEVELOPMENT COST	STATE TAXES [1]	NON-CITY PROPERTY TAXES	CITY CONTRIBUTION	TOTAL TBP (OVER 35 YEARS)	PRESENT VALUE OF TBP (2023 DOLLARS) [2]
2200 Woodward – Office	$340.1	$115.1	$56.0	$0	**$171.1**	**$76.9**
2250 Woodward – Residential	$216.0	$43.7	$25.5	$0	**$69.2**	**$29.2**
2211 Woodward – Fox Hotel	$121.0	$7.6	$15.1	$0	**$22.7**	**$8.7**
2300 Woodward – Mixed-Use	$83.7	$30.3	$12.5	$0	**$42.8**	**$18.2**
2305 Woodward / 2300 Cass – Office	$278.7	$122.8	$42.4	$0	**$165.2**	**$62.7**
2455 Woodward – Little Caesars Arena Hotel	$190.8	$13.3	$27.2	$0	**$40.4**	**$17.0**
408 Temple – The American Residential	$68.7	$13.8	$9.0	$0	**$22.8**	**$8.2**
2505 Cass – DCI Residential	$150.1	$33.0	$15.0	$0	**$47.9**	**$20.6**
2115 Cass – DCI Business Incubator	$59.7	$19.3	$9.1	$0	**$28.4**	**$12.0**
2210 Park – Detroit Life Residential	$23.6	$3.0	$2.7	$0	**$5.8**	**$2.5**
TOTAL	**$1,532**	**$401.9**	**$214.4**	**$0**	**$616.3**	**$256.0**

[1] "State Taxes" Includes Reimbursement Of Sales/Use Tax During the Project Construction Period & Income Tax Capture During Construction & After (Limited to 20 Years)
[2] "Present Value of TBP Incentive" Reflects Today's Value of the 35-Year Total of the TBP Incentive

DEGC Detroit Economic Growth Corporation

BROWNFIELD TAX INCREMENT FINANCING (TIF)

3

Source: DEGC.

The developer is requesting a **$616,307,416** TIF, [51] reimbursement, with the overall value of the plan estimated at **$644,399,983**, which includes local brownfield costs.[52] The above table shows **zero** contribution from the City of Detroit. In addition, TBP taxes are being captured over 35 years. The present value of the total TBP tax captures in 2023 dollars is $256.0 million.

The capture and use of construction period tax capture revenue shall coincide with the start of construction activities on each Project. The beginning date and duration of the use of tax increment revenue, withholding tax capture revenue, and income tax capture revenue for each Project is planned to remain in accordance with the TIF tables provided as **Tables 5a-5k** of the District Detroit TBP. A summary of revenue start dates is provided in the table below:[53]

Project	Construction Tax Capture Start/End	Property Tax TIF Capture Start/End	Income/Withholding Start/End
2250 Woodward - Residential	2024 - 2026	2026 - 2055	2027 - 2046
2211 Woodward - Fox Hotel	2026 - 2028	2028 - 2057	2029 - 2048
2300 Woodward – Mixed Use-	2025 - 2026	2026 - 2055	2027 - 2046
2305 Woodward/2300 Cass - A.B. Flexible Site – Office	2026 - 2028	2028 - 2057	2029 - 2048
2455 Woodward - Little Caesars Arena Hotel	2024 - 2026	2026 - 2055	2027 - 2046
408 Temple - The American Residential	2026 - 2028	2028 - 2057	2029 - 2048
2205 Cass DCI – Residential	2024 - 2026	2026 - 2055	2027 - 2046
2115 Cass DCI - Business Incubator	2025 - 2026	2026 - 2055	2027 - 2046
2210 Park -Detroit Life Residential	2024 - 2025	2025 - 2054	2026 - 2045

Source: Page 42 of District Detroit TBP.

Developer will apply for combining and splitting tax parcels for each Project, where applicable, at least 90 days before commencing construction and before tax increment capture commences.[54]

The capture and use of tax increment revenue, withholding TR and income TR shall not (a) commence later than five years after the date of the MSF's resolution approving this TBP or (b) extend beyond the maximum period identified by Sections 13b(16), 13c(8), and 13c(11) of Act 381.[55]

[51] 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.
[52] The duration of the TIF plan is 35 years.
[53] Source: Page 42 of The District Detroit Act 381 Combined Transformation Brownfield Plan. https://www.dropbox.com/s/d9093f968xy9w7w/FINAL%20RELATED%20ODM%20381%20Combined%20Transformational%20Brownfield%20Plan%20TBP%204860-8336-1570%20v.38.pdf?dl=0.

[54] Source: Page 42 of The District Detroit Act 381 Combined Transformation Brownfield Plan. https://www.dropbox.com/s/d9093f968xy9w7w/FINAL%20RELATED%20ODM%20381%20Combined%20Transformational%20Brownfield%20Plan%20TBP%204860-8336-1570%20v.38.pdf?dl=0.

[55] Ibid. Note: MSF is anticipated to act upon a resolution to approve the District Detroit TBP in April of 2023.

Pursuant to MSF guidelines for TBP, Developer must begin construction under the TBP within one year of MSF approval of the TBP. Construction under this TBP is expected to begin within one year of TBP approval. Under current DBRA guidance, all construction must be completed within three years of the TBP's approval, unless an extension is approved by the DBRA. The Developer's current construction schedule reflects the last Project being completed, in or around, late 2028, and so the Developer has requested an extension of the completion date. DBRA supports Developer's five-year timeline for completion of Eligible Activities, due to the size, scale, complexity and number of Projects included in this TBP. The actual timeline to complete the eligible activities described in this TBP shall be governed by the terms of the Reimbursement Agreement between the DBRA and Developer.[56]

In addition, the following property taxes are projected to be generated but shall not be captured under this TBP. With the exception of the millages levied for the DIA and Detroit Zoo, all taxes below are captured by the DDA.

General City Operating	$133,298,384
Library	$ 26,360,259
Wayne County Operating-Summer	$ 36,828,784
Huron Clinton Metropolitan Authority (HMCA)	$ 1,938,814
Wayne County Community College	$ 21,750,929
School Debt	$ 87,331,543
City Debt	$ 60,460,299
DIA Tax	$ 1,343,562
Zoo Tax	$ 671,781
DDA Operating	$ 6,237,488
Total	**$376,221,843**

Source: Table 5a TIF table from District Detroit TBP.

The Amount of Local Community and Financial Support for the District Detroit Project

Developer is seeking support for the Projects under this TBP through local tax abatements under PA 210, and Neighborhood Enterprise Zone ("**NEZ**") funds. These tax abatements are necessary to the economic viability of each proposed Project. Developer expects that the following abatements will take place on the following dates:[57]

[Rest of page is blank]

[56] Source: Pages 42-43 of The District Detroit Act 381 Combined Transformation Brownfield Plan. https://www.dropbox.com/s/d9093f968xy9w7w/FINAL%20RELATED%20ODM%20381%20Combined%20Transformational%20Brownfield%20Plan%20TBP%204860-8336-1570%20v.38.pdf?dl=0.

[57] Ibid, pages 49-50.

SUMMARY OF OTHER STATE AND/OR LOCAL INCENTIVES BY PROJECT			
Project Name	Total Property Tax Abatement Savings	Abatement Type	Anticipated Date of Certificate approval
2200 Woodward -Office	$34,744,741	PA 210	August, 2023
2250 Woodward - Residential	$18,961,807	NEZ-N, PA 210, PILOT	November, 2024
2211 Woodward - Fox Hotel	$4,405,948	PA 210	May, 2026
2300 Woodward – Mixed Use	$7,511,952	PA 210	May, 2025
2305 Woodward/ 2300 Cass - - A.B Flexible Site; Office	$25,450,139	PA 210	November, 2026
2455 Woodward - Little Caesars Arena Hotel	$14,159,482	PA 210	May, 2024
408 Temple - American Residential Redevelopment	$9,397,557	NEZ-R, PA 210, PILOT	November, 2024
2205 Cass - DCI Residential	$11,108,922	NEZ-N, PA 210, PILOT	May, 2024
2115 Cass - DCI Business Incubator	$4,245,935	PA 210	May, 2025
2210 Park - Detroit Life Residential	$3,324,338	NEZ-R, PA 210	May, 2024
Totals	**$133,310,820**		

All of the districts are expected to be designated in the Second Quarter of 2023. The local portion of the total abatement savings of $133,310,820 and $47,000,000 in local property TIR will be the local contribution to the Project.[58]

Table below shows a present value of $83 million in 2023 dollars regarding the total property tax abatement savings for the District Detroit project:

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[58] Source: Page 50 of The District Detroit Act 381 Combined Transformation Brownfield Plan. https://www.dropbox.com/s/d9093f968xy9w7w/FINAL%20RELATED%20ODM%20381%20Combined%20Transformational%20Brownfield%20Plan%20TBP%204860-8336-1570%20v.38.pdf?dl=0.

Tax Abatements by Property

(In $ Millions)

PROJECT NAME	PA 210	NEZ	TOTAL ABATEMENTS (OVER 10-15 YRS)	PRESENT VALUE OF ABATEMENTS (2023 DOLLARS) [1]
2200 Woodward - South; Office	$35	N/A	$35	$24
2250 Woodward - North; Residential	$5	$14	$19	$12
2211 Woodward - Fox Hotel	$4	N/A	$4	$2
2300 Woodward - Mixed Use	$8	N/A	$8	$5
2305 Woodward.2300 Cass - A.B Flexible Site; Office	$25	N/A	$25	$15
2455 Woodward - Little Caesars Arena Hotel	$14	N/A	$14	$9
408 Temple - The American Residential	<$1	$9	$9	$5
2205 Cass - DCI Residential	<$1	$11	$11	$7
2115 Cass - DCI Business Incubator	$4	N/A	$4	$3
2210 Park - Detroit Life Residential	<$1	$3	$3	$2
Total	**$96**	**$37**	**$133**	**$83**

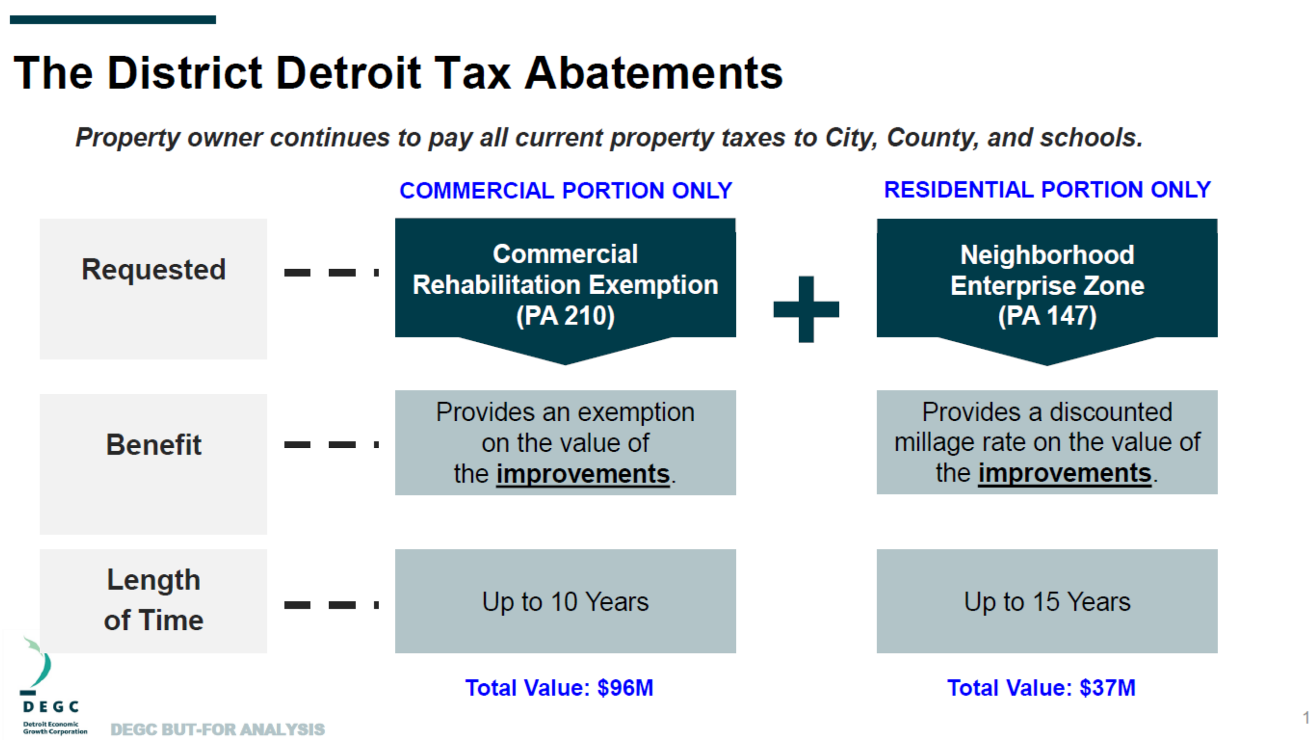
[1] "Present Value Of TBP Incentive" Reflects Today's Value of the 10-to-15-Year Total of the Abatement

DEGC Detroit Economic Growth Corporation

APPENDIX

Source: DEGC.

Table below shows the duration the local tax incentives supporting the District Detroit project:



Source: DEGC.

District Detroit TBP Developer's Project Concerns and Risks

LPD inquired it has been stated that Olympia has historically reneged on its promises for development and has only lately initiated development, and why should the public now believe that Olympia will meet its promises of providing affordable housing and complete all ten sites included in the current Transformational Brownfield Plan.

The Developer responded indicating in addition to the minimum $450M investment commitment for the development of the LCA, pursuant to the Master Development Agreement between the DDA and ODM, ODM committed to (i) develop at least $200M in in private development within the DDA "Catalyst Development Area", with all development plan approvals from DDA to be in place within 5 years following LCA's opening; (ii) cause all previously publicly owned property located on Woodward to be subject to an approved development plan within 2 years following LCA's opening; (iii) cause all previously cause all other previously publicly owned property located to be subject to an approved development plan within 5 years following LCA's opening; and (iv) cause the rehabilitation of the former Hotel Eddystone into a mixed-use building.

ODM met and exceeded the aforementioned $200M development commitment with the following developments: Little Caesars Global Resource Center, Henry West Garage, Temple West Garage, Google Office Space, and 2715 Woodward office building. In addition, with the development of the Mike Ilitch School of Business and the recently announced hotel adjacent to LCA, all "Woodward Properties" are now subject to an approved development plan (Note that ODM received an extension to September 2022 for this parcel). In October 2022, the DDA Board approved an extension on all other previously publicly owned property to September 2023. In December 2021, ODM completed the rehabilitation of the former Hotel Eddystone and it is currently almost fully leased. Finally, although outside of the jurisdiction of the MDA, ODM also recently completed the renovation of the former Women's City Club.

Since the start of the Arena construction, ODM and affiliated entities have completed over $1.4B in arena and other new developments.

The District Detroit TBP project anticipates 2,516,793 GSF of space expected to be developed into: 1,253,397 GSF of office space, 146,477 GSF of retail space; 519,073 GSF of housing space, 386,802 GSF of hotel and 467 new hotel rooms. Office space GSF represents about 50% of total GSF to be developed. LPD's main concern regarding the District Detroit project is the likelihood that the Developer will be successful in developing 1.25 million in GSF of office space in light of the COVID-19 impact on office work, especially as it relates to remote work. In addition, 69% of the projected 6,000 new direct jobs to be created by the District Detroit TBP project represent office jobs that contain the higher annual salaries, according to the HR&A Advisory TBP economic and fiscal impact analysis. As a result, LPD raised several questions on the proposed office space development as follows:

LPD inquired does the developer believe that the start dates relative to the ten District Detroit projects can be maintained given the number of construction projects currently being undertaken in Downtown Detroit-particularly given the much-referenced labor shortages and supply-chain challenges with materials as a result of the COVID-19 pandemic and the Russia/Ukraine war.

The Developer responded indicating the proposed development schedule is in line with the developers' expectations with respect to planning and design, market leasing, and procurement schedules. Throughout the COVID pandemic, Related Companies was able to complete the 3 million square foot Hudson Yards project on schedule and on budget. That said, externalities can have adverse and unforeseen impacts to development schedules and the TBP will allow a certain flexibility for the developer to adjust commencement dates so long as each project commences within 5 years following MSF's approval of the TBP. Further, the developers will work to mitigate any challenges that arise.

LPD inquired does the five-year plan give the developer an opportunity to access the market for each stage, knowing that if a project is not completed, they won't receive the tax incentives (which also means the city will not receive the projected income tax and utility users tax revenues).

The Developer responded indicating the proposed development schedule was produced in line with the developers projected leasing and financing expectations. There will be no support provided to the developer from any public entity prior to the projects being fully capitalized with debt/equity financing. Additionally, of the $798 million in incentives being received, the $24 million affordable housing loan is a capital source being provided during and beginning only at the point of commencing construction, the remainder are either cost reimbursements or tax increment/tax abatement sources that do not flow through to the benefit of the developer until construction of the project is underway.

LPD inquired is the reason for the two of the three office projects occurring last in this five-year plan to enable the developer to access the viability of the office market by that time, which is particularly challenging at the present time due to the impact of the COVID-19 pandemic and remote work.

The Developer responded indicating Project #4 - is positioned to begin construction near the completion of Project #1 to capitalize on spillover demand associated with Project #1. Project #5 - is positioned to begin construction at the completion of construction for the DCI Academic Building and at the end of the 5-year period to provide another major office anchor option for tenant demand catalyzed by the DCI and the other TBP projects. Additional context surrounding the office leasing strategy is provided in the following question.

LPD inquired there are several predictions that working a five-day work week in an office environment may be a thing of the past, post COVID, please explain how the developer is convinced there will be a demand for the newly proposed office space.

The Developer responded indicating the first new office tower is specifically positioned toward the beginning of the 5-year plan in reaction to the shifting office demand environment. Due to the current age of much of the office inventory, as well as the lasting impacts COVID-19 has had on in-office work, tenants, both locally and nationally, are looking to downsize their footprints. However, to encourage in-office work, they are looking to downsize into the Class A, highly amenitized, new construction office space, hence the developer's inclusion of over 1 million square feet within the TBP plan.

Based on data from CoStar, the average year built for all office space in Downtown, Midtown, and New Center Detroit was 1930. The average year built for Class A Office Space in downtown, midtown and New Center Detroit is 1977. As you look at the median age of Class A office space across certain cities, Detroit has an outdated stock in comparison to Columbus (2001), Minneapolis (2000) and Nashville (2007). For Detroit to remain competitive with other major cities, it will require new state-of-the-art Class A office inventory to attract anchor-style tenants.

LPD inquired is it proposed that the new office space will draw business from outside the city limits or will they only pull from the existing offices in the city.

The Developer responded indicating over 95% of the office space is anticipated to be occupied by third-party tenants, not affiliated with either Related or ODM. The developer anticipates leveraging the national leasing team at Related Companies to attract large scale office users moving from more expensive coastal markets. The developer will also market the space regionally. The kind of Class A, highly amenitized, new construction office space delivered by the TBP development program is key to Detroit's competitiveness in attracting net-new third-party tenants.

LPD finds the Developer's responses to our questions regarding the office space development components of the District Detroit project to be reasonable. Also, the fact that the first office space development is towards the beginning of the construction five-year time line, one towards the middle of the time line (and is largely connected to the DCI development, a strong potential development for the City), and one towards the end of the time line, gives the Developer flexibility to make adjustments to build more residential units if the office space units aren't as feasible to build as first planned. The downside with that scenario, however, is that the salaries associated with more residential development could be much lower than those office space salaries they would be replacing, thereby generating lower net income tax benefits for both the City and the State.

Meanwhile, LPD feels there's reasonably strong demand for the residential and hotel development components of the District Detroit, based on our review of the CBRA Valuation market study conducted for the Developer.

District Detroit TBP Project Evaluation

Attachment 7 represents the resolution approving District Detroit's TBP for City Council's consideration after your deliberations regarding this project. Sections 2 through 4 of this authorizing resolution represent declarations that City Council has determined have been met by the District Detroit TBP before your approval of this authorizing resolution. Sections 2 through 4 are enumerated below, with LPD comments to assist your Honorable Body in making these determinations:

Section 2: Public Purpose. The City Council hereby determines that the Plan constitutes a public purpose[59] in accordance with Section 14(5) of Act 381.

LPD's comments: Section 1.3 Project Justification on pages 27-30 of 69 of District Detroit TBP describes in detail the District Detroit project's impact on the District Detroit area in particular and in the Central Business District in general in terms of the project significant positive impact on the City's economy, tax base and population growth-benefiting not only Detroit but the entire State. Section 3.0 and 3.1 on pages 44-45 further speak to the District Detroit project meeting a public purpose as the project will have a transformational economic impact on community revitalization through investment, start-up businesses, job-creation, career development, and spin-off redevelopment. Furthermore, the District Detroit project meets a public purpose as it takes into account criteria established by the Michigan Strategic Fund, which is addressed under Section 4(f) below.

Section 3: Best Interest of the Public. The City Council hereby determines that it is in the best interests of the public to promote the revitalization of certain properties in the City and to proceed with the Plan.

LPD's comments: See answer above.

Section 4: Review Considerations. As required by Act 381, the City Council has in reviewing the Plan taken into account the following considerations:

(a) The Plan meets the requirements of Section 2(ww) of Act 381[60], and that the Plan is calculated to, and has the reasonable likelihood to, have a transformational impact on the local economic development and community revitalization based on the extent of brownfield redevelopment and growth in population, commercial activity, and employment that will result from the Plan;

LPD's comments: Under Section 2.1 on page 38 of 69 of District Detroit TBP, the following is stated: "As evidenced by **Sections 1.3, 2.1, 3.1,** and **4.2** of this TBP, and further by resolution or approval by the MSF, City and DBRA, this TBP and each Project within the TBP have been determined to satisfy the requirement that the TBP "will have a transformational impact on local economic development and community revitalization based on the extent of brownfield redevelopment and growth in population, commercial activity, and employment that is anticipated to result from the plan."" LPD reviewed the sections referenced and they reasonably satisfy this determination.

(b) The Plan meets the requirements set forth in Section 13, 13(b), and 13(c) of Act 381;

LPD's comments: Section 3.2 on page 45 of 69 of District Detroit TBP states: "This TBP meets the requirements of Sections 13, 13B and 13C of Act 381. The TBP identifies the Eligible Properties and the

[59] The Michigan Supreme Court has defined the objective of a public purpose: Generally a public purpose has for its objective the promotion of the public health, safety, morals, general welfare, security, prosperity, and contentment of all the inhabitants or residents within the municipal corporation, the sovereign powers of which are used to promote such public purpose....The right of the public to receive and enjoy the benefit of the use determines whether the use is public or private. (Hays v City of Kalamazoo, 316 Mich 443, 453-454 (1947)

[60] Please note that Section 2(ww) of Act 381 sets forth the definition of "Transformational Brownfield Plan"; however, references to this Section throughout Act 381 are incorrectly listed as Section 2(vv), including but not limited to Section 14a(3)(a) and Section 14a(10).

basis of eligibility, TR and the effect on the local taxing jurisdictions, provides proposed beginning and end dates for TR capture and otherwise complies with Act 381." LPD finds this as being reasonable.

(c) The costs of the proposed Eligible Activities identified in the Plan are reasonable and necessary to carry out the purposes of Act 381;

LPD's comments: Section 3.3 on page 45 of 69 of District Detroit TBP states: "Prior to the consideration and approval of this TBP, Developer and the MSF completed independent financial and underwriting analyses of the TBP's Projects. Section 14a(5) of Act 381 prohibits the MSF from approving the use of TR in excess of what is determined to be necessary for the Projects in order to be economically viable. Furthermore, Section 14a(6) of Act 381 requires an independent third-party analysis as part of the MSF underwriting analysis for any plan that proposes to use more than $10 Million in any year in withholding tax capture revenues and income tax capture revenues. Section 14a(3)(c) requires the approving governing body to consider whether the proposed eligible costs identified under a TBP are reasonable and necessary pursuant to the requirements of Act 381. Upon approval of this TBP, and as set forth in the approving resolution, the governing body will have considered the criterion and will have affirmatively concluded that the Eligible Activity costs and proposed reimbursements identified in this TBP are reasonable and necessary for the Projects in order to be economically viable and to fulfill the purposes of Act 381."

LPD reviewed project eligible costs figures and data in Sections 2.2 through 2.4 on pages 38-43 of 69 of District Detroit TBP, and Tables 5 attached to TBP, CBRA Valuation & Advisory Services market study for Developer, and HR&A Advisors, Inc. District Detroit TBP economic and fiscal impact analysis, and found them to be reasonable. But Council should note that LPD does not contain any staff person with an advanced degree in economics.

(d) The amounts of Captured Taxable Value, Construction Period Tax Capture Revenues, Withholding Tax Capture Revenues and Income Tax Capture Revenues estimated to result from adoption of the Plan are reasonable;

LPD's comments: Same answer as above.

(e) Based on an economic and fiscal impact analysis, the Plan will result in an overall positive fiscal impact to the State of Michigan;

LPD's comments: Based on LPD's review of Summary of District Detroit's economic and fiscal impacts on pages 20-21 of 69 of District Detroit TBP, Section 1.3 Project Justification on pages 27-30 of 69 if TBP, HR&A Advisors economic and fiscal impact analysis, and DEGC's economic and fiscal report using the Total Impact software developed by Impact DataSource, we find the District Detroit's economic and fiscal impact analysis to be reasonable. But Council should note that LPD does not contain any staff person with an advanced degree in economics.

(f) The Plan takes into account the criteria described in Section 90b(4) of the Michigan strategic fund act, 1984 PA 270, MCL 125.2090b;

LPD's comments: Section 4.0 on page 46 of 69 of District Detroit TBP states: "For the governing body to determine if this TBP constitutes a public purpose, Section 14a(3)(e) requires it to consider whether the TBP "takes into account the criteria described in section 90b(4) of the Michigan Strategic Fund Act, 1984 PA 270, MCL 125.2090b. As described below (Sections 4.1 through 4.18 on pages 46-59 of 69 of District Detroit TBP), the Projects within the TBP individually and collectively align with the criteria included within the Michigan Strategic Fund Act. The Projects included in this TBP are planned to promote a transformational impact in the community and to encourage additional growth in the surrounding area.

LPD found Section 1.3 on pages 27-30 of 69 of TBP and Sections 4.1 through 4.18 on pages 46-59 of 69 of TBP to meet the MSF requirements above. In addition, these sections further supports how the District Detroit TBP meets the public purpose determination, as mentioned previously in Section 2 above.

(g) The Plan includes the appropriate provisions regarding affordable housing;

LPD's comments: Section 3.5 on page 46 of 69 of District Detroit TBP states: "Of the four residential Projects in this TBP, three will have affordable housing and 20% (139) of the total number of rental units (695) developed through this Project will be deeply affordable (at 50% of Area Median Income ("AMI") vs 80% as prescribed by City Ordinance).33 Specifically, this TBP provides for:
• 58 of the 287 total units at 2250 Woodward Avenue will be affordable at 50% AMI;
• 27 of the 131 total units at 408 Temple Avenue (The American) will be affordable at 50% AMI;
• 54 of the 261 total units at 2205 Cass Avenue (DCI Residential) will be affordable at 50% AMI.
Given the configuration and relatively small size of the Detroit Life Building, which was previously an office building, it was not practical to include affordable housing in that building. As noted in Section 1.1, nearly Although there is no binding affordable housing agreement with the City at this time, the Developer intends to enter into such an agreement through the Community Benefits Ordinance process."

LPD finds the above to reasonably satisfy this requirement on affordable housing.

(h) The proposed method of financing the costs of eligible activities is feasible and the Authority has the ability to arrange the financing; and

LPD's comments: Sections 1.3 Project Justification on pages 27-30 of 69 of TBP and Sections 4.6 The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits and Section 4.7 Whether the Project is financially and economically sound on pages 53-54 of 69 of TBP speak to the District Detroit's financial gap between City of Detroit's high project costs and City of Detroit's low market rents being covered by TBP tax benefits (see "District Detroit Project Gap Analysis" section above in this report for more details), anticipated use of federal historic tax credits by the project, and the fact that the Developer plans to provide 43% of private equity to the project, which is above the minimum threshold of 20%.

LPD finds the above information to reasonably satisfy the requirement of this section.

(i) The Plan will have a positive impact on existing investment and development conditions in the project area and act as a catalyst for additional revitalization of the area in which it is located.

LPD's comments: Section 4.2 If the Project will act as a catalyst for additional revitalization of the community in which it is located on pages 49-50 of 69 of TBP satisfies the requirement of this section.

Also, as part of the District Detroit TBP project evaluation, LPD inquired about the Developer looking to use local, and Detroit based construction, architect, and design companies to partner with the developers on this project. The Developer responded indicating it is using and will continue to use a diverse range of consultants with intentional inclusion of Detroit-based design, engineering, and construction firms. To date, in the design stage, these local firms include Peter Basso & Associates (Mechanical, Electrical, & Plumbing Engineering), Giffels Webster (Civil Engineering), Dokes Design (Interior Architecture), Gensler Detroit Office (Hotel Design).

Community Benefit Ordinance (CBO) Impact

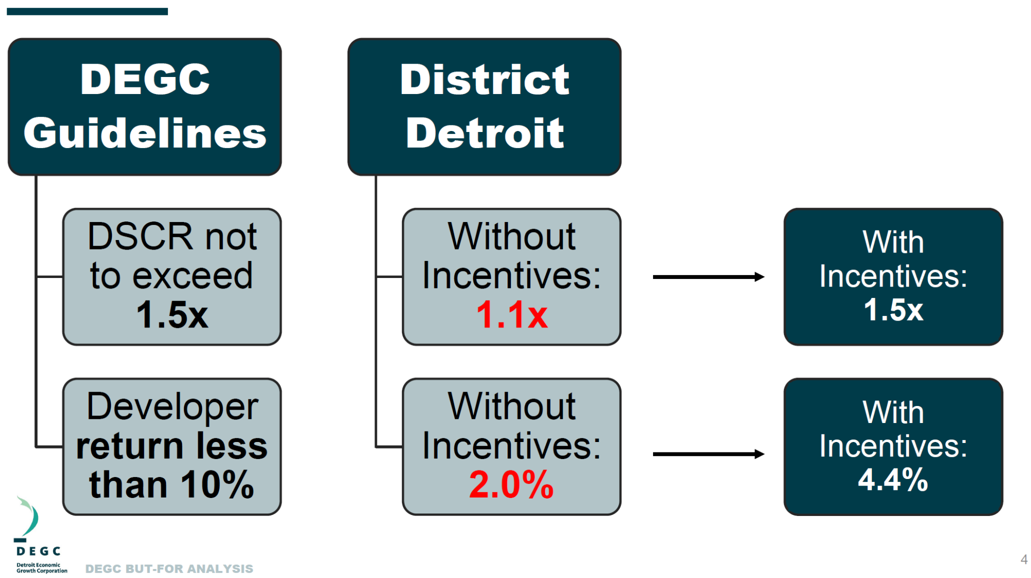
The CBO process is an important process for developers to proactively engage with the community to identify and address any project impacts. The CBO process includes the creation of a Neighborhood Advisory Council (NAC), which is charged with advising the developer of concerns within the community impacted by a proposed development. They are the eyes and ears of community concerns on how development affects their well-being, convenience, and livelihood.[61]

[61] Source: City of Detroit's website, District Detroit link, Community Benefits Ordinance link: https://detroitmi.gov/departments/planning-and-development-department/design-and-development-innovation/community-benefits-ordinance.

Currently, the Developer and a 9-membered District Detroit Neighborhood Advisory Council (NAC) are in the process of negotiating community benefits that can positively impact the community impacted by the District Detroit project. As of this report date, the Developer has not completed the community benefits ordinance process. It is anticipated that this CBO process will be completed sometime in March 2023.

Conclusion

The chart below depicts the rationale for the "but for" test:



As the chart above illustrates, the DEGC operates with guidelines that typically will not allow for a developer to present a project to be serviced with an incentive if a project has a DSCR (Debt-Service Coverage Ratio) that exceeds 1.5, in order to prevent an over saturation of incentives.[62] Thereby meaning that for every dollar ($1) of debt, a project may not have a cash flow that exceeds $1.50 to pay its debt obligations. In addition, typically a developer may not present a project with a return on investment (ROI), that has a return of 10% or greater, in order to prevent maximization of profit from use of tax incentives.[63] After a careful review of the pro formas[64] for the District Detroit TBP, the DEGC was able to determine that without the complement of incentives afforded through the TBP, the DSCR for the project would only be a 1.1 (which is also below the minimum standard for most institutions of lending) and the ROI would only be 2%, which is extremely low.

Conversely however, adding the elements of the TBP, with its tax captures and tax abatements listed under the plan for District Detroit, elevates the project to a level of viability. Therefore, the DEGC was able to reach the conclusion that the project would not go forward, "but for" the incentives available via the proposed District Detroit TBP. In addition, the TBP statute requires a minimum level of equity of 20%. The developer of the District Detroit TBP is exceeding this requirement with a 43% equity investment beyond financing.

Upon reviewing the utility of the proposed District Detroit TBP, one must consider the facts.
According to the DEGC, in many cases tax incentives are necessary to spur the development of vacant land in the city. Often vacant land may be contaminated or building on that land is not observed to be economically feasible by the development community. The DEGC has mentioned in numerous occasions in its meetings with the public and elsewhere, that one of the reasons it offers incentives for development is to "level the playing field," pointing out that

[62] Depending on the project, the Debt Service Coverage Ratio may exceed 1.5 if the City is in a competitive situation in competition with another city or state for a major development opportunity or for some other mitigating circumstance.
[63] Depending on the project, the (ROI), may equate to a return of 10% or greater if the City is in a competitive situation in competition with another city or state for a major development opportunity or for some other mitigating circumstance.
[64] A pro forma, Latin for "for the sake of form," is a financial model for a construction project based on costs and sources of funding.

unfortunately Detroit has one of the highest tax rates in the entire country, thereby placing the city of Detroit at a competitive disadvantage. Of the 50 largest cities in the nation, Detroit ranks the third highest overall in tax rates.

While offering these incentives to developers that are screened for the “but for” test, the DEGC is also quick to point out that there are no cash payments that are given to developers anywhere in the process, and that the taxes that are owed at the onset of the prospective incentive continue to be paid and are not reduced in any way. The incentive is only applied to the taxable increase to a property’s value when the investment is made, and the property is developed. Therefore, the City does not lose money on these deals. On the other hand, the City does not realize a financial gain from incremental property tax revenue that is captured by the DBRA TIF and DDA TIF, which are authorized to do so under State law.[65]

The benefits to the City are a key factor in the decision that the City and the DEGC makes to extend a tax incentive to a developer that requests it. The project must be proven to provide an economic benefit to the City of Detroit. Other factors that are considered during a project’s evaluations are if a prospective project meets the strategic goals of the City. The strategic goals of the City in development include and are not limited to factors such as:

- Creating and retaining affordable housing
- Creating jobs for Detroiters
- Activating vacant land and returning it to the tax rolls
- The saving and reuse of historic structures in the city of Detroit

Another factor to consider is that tax incentives are monitored by the City of Detroit’s Civil Rights Inclusion and Opportunity Department (CRIO). So, if at any point in time during the abatement period, the department determines that a developer has not followed through on its project, that may be reported to the City Council, and the Council may petition to the State Tax Commission that said abatement be revoked. Tax abatements involve legally binding agreements between the City and the developers.[66]

According to the DEGC, the City of Detroit in the entirety of 2021 and 2022, extended tax incentives to $2 billion worth of projects in total. The District Detroit TBP project that is being proposed currently is projected to be in excess of $1.5 billion in investment alone. Currently, the City of Detroit generates very little revenue from these properties, and the proposed TBP is projected to generate a large infusion of revenue for the City of Detroit from the development of these properties.

It is our opinion that the conclusions reached by the DEGC relative to the District Detroit project are sound and we concur with their findings. In addition, the projected net benefit to the City of Detroit of $751.0 million, over 35-years, generated primarily from newly generated income taxes, should positively impact the City’s General Fund that can be used to help provide city-wide services, not just in the downtown area of the City, for years to come. Finally, the TBP incentive is a performance-based incentive, so if the developer does not produce the projected investment and jobs, there are no reimbursement of taxes through TIF property tax capture or reduction of taxes through tax incentives.[67] Correspondingly, however, the City would not receive additional tax revenues from any project that does not materialize.

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

cc: Auditor General’s Office
Donald Rencher, Chief of Services and Infrastructure
Antoine Bryant, Planning and Development Department
Julie Schneider, HRD

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[65] PA 381 of 1996, as amended, authorizes TIF capture in the City of Detroit. PA 197 of 1975, as amended, authorizes TIF capture in the City of Detroit.

[66] It is extremely important for City Council to continually request for periodic reports from CRIO on the status of job creation and other development goals that are spelled out in the tax abatement legal binding agreements to determine should the honorable Body petition the State Tax Commission for a revocation of a tax abatement.

[67] This project is also subject to a binding Community Benefits Ordinance agreement, of which its contents we will discuss later in a subsequent report under a different cover. 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 and amended by City Council in 2021.

Veronica Farley, HRD
Stephanie Grimes Washington, Mayor's Office
Nicole Sherard-Freeman, Mayor's Office
Luke Polcyn, Mayor's Office
Gail Fulton, Mayor's Office
Malik Washington, Mayor's Office
Kevin Johnson, DEGC
Malinda Jensen, DEGC
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC
Cora Capler, DEGC
Glen Long, DEGC
Jay Rising, OCFO
John Naglick, OCFO
Tanya Stoudemire, OCFO
Steven Watson, OCFO

Attachments

Attachment 1

DEGC's Responses to LPD's Questions on the District Detroit TBP Proposal

Legislative Policy Division (LPD) Questions on the District Detroit Project

1. The transformational brownfield incentive package needs to be approved by the Detroit Brownfield Redevelopment Authority (DBRA), the Detroit City Council, and the Michigan Strategic Fund. The PA 210 and NEZ tax incentives need approval by the Detroit City Council. Please provide the timetable for these approvals.

Proposed Approvals Timeline

01/30/2023	DBRA - TBP #1 Board Meeting and CAC Meeting
02/06/2023	DBRA - TBP Local Public Hearing
02/08/2023	DBRA - TBP #2 Board Meeting
02/16/2023	PED Hearing PA210 Dist. (Projects 1,5a,10; 8, 9,5b) + NEZ-N Dist. (2,8)
02/23/2023	PED Hearing PA210 District (Projects 6,7), NEZ-N (10), NEZ-R (7)
03/02/2023	DBRA – TBP City Council Public Hearing at PED
03/07/2023	COW Vote on the -TBP - Transformational Brownfield Plan
04/25/2023	TBP Michigan Strategic Fund Board Meeting

*** Assumes CBO Report is completed and filed in time for March 2 PED Committee. If the Neighborhood Advisory Council requires more time, PED would not take action to send all items to formal session until its March 9 meeting. In that event, full Council approval would not occur until March 14.**

2. Please explain the construction schedule anticipated start dates of the District Detroit projects in the planned five-year transformation plan as presented on page 19 of the District Detroit Project Presentation presented on January 10, 2023. More specific questions:

[Enclosed timeline in NAC presentation]

a. Does the developer believe that the start dates can be maintained given the number of construction projects currently being undertaken in Downtown Detroit-particularly given the much-referenced labor shortages and supply-chain challenges with materials as a result of the COVID-19 pandemic and the Russia/Ukraine war?

The proposed development schedule is in line with the developers' expectations with respect to planning and design, market leasing, and procurement schedules. Throughout the COVID pandemic, Related

Companies was able to complete the 3 million square foot Hudson Yards project on schedule and on budget. That said, externalities can have adverse and unforeseen impacts to development schedules and the TBP will allow a certain flexibility for the developer to adjust commencement dates so long as each project commences within 5 years following MSF's approval of the TBP. Further, the developers will work to mitigate any challenges that arise.

b. Does the five-year plan give the developer an opportunity to access the market for each stage, knowing that if a project is not completed, they won't receive the tax incentives (which also means the city will not receive the projected income tax and utility users tax revenues)?

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c. Is a reason for the two of the three office projects occurring last in this five-year plan to enable the developer to access the viability of the office market by that time, which is particularly challenging at the present time due to the impact of the COVID-19 pandemic and remote work?

- Project #4 - is positioned to begin construction near the completion of Project #1 to capitalize on spillover demand associated with Project #1.

- Project #5 - is positioned to begin construction at the completion of construction for the DCI Academic Building and at the end of the 5-year period to provide another major office anchor option for tenant demand catalyzed by the DCI and the other TBP projects.

- Additional context surrounding the office leasing strategy is provided in the following question.

d. There are several predictions that working a five-day work week in an office environment may be a thing of the past, post COVID, please explain how the developer is convinced there will be a demand for the newly proposed office space.

The first new office tower is specifically positioned toward the beginning of the 5-year plan in reaction to the shifting office demand environment. Due to the current age of much of the office inventory, as well as the lasting impacts COVID-19 has had on in-office work, tenants, both locally and nationally, are looking to downsize their footprints. However, to encourage in-office work, they are looking to downsize into the Class A, highly amenitized, new construction office space, hence the developer's inclusion of over 1 million square feet within the TBP plan.

Based on data from CoStar, the average year built for all office space in Downtown, Midtown, and New Center Detroit was 1930. The average year built for Class A Office Space in downtown, midtown and New Center Detroit is 1977. As you look at the median age of Class A office space across certain cities, Detroit has an outdated stock in comparison to Columbus (2001), Minneapolis (2000) and Nashville (2007). For

Detroit to remain competitive with other major cities, it will require new state-of-the-art Class A office inventory to attract anchor-style tenants.

e. Is it proposed that the new office space will draw business from outside the city limits or will they only pull from the existing offices in the city?

Over 95% of the office space is anticipated to be occupied by third-party tenants, not affiliated with either Related or ODM. The developer anticipates leveraging the national leasing team at Related Companies to attract large scale office users moving from more expensive coastal markets. The developer will also market the space regionally. The kind of Class A, highly amenitized, new construction office space delivered by the TBP development program is key to Detroit's competitiveness in attracting net-new third-party tenants.

3. Please provide a source and uses statement for the proposed District Detroit project. Sources should include financing, owners' equity from Related (Ross), Olympia Development (Ilitch), and any Historic Tax Credit equity proceeds. Uses should include acquisition, hard construction costs, and soft costs. Is there a minimum amount of equity that the developer must contribute for the District Detroit project according to TBP requirements? Does the developer's equity contribution meet this minimum requirement or far exceed it?

[REVIEWED AND DISCUSSED AT WEDNESDAY'S FEB 1st MEETING]

The minimum equity investment for a TBP is 20% per MSF program guidelines: https://www.miplace.org/4957ea/globalassets/documents/tbp/tbp-guidelines.pdf

4. Would the developer be required to provide private financing upfront to start the District Detroit project before the Transformational Brownfield Plan (TBP) benefits and City's tax incentives kick in? However, the lenders would still want the developer to receive approval of the TBP tax benefits and the PA 210 and NEZ tax incentives to provide financing for the project? If yes, would the develop seek Council's approval of the PA 210 and NEZ tax incentives while seeking approval of the TBP tax benefits?

The developer must provide all the financing for the projects. The TBP, abatements, and other tax incentives do not provide any up-front funds. The developer will be seeking approval of the TBP and tax abatement districts concurrently, but will return to City Council for approval of tax abatement certificates. The projects must be started for any TBP incentives to commence and completed in order for any of the tax abatements to start. In addition, the leasing and employment revenue projections must be realized in order for the developer to receive the State employment tax revenue-related TBP incentives in the first 25 years of the 35-year total period of the TBP.

Similar to many other development projects seeking tax incentives, the developer has stated that their investors and lenders require approval of the tax incentives before being willing to finalize their financing commitments to the projects.

5. The returns on the District Detroit project would be 2 percent without incentives; with incentives, they are 4.4 percent. On January 10, 2023, the Detroit Economic Growth Corporation (DEGC) reported in 2021 and 2022 City Council voted to approve incentives on $2.0 billion in mixed-use projects. DEGC also

indicated that in 2021, average returns on major projects were 4.3%, but 7.1% average returns in 2022. Why would the District Detroit developer settle for a 4.4% return?

At the 2.0% return, the developer would not pursue the project. At the 4.4% return the projects are at the borderline of viability. The developer is working to reduce costs and secure higher rents from commercial office tenants wherever possible to enhance returns. During the pre-application underwriting and estimating of the projects, the Fed raised interest rates over 225 bps. These large rate increases have had significant impact on levered returns nationally.

It is important to note a viable return is necessary for other investors to participate in the project. While the District Detroit developer may settle for a particular return, that same return may not attract other sources of capital that would help drive successful project financing.

6. Is the one percent the developer will be paying on the DDA loans instrumental in helping the developer achieve a 4.4% return on the overall District Detroit project?

The overall incentives package is critical in helping the developer to achieve a viable return. The DDA Affordable Loan is also instrumental in enabling the residential projects to produce the 50% Area Median Income (AMI) depth of affordability. The loan program is an innovative means of creating deep affordable housing within the DDA without pulling from other affordable housing resources like HOME/CDBG funds.

7. Why isn't the developer able to provide more equity into the District Detroit project to eliminate or significantly reduce the need for the transformational brownfield tax incentives offered by the state and tax incentives offered by the City of Detroit?

But for the incentive, the developer would not be able to secure the financing required to construct the project.

8. Mr. Headd and Irv Corley would greatly appreciate the opportunity to meet with the requisite DEGC team to gain a clearer understanding on the project underwriting that took place, including: [REVIEWED AND DISCUSSED AT WEDNESDAY'S FEB 1ST MEETING]

a. Looking at project proformas

b. Reviewing project financing

c. Reviewing developer financials, if available

d. Reviewing how project initially expected a 2% return

e. Reviewing how project, with the TBP tax incentives, and with the incentives offered by the City of Detroit, the project expects a 4.4% return. In other words, DEGC's "but for" analysis.

f. Reviewing how the TBP tax benefits and the City's tax incentives assist in making the project more financially viable by increasing annual cash flows to help cover any debt obligations associated with the TB Projects.

g. Reviewing any other major underwriting deemed important.

h. This review would allow Mr. Headd and Mr. Corley to gain a greater comfort on the financial, economic, and fiscal details of the District Detroit project we could convey in our report on the project to Council.

i. After review of confidential information, LPD normally footnotes in our report the following: "The financial models (proformas) prepared by ____ and shared with LPD for review are considered confidential and proprietary information. We found the financial information and the assumptions supporting the financial information to be reasonable. Based upon a request from a Council member, LPD would be available to discuss our understanding of the confidential data in a private discussion. In addition, Council should note that the DEGC also reviewed the confidential data and found the financial information and supporting assumptions to be reasonable."

9. The TBP tax benefits are aimed at bridging the "gap" between construction costs for large projects and the expected lower market rents and rate of return on projects in cities like Detroit compared to cities such as Chicago. In other words, the TBP tax benefits are necessary for the District Detroit project to be economically feasible. Questions:

[REVIEWED AND DISCUSSED AT WEDNESDAY'S FEB 1ST MEETING]

a. DEGC's "TBP Tax Overview" table shows the cost estimates by individual project.

How were the construction cost estimates for each of the projects that make up the $1.5 billion District Detroit project determined?

With the exception of Project #3 (Fox Hotel), which was budgeted by Turner Construction, the developer secured two bids from AECOM Construction and Barton Malow.

b. Please provide present value calculation of the $1.5 billion project in 2023 dollars based on 35 years.

Net present value at 6% is $1.3 billion on total development cost for all projects over the 5-year construction period.

c. Are construction costs in the Detroit market generally comparable to major cities across the United States? Have these costs increased in recent years due to demand for construction labor and materials and supply-chain issues due to the COVID-19 pandemic?

When compared to the other top 20 Metropolitan Statistical Areas in the country, Detroit consistently lands in the top 10 in terms of construction cost based on the RS Means index. The 10 top MSA's consistently include New York City, San Francisco, Chicago, Philadelphia, Boston, Los Angeles, Minneapolis, St. Louis, Pittsburgh, Detroit

Construction cost, supply chain backlogs and contractor pricing all impact the cost of development. Based upon the feedback from the development community, raw materials such as lumber experienced a 300% cost increase during the height of Covid 19 and are still 30% higher than pre-

Covid pricing. Flooring, HVAC, electrical equipment, plumbing supplies and insulation material prices remain 10% to 50% higher than pre-Covid pricing. Despite material prices decreasing from Covid-19 highs, this has not translated into lower General Contractor pricing. A growing labor shortage is also impacting GC pricing.

d. What is the average per sq. ft current rent for Class A office space in the City of Detroit? What is the average per sq. ft rent for Class A office space for downtown office markets across the United States?

Based on data from Costar, average Class A rents in the City of Detroit are $22.60 PSF. The average PSF rent for Class A Office Space for downtown office markets across the US, specifically the top 10 MSA's for higher construction cost, as indicated in Response (9c), that PSF number increases to an average of $62.32 PSF, according to Costar. While Detroit's construction cost ranks in the top 10 with respect to costs, the amount of income from supporting rents is lower.

e. Do the developer's financial models for the project employ rent assumptions that reflect very substantial increases from current market rents? If so, please explain why.

No.

f. If there are substantial increases from current market rents, and with the TBP tax benefits, would the return to the developer remain substantially below the level that is considered a traditional market return, or the 2022, 7.1% average return cited previously? (Question not answered)

If the developer was to experience higher rents and/or occupant income levels than projected, the TBP reimbursement could be accelerated, however the amount of the TBP reimbursement would not increase. The City and MSF in the TBP are agreeing to a not-to-exceed amount of $616 million with the Transformational Brownfield Plan. Conversely if the developer experienced lower rents and occupant income levels than projected, the TBP reimbursement could be reduced if the developer reached the final year of TBP reimbursement and did not reach the $616 million total figure.

g. How were the office and residential market conditions for the project determined?

[REVIEWED AND DISCUSSED AT WEDNESDAY'S FEB 1ST MEETING]

h. The Downtown Development Authority (DDA) recently approved a $48 million loan for the District Detroit project: $23.7 million of the $48 million incentive comes in the form of forgivable loans and up to $25 million for infrastructure improvements. Please explain the need for the $48 million DDA loan that would help the developer to offer more discounted rents for lower-income Detroiters. Are the DDA loans a part of but for test?

[REVIEWED AND DISCUSSED AT WEDNESDAY'S FEB 1st MEETING]

i. According to 2023 HUD standards, what is currently listed as 50% AMI for the Detroit metro area?

HUD calculates AMI as the median income for a household in the metropolitan area. HUD's definition of 50% AMI in the Detroit metropolitan area for income translates to a household income between $31,350 for an individual and $44,750 for a family of four.

j. Please illustrate how much in rent does 50% AMI translate for in rent for one-bedroom and two-bedroom units?

According to HUD Levels, 50% AMI translates into a rent amount of $839 per month for a one-bedroom.

k. What are the proposed market rate rents for the three buildings that are proposed for affordable housing subsidies?

The average rents for the market rate units are estimated at $2,700 per month.

10. Please describe how the transformational brownfield tax incentives and tax incentives offered by the City of Detroit are considered as investments in the community's future and not as giveaways to business.

The TBP and other tax incentives are incentives that will only exist if the developer undertakes and completes the projects. Without the incentives the projects would not be feasible and would not be constructed. The base taxes currently paid for the properties will not be reduced by the incentives. The City of Detroit Income taxes are not reduced and are fully captured by the City. Once the tax incentives expire, the City and all other taxing jurisdictions will receive the full capture of the property taxes.

11. DEGC's "TBP Tax Overview" table shows estimated State taxes captured by the District Detroit project to help make it economically feasible. Questions:

[REVIEWED AND DISCUSSED AT WEDNESDAY'S FEB 1st MEETING]

a. Please provide the assumptions used to determine the State taxes captured by project.

Please see the District Detroit TBP, specifically the documents in Table 5, which provides detailed assumptions and calculations of TBP captures in total and by project.

b. Under State taxes, will construction period income tax revenues be captured at 100%?

If approved by the MSF Board, yes.

c. Under State taxes, will construction period sales and use tax exemptions on purchase or acquisition of tangible personal property be applied at 100%?

If approved by the MSF Board, yes.

d. Under State taxes, will income tax revenues from individuals living within the eligible property of the District Detroit project be captured at 50% for 20 years?

If approved by the MSF Board and City Council approves the Affordable Housing Agreement to be proposed for these projects, the capture will be 100% for 20 years. (See Section 14a (7) of Act 381 of 1996 pursuant to which up to 100% of income taxes may be captured for projects where there is a written and binding affordable housing agreement between the developer and the city).

e. Under States, will withholding income tax revenues from individuals employed within the eligible property to the project be captured at 50% for 20 years?

If approved by the MSF Board, yes.

f. Please reference the TBP legislation section that limits the items d. and e. captures to 20 yrs.

Section 14a. (7) of Act 381 of 1996, as amended, provides the limits and requirements for the allowed State income and withholding tax captures.

12. DEGC's "TBP Tax Overview" table shows estimated non-City property taxes captured by the District Detroit project to help make it economically feasible. Questions:

a. Is "non-City property taxes" synonymous with "DBRA property taxes for purposes of the TBP for District Detroit project" and "DDA property taxes"?

[REVIEWED AND DISCUSSED AT WEDNESDAY'S FEB 1st MEETING]

b. Please provide the assumptions used to determine the non-City property taxes captured by project.

Please see the TIF capture tables in the District Detroit TBP.

c. Will the non-City DBRA property taxes be captured over 35 years under the TBP?

Property tax TIF revenues described in the District Detroit TBP will be captured for up to 30 years for each individual project. The construction start for projects is staggered over a 5-year period, hence the 35 year total period of potential property tax TIF capture described in the TBP.

d. Please provide by taxing jurisdiction the non-City DBRA property taxes captured over 35 years under the TBP.

Please see the TIF capture tables in the District Detroit TBP.

e. Please provide by taxing jurisdiction the non-City DDA property taxes that will not be captured by the DBRA over 35 years under the TBP.

Please see the TIF capture tables in the District Detroit TBP.

f. Please provide by taxing jurisdiction the non-City property taxes supported by debt millage that will not be captured by DBRA and DDA over 35 years under the TBP.

Please see the TIF capture tables in the District Detroit TBP.

13. DEGC's "TBP Tax Overview" table shows present value of TBP tax benefits in 2023 dollars. Please provide the present value calculations.

See "Net Economic & Fiscal Benefit Report" from HR&A

14. DEGC's "Tax Abatements by Property" table shows estimated PA 210 and NEZ tax abatement amounts by each property under District Detroit project. Questions:

[REVIEWED AND DISCUSSED AT WEDNESDAY'S FEB 1ST MEETING]

a. Please provide the assumptions/calculations for the gross and present value amounts by property.

[REVIEWED AND DISCUSSED AT WEDNESDAY'S FEB. 1ST MEETING]

b. Would the gross amount of $133 million in PA 210 and NEZ tax abatements reduce the property taxes captured by the DDA, therefore not reducing property taxes captured by the City of Detroit's general fund?

Yes, the abatements will reduce the amount of increment that the DDA Captures. Consistent with DDA Statute, but for the approval of the abatements the increment would otherwise be captured by the DDA and would not flow to the City's General Fund.

15. On page 37 of segment "How does this project impact Detroit?" in January 10th's presentation, the net benefit of $751 million over the 35 years is described. The net benefit to Detroit represents total upside for the City. Questions:

- $462,995 in real property taxes – this represents property taxes calculated on the library millage due to uncapping of land values for the LCA Hotel and the Temple residential sites
- $687.8 million in municipal taxes
    - $450 million from direct workers – calculated on 6308 direct jobs with an average annual salary of $96,561; 35% assumed to be city residents; 65% assumed to be non-resident employees; 20% work-from-home factor of non-city employees; 10% vacancy factor; 3% annual increases due to inflation
    - $148 million from indirect workers – calculated on 2365 indirect jobs with an average annual salary of $83,912 as determined using RIMS II multipliers and applicable NAICS codes; 25% assumed to be city residents; 75% assumed to be non-city residents; 20% work-from-home factor; no vacancy assumption; 3% annual increases due to inflation
    - $52 million from corporate income – calculated based on $150 per direct FTE jobs; 3% annual increase due to inflation
    - $11 million from construction workers – calculated on 12,450 construction jobs and $61,921 average wage; 25% assumed to be city residents; 75% considered non-city residents.

   - $24 million from new residents – calculated on the 695 new residential units; 30% assumed to be new Detroit households; household incomes based on income needed to afford the average rents of each site.

- $29 million utility user tax – calculated on 5% gas and electricity usage estimates for each project; 3% annual increase due to inflation

- $826K from state sales tax revenue – sales tax estimates based on $562/household and $363/direct FTE; revenue sharing based on 4% sales tax (other 2% goes to schools); 15% is subject to revenue sharing; City of Detroit gets 6.4% of the 15%

- $154 million in misc. taxes – calculated based on $674/household & 436/direct FTE

  (-) Less $122 million in costs of providing municipal services – calculated based on $532/household & $344/direct FTE

a. For the projected net benefit of $751 million over 35 years to the City of Detroit, please provide assumptions and calculations of $805,000 property taxes, $635 million in city income taxes, $52 million in corporate income taxes, and $63 million in utility users tax and other miscellaneous taxes/fees.

The $805,000 is representative of the City's General Fund Share of City Property Taxes that remain "grandfathered" or serves as the baseline prior to the creation of the DDA. Currently, that amount is approximately $23,000 annually, which would be $805,000 over the next 35 years. By state law, new property tax revenues, after the creation of the DDA, go to the DDA and not to the City General Fund. Please see assumptions in Answer (15) for remaining calculations and summaries.

b. Please provide present value of $751 million gross net benefit, by revenue stream, to the City of Detroit over a 35-year period in 2023 dollars, with calculations.

- Net Benefit: $751 Million (Present Value (5%): $301,122,366)
  - Real Property Taxes: $462,995 (Present Value: $109,510)
  - Income Tax Direct FTE: $450,749,681 (Present Value: $177,068,141)
  - Income Tax Indirect FTE : $148,725,486 (Present Value: $58,420,376)
  - Income Tax Construction: $11,563,747 (Present Value: $10,513,644)
  - Corporate Income Tax: $52,332,215 (Present Value: $20,536,776)
  - New Resident Income Tax: $24,432,118 (Present Value: $9,637,729)
  - Utility User Tax: $29,236,483 (Present Value: $11,499,791
  - State Sales Tax Sharing: $826,029 (Present Value: $328,462)
  - Misc. Taxes & Fees: $154,995,373 (Present Value: $61,633,138)
  - Less Costs of City Services: $122,282,948 (Present Value: 48,625,205)

c. To complete the cost/benefit analysis for the City, please provide the estimated cost of City services and utility deductions by each property.

- See "Costs of Providing Municipal Services & Utilities by Project" document

d. Please recalculate the gross and present value (in 2023 dollars) net benefit to the City after the inclusion of the cost of City services and utility deductions.

- See Impact Analysis Summary Report

16. On page 38 of segment "How does this project impact Detroit?" in January 10th's presentation, the net benefit for all is described. Questions:

a. Please provide assumptions and calculations for the State's estimated net benefit of $1 billion. Assuming this is for over a 35-year period, please provide the present value calculations in 2023 dollars.

See "Net Economic & Fiscal Benefit Report" from HR&A

b. Please explain what the DDA's estimated net benefit of $375 million represents. Please provide the assumptions and calculations for the DDA's estimated net benefit of $375 million. Assuming this is for over a 35-year period, please provide the present value calculations in 2023 dollars.

The estimated $375 million in benefits is representative of the total capture less $48 million in DDA Loan and reimbursements.

17. Please provide assumptions and calculations for the estimated 12,000 temporary construction-related jobs projection for the District Detroit project. Please provide calculations supporting that the 12,000 construction jobs will generate more than $800 million in wages.

All construction jobs and wage assumptions we produced by economic development consulting firm, HR&A. HR&A's economic impact analysis estimates the multiplier effects of the proposed development on the economy in terms of jobs, earnings, and economic output. HR&A used the IMPLAN input-output model to estimate the economic impacts of the Proposed Projects within Detroit and Michigan, using multipliers for the city and state.

18. The District Detroit project anticipates creating 6,000 ongoing jobs after construction. Questions:

a. Please provide assumptions and calculations for estimated 6,000 ongoing jobs after construction.

All construction jobs and wage assumptions we produced by economic development consulting firm, HR&A. HR&A's economic impact analysis estimates the multiplier effects of the proposed development on the economy in terms of jobs, earnings, and economic output. HR&A used the IMPLAN input-output model, to estimate the economic impacts of the Proposed Projects within Detroit and Michigan, using multipliers for the city and state.

b. Please provide the breakdown of this number showing the number of office, property management, hotel, retail, and food and beverage jobs.

See "Net Economic & Fiscal Benefit Report" from HR&A

c. Please provide the salary ranges, from lowest to highest salary, of these categories.

See "Net Economic & Fiscal Benefit Report" from HR&A

c. Please provide calculations supporting that the 6,000 jobs will generate more than $500 million in wages annually in the city.

See "Net Economic & Fiscal Benefit Report" from HR&A

19. How will developer work with City of Detroit's Workforce Development or provide workforce development to help Detroiters receive jobs from the projected jobs that will be created from the District Detroit project? Does the developer anticipate creating more skilled trade and union jobs for the project?

The developer anticipates the developments will create more than 12,000 construction jobs, many of which will be in the skilled trades. This scale of development is a unique opportunity for Detroiters to enter the skilled trades, and the developer plans to work closely with Detroit at Work and other program partners to seize that opportunity.

20. Will most jobs created by the District Detroit project offer benefits?

Only a small portion of the jobs associated with the development will be produced by the developers; these jobs will offer the standard benefits packages that both developers provide. The other jobs associated with the developments will be generated by third-party tenants or contractors.

21. Do any of the District Detroit projects fall within a renaissance zone? If so, does the total TBP tax capture incorporate the tax capture from the renaissance zone?

There are no Renaissance Zones for any of the developments.

22. Detroit Free Press article "Bringing transformation to Detroit is not so simple, even for Dan Gilbert", by JC Reindl, dated September 13, 2022, indicated that initially, projects receiving subsidies under the new (TBP) law were required to show an overall positive fiscal impact to the State. But a change to the law last December removed that and other requirements, lowering the bar for development projects to qualify. There appears to be no restrictions in the Transformational Brownfield program that would prohibit Gilbert from moving some of his existing workforce to the new developments — and initializing tax capture... An analysis of a project's potential economic impact was mandatory for the Transformational Brownfield program's early applicants. However, there are no requirements for job creation, according to Lori Mullins, the MEDC's director of Community Development Incentives.

[REVIEWED AND DISCUSSED AT WEDNESDAY'S FEB 1st MEETING]

Please provide the amended section(s) in the TBP legislation that removed the requirement of a TBP project showing an overall positive fiscal impact to the State and removed the requirements for job creation.

The following requirements were removed from the TBP requirements in Act 381 with the recent amendments to the Act:

- The third-party economic impact analysis requirement has been removed which was formerly in Section 14a

- The threshold for triggering the 3rd party underwriting analysis has increased from $1.5M to $10M in withholding and income tax capture in any one year which is in Section 14a(6). The District Detroit TBP meets the $10M threshold and has completed 3rd party underwriting with MEDC.

- There has never been a requirement for job creation in the TBP portion of the Act. There is a requirement to state the projected direct job creation for any Act 381 Plan, but it is not a commitment to create a minimum number of jobs. The TBP allows State income and withholding taxes as some of the significant extra incentives effectively creates a financial incentive for the developer to create jobs at the TBP locations.

Please share the District Detroit project's economic impact to the City of Detroit/State of Michigan, especially as it relates to spin-off or indirect type jobs, if made available by the developer.

Please see Attachment A in the District Detroit TBP "October 2022 TBP economic and Fiscal Impact Analysis, HR&A" for the report and the indirect and induced job projection figures from the developer.

The Free Press article also indicated that State Sen. Ken Horn, R-Frankenmuth, a sponsor of the original TBP legislation and last's years revision, said there are no clawback provisions in the law for the subsidies if projects fall short of early expectations. "There doesn't have to be," he said. "If the developer makes all the investments up front and they don't fill up their investments with people and they don't bring people into Michigan and into those developments, there is nothing to capture — and they get no reimbursement." Does the DEGC agree with the Senator's perspective on the lack of clawback provisions in the TBP legislation?

The DEGC agrees that the TBP legislation does not require a clawback provision, since the incentives are performance-based. If the developments are not constructed, there will be no TBP incentives provided to the developer.

The TBP regulations account for two outlier scenarios. If one or more developments were to begin construction, the TBP regulations state that developers could receive only the construction & use tax exemptions and construction income tax captures during the construction periods regardless of the outcome of the developments.

If the developer constructed one or more projects but did not achieve the leasing and/or occupant income projections, the TBP regulations state that the developer could receive the resulting reduced TBP incentive reimbursement over the life of the TBP. This is not a "no reimbursement" scenario, but it would reduce the reimbursement on the basis of shortfalls in revenue generation.

23. Is there any related development to the $1.5 billion District Detroit project the developer is not requesting tax incentives for? If so, please describe the project and how it is being financed.

Although it is not part of the $1.5 billion development program in the TBP, the University of Michigan Innovation Center will not be seeking any incentives. It will be financed by a $100 million appropriation from the State of Michigan and private philanthropic donations, including a $100 million gift from Stephen Ross.

24. Is there any development in addition to the $1.5 billion District Detroit project adjacent to the properties included in the District Detroit project that the developer is currently involved in? If so, please describe the project and how it is being financed.

Additional commercial projects underway include Women's City Club, Henry St. Apartments and 150 Bagley. [DISCUSSED WEDNESDAY'S FEB 1ST MEETING]

25. Please provide the number of jobs the Ilitch organization has in the City of Detroit, and how many of those jobs represent Detroiters.

	Jobs in Detroit	Detroit Residence	
Ilitch Companies	4921	1186	24%
MCCH	1771	636	36%
	6692	**1822**	**27%**

26. The Detroit Public Library system is currently facing financial challenges, is possible that the developer or the DDA can assist the DPL with any additional financial support, such as a property tax sharing agreement that would not impact the repayment of outstanding DDA bonds?

The DDA is prohibited under its current bond indenture from entering into any tax sharing agreements in addition to the agreement entered into with DPL in 2013 for TIF 1-8.

Please note, the DDA can only use its tax increment revenues to fund certain authorized expenses within Development Area No. 1; therefore, the DDA is unable to provide any general operating support for DPL. DDA staff previously advised the DPL representatives that the DDA could provide infrastructure / capital support to offset certain costs for branch libraries or library activities located within the DDA's development area so long as the expenditures are consistent with the DDA's statutory purposes. At that time, DDA staff discussed capital needs at the Skillman Branch library noting that DDA funds are limited by use and geography. To date, the DDA has not received a funding proposal or request from DPL for assistance at the Skillman Branch or for other potential library activities within the DDA's Development Area No. 1.

Although the DDA is unable to provide funding for DPL branches located outside of the DDA, the Detroit Brownfield Redevelopment Authority (DBRA) operates citywide and has authorized a grant of up to $340,000 to DPL through its Local Brownfield Revolving Fund (LBRF) to reimburse DPL for eligible Brownfield costs at the Main Branch Library related to the replacement of a failed HVAC system. DBRA is currently awaiting final estimates from DPL and its environmental consultant. The DBRA has informed DPL staff that they are happy to support future qualifying facility needs DPL may have with the LBRF grant fund.

27. It has been stated that Olympia has historically reneged on its promises for development and has only lately initiated development. Why should the public now believe that Olympia will meet its promises of providing affordable housing and complete all ten sites included in the current Transformational Brownfield Plan?

In addition to the minimum $450M investment commitment for the development of the LCA, pursuant to the Master Development Agreement between the DDA and ODM, ODM committed to (i) develop at least $200M in in private development within the DDA "Catalyst Development Area", with all development plan approvals from DDA to be in place within 5 years following LCA's opening; (ii) cause all previously publicly owned property located on Woodward to be subject to an approved development plan within 2 years following LCA's opening; (iii) cause all previously cause all other previously publicly owned property located to be subject to an approved development plan within 5 years following LCA's opening; and (iv) cause the rehabilitation of the former Hotel Eddystone into a mixed-use building.

ODM met and exceeded the aforementioned $200M development commitment with the following developments: Little Caesars Global Resource Center, Henry West Garage, Temple West Garage, Google Office Space, and 2715 Woodward office building. In addition, with the development of the Mike Ilitch School of Business and the recently announced hotel adjacent to LCA, all "Woodward Properties" are now subject to an approved development plan (Note that ODM received an extension to September 2022 for this parcel). In October 2022, the DDA Board approved an extension on all other previously publicly owned property to September 2023. In December 2021, ODM completed the rehabilitation of the former Hotel Eddystone and it is currently almost fully leased. Finally, although outside of the jurisdiction of the MDA, ODM also recently completed the renovation of the former Women's City Club.

Since the start of the Arena construction, ODM and affiliated entities have completed over $1.4B in arena and other new developments.

See "District Detroit Neighborhood Advisory Council Presentation"

28. Please provide the number TBP projects approved by the State, and the number of TBP project applications received by the State, since the inception of the TBP legislation.

There are 2 TBP projects that have been approved in Michigan: The Bedrock TBP, and the redevelopment of a former paper mill in the Village of Vicksburg in Kalamazoo County.

Given that the latest amendments to the TBP legislation lower the requirement thresholds that a TBP developer needs to meet to qualify for the TBP tax benefits, does the State anticipate a larger number of TBP applicants?

The required minimum investment required by community population remains unchanged and is by far the largest threshold to meet for the TBP program. The other changes to the program largely reduce administrative requirements of the program for not only developers, but also City and State staff. While reduced administrative requirements may make the TBP process somewhat easier for applicants and governments, the minimum investment requirements still mean that projects seeking the TBP incentive are large, complex projects for a community. It is the size and complexity of projects sized for the TBP that are likely the major factor limiting the number of projects that have sought the TBP incentive.

30. Why does the State feel it can absorb the loss of State income tax and sales/use tax revenues if the City Council approves the TBP tax benefits for the District Detroit project?

[REVIEWED AND DISCUSSED AT WEDNESDAY'S FEB 1st MEETING]

ADDITIONAL QUESTIONS AND RESPONSES FROM FEBRUARY 1, 2023

1. The LIHTC/federal tax credits will be associated with the historic property redevelopment projects only, correct?

   Low-Income Housing Tax Credits are important credits (resources) for affordable housing and therefore, it is being requested for all three residential projects. Two of those are new construction (DCI Residential and Superblock Residential), and one is a historic rehab (408 Temple). The Federal Historic Tax Credits are being used for the conversion of the Fox Hotel and 408 Temple.

2. Cash on cash return is cash available after debt service and other project cost divided by owners' equity, correct?

   Correct

3. IRR calculation based on cash flow projections using some type of discount rate based on cost of capital, correct? It was said the fact that the IRR of around 4% is the same of ROI of 4% was coincidental.

   The IRR happens to be the same as the Cash-on-Cash return, which is purely coincidence. The IRR is the percentage return for the investment calculated by the initial amount paid (~$1.5B) and all the annual cash flows for a period of time.

4. It was said that other reasons why the low ROI of 4% is acceptable to the developers is because of 1) the large level of private equity that's being put into the project, 2) the longevity of the project (35 years), 3) the fact that the first project to the tune of $350 M plus is coming on board first. This sounds correct? Anything I missed?

   Generally speaking, the biggest reason is the longevity of the project is there's a long-term hold investment thesis on the part of the owners (Related/Olympia) wherein they rarely, if ever, sell property. That is what gives them comfort in making this investment. The development all needs to come online together to create the ecosystem to support the investment: DCI, Office, Residential, etc. The amount of the equity ($655 million) equates to over 40% of the total investment. That equity amount is one of the reasons for the low return.

5. It was said that the developers are also comfortable with this project because they're looking

   at a yield of around 6%. Please explain again how this yield is calculated and why it's important.

   From the start of preliminary underwriting in June 2022 to formal TBP underwriting submission in October 2022, the Fed raised interest rates over 225 bps. Given these large rate increases and the unknown impact they will have on inflation as well as where future rates will be at the time of construction, the developer opted to utilize an unlevered metric called "adjusted yield-to-cost" for their threshold returns. "Adjusted yield-to-cost" is reflective of the net operating income for the property over the total costs, net of any incentives (e.g. tax credit equity, TBP construction exemption, DDA loans). The developers threshold is a 6% adjusted yield-to-cost blended across all projects, whereas the TBP projects at the time of underwriting had a 6.2% adjusted yield to cost.

6. Sounds like on the other hand, the daily average room rates the hotels are looking to charge

   will be more the high end rates? If so, the "gap" you're feeling with the TBP tax benefits and City tax incentives are primarily filling in the gap between the cost of construction and the office and residential rentals?

   The gap financing is just as vital to performance on the hotel as it is on office and residential. Hotel jobs have lower incomes than office jobs and market-rate residential tenants, meaning that the TBP incentive has less of a benefit comparatively. Additionally, capitalization rates, debt coverage ratios, and threshold return requirements for hotel developments are higher than office and residential due to occupancy risk and higher operating expenses associated with hospitality projects.

7. Are you looking to use local, and Detroit based construction, architect, and design companies

   to partner with the developers on this project?

   The developer is using and will continue to use a diverse range of consultants with intentional inclusion of Detroit-based design, engineering, and construction firms. To date, in the design stage, these local firms include Peter Basso & Associates (Mechanical, Electrical, & Plumbing Engineering), Giffels Webster (Civil Engineering), Dokes Design (Interior Architecture), Gensler Detroit Office (Hotel Design).

8. In your responses, please explain how you're going to going to attract Detroiters for the

   construction jobs when their other major developments going on in the City.

   The developer plans to work closely with Detroit at Work and other program partners to identify Detroit construction talent and seek full compliance with Executive Order 2021-2. The scale and duration of the 10-project development program is especially well suited to bringing Detroiters into the skilled trades early in the overall timeline so they can be trained and positioned to seize future construction jobs in the same development program.

Attachment 2

More Detailed Information on the Traditional Brownfield versus Transformational Brownfield Plan

Traditional Brownfield versus Transformational Brownfield Plan

Traditional PA 381 Brownfield Plans

The Brownfield Redevelopment Act, Michigan Public Act 381 of 1996, at its inception, was created to provide a mechanism to develop brownfield properties where there has been a release, or a threat of a release of hazardous materials, with the assistance of tax increment financing. As mentioned earlier, PA 381 and four other state acts were modified to facilitate "Transformational Brownfield Plans." Therefore, PA 381 was enacted to facilitate development on sites that may not be developed due to the fact that the remediation of contaminates such as asbestos, buried orphan oil tanks and or demolition materials, blighted conditions, etc., would make it otherwise cost prohibitive to develop on the sites.

For a traditional PA 381 Brownfield project to be considered eligible, the property must be included in a Brownfield plan and qualify as either a facility/site, functionally obsolete, blighted, historic resource, transit oriented property/development or targeted development area. The developer is reimbursed for the cost of brownfield remediation through the annual local property tax which is paid on the property, captured by the local brownfield authority and remitted to the developer over a period of up to 30 years, once the remediation efforts and costs are verified.

Transformational Brownfield Legislation

The Transformational Brownfield legislation, effective July 24, 2017, is the result of the following five approved Michigan Senate Bills and five subsequent Michigan public acts:

6. **Senate Bill 111 (PA 46)** Amended the Brownfield Redevelopment Financing Act. [68]
7. **Senate Bill 112 (PA 47)** Amended the Income Tax Act.[69]
8. **Senate Bill 113 (PA 48)** Amended the General Sales Tax Act.[70]
9. **Senate Bill 114 (PA 49)** Amended the Use Tax Act.[71]
10. **Senate Bill 115 (PA 50)** Amended the Michigan Renaissance Zone Act.[72]

Public Act 46 of 2017, is the primary act which contains the fundamental elements of the Transformational Brownfield legislation. A Transformational Brownfield Plan (TBP) is defined as a brownfield plan that, among other requirements, "will have a transformational impact on local economic development and community revitalization based on the extent of brownfield redevelopment and growth in population, commercial activity, and employment that will result from the plan."[73] A Transformational Brownfield Plan (TBP) project at a minimum, must involve a level of capital investment at or above the metrics illustrated below:

[68] Amends secs. 2, 8a, 11, 13b, 15 & 16 of 1996 PA 381 (MCL 125.2652 et seq.) & adds secs. 13c & 14a.
[69] Amends 1967 PA 281 (MCL 206.1 - 206.713) by adding sec. 51e.
[70] Amends sec. 4d of 1933 PA 167 (MCL 205.54d).
[71] Amends 1937 PA 94(MCL 205.91 - 205.111) by adding sec. 4dd.
[72] Amends sec. 9 of 1996 PA 376 (MCL 125.2689).
[73] "TRANSFORMATIONAL" BROWNFIELD REDEVELOPMENT PROJECTS; Legislative analysis, House Fiscal Agency

Population	Capital Investment
600,000 and up	$500 million
599,999 - 150,000	$100 million
149,000 - 100,000	$75 million
50,000 - 99,999	$50 million
25,000 - 49,999	$25 million
24,999 and under	$15 million

MCL 125.2652 (2) (vv) (i) – (iv)

TBP projects must be a mixed-use development[74]. The project could be a single development on eligible property, or consist of a series of developments on eligible property that are part of a "related program of investment[75]", even if they are not contiguous. This section is a significant divergence from conventional brownfield projects. Traditionally, the parcels of the conventional brownfield plans were either adjacent or contiguous parcels[76].

In addition to property tax increments, TBP projects would allow for the capture of three kinds of income tax revenues associated with the project, for use in financing "*eligible activities*"[77].

The three types of revenues from income tax capture[78] are as follows:

1. **Construction Period Tax Capture Revenues**: on wages paid to individuals physically present and working within the eligible property for the construction, renovation, or other improvement of eligible property (State income taxes)

2. **Income Tax Capture Revenues**: income tax from individuals domiciled within the eligible property (50% tax of the State income tax revenues)

3. **Withholding Tax Capture Revenues**: income tax withheld from individuals employed within the eligible property (50% of the State withholding tax revenues)

4. However, the 50% income tax capture thresholds have been changed to 100% tax capture thresholds per the following: MCL **125.2664a (7)(b)** The applicable eligible properties within the transformational brownfield plan are subject to a written, binding affordable housing agreement with the local governmental unit, which agreement shall be provided to the Michigan strategic fund, in which case the Michigan strategic fund may approve a transformational brownfield plan that proposes to use up to **100% of the income tax capture revenues, subject to the underwriting and financial analysis required under subsection (5).**

   Subsection (5) In determining whether to approve a transformational brownfield plan under subsection (3)(c) and (d), the Michigan strategic fund shall conduct a financial and underwriting analysis of the developments included in the plan. The analysis shall consider both projected rental rates at the time of project delivery and potential increases in rental rates over time. The Michigan strategic fund shall not approve the use of **construction period tax capture revenues, withholding tax capture revenues, and income tax capture** revenues beyond the amount determined to be necessary for the project to be economically viable. The Michigan strategic fund shall develop standardized underwriting criteria for determining economic viability.

[74] MCL 125.2652 (hh) "Mixed-use" means a real estate project with planned integration of some combination of retail, office, residential, or hotel uses.
[75] A related program of investment if all of the following are met:
(a) The developments are undertaken concurrently. (b) For developments under affiliated ownership, the developments are reasonably contiguous and part of a program of investment in a logically defined geography. (c) For developments under unrelated ownership, in addition to the criteria described in subdivisions (a) and (b), the developments are part of a master development plan. (d) The designation of the developments as a related program of investment is consistent with the purposes of this act. MCL 125.2663c
[76] MCL 125.2652 (i) "… and includes parcels that are adjacent or contiguous..."
[77] MCL125.2652 (C) (iv) For eligible activities on eligible property that is included in a transformational brownfield plan, any demolition, construction, restoration, alteration, renovation, or improvement of buildings or site improvements on eligible property, including infrastructure improvements that directly benefit eligible property.
[78] Provide for income tax exemptions under the Michigan Renaissance Zone Act to cease if a transformational brownfield development plan overlapped with a renaissance zone. **This is the *only* circumstance where City income taxes are available for capture.**

The Michigan strategic fund shall take into account the impact of the sales and use tax exemptions under section 4d(n) of the general sales tax act, 1933 PA 167, MCL 205.54d, and section 4dd of the use tax act, 1937 PA 94, MCL 205.94dd, in determining the amount of construction period tax capture revenues, withholding tax capture revenues, and income tax capture revenues required for the project to be economically viable. The Michigan strategic fund shall ensure that each transformational brownfield plan includes a significant equity contribution from the owner or developer as determined by the fund.

Per Brian Vosburg, Director of Brownfield Redevelopment: The State income tax capture on residents was originally at 50% for all TBP projects, however the State realized that this created a disincentive for a developer to provide affordable housing in TBP projects. So the act was amended to allow 100% state income tax capture for residents if an affordable housing plan were in place as part of the TBP project.

There are caps on the capture of tax revenue:

- The total annual amount of income tax capture revenue and withholding tax capture revenue that may be reimbursed each calendar year under all transformational brownfield plans (in the state) would be capped at $40 million.
- The Michigan Strategic Fund[79] (MSF) would be prohibited from committing, and the Department of Treasury from disbursing, a total amount of income tax capture revenue and withholding tax capture revenue that exceeded $800 million.
- The MSF could not approve more than a total of $200 million in construction period tax capture revenue and in projected sales and use tax exemptions.[80]
- No tax capture allowed after total revenue captured under a TBP is equal to the total costs permitted by the plan; and there could be no income tax capture or withholding tax capture beyond 20 years from the from the beginning date of capture.

All TBP projects require the approval of the local brownfield authority, the local unit of government, and the Michigan Strategic Fund; and the State Treasurer must concur with the MSF that a project would have a positive fiscal impact on the state if the project proposes to use at least $1.5 million in withholding and income tax capture revenues. Additionally, a resolution of the governing body (the Detroit City Council locally) that created the local brownfield redevelopment authority would be required to initiate a TBP.[81]

Statewide, the number of TBP plans issued in a given year are limited to five and locally, a municipality is limited to only five TBP plans over the life of the program.[82] However, there are exceptions to the limits on the minimum investment threshold requirement and limitation on the number of TBP plans. Municipalities that are exempt from the minimum threshold requirements are those with a Hardest Hit Fund blight elimination area[83] or an area which

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[79] The Michigan Strategic Fund (MSF) was created by P.A. 270 of 1984 and has broad authority to promote economic development and create jobs.

[80] A total of income tax capture revenue and withholding tax capture revenue of $800 million and a total of $200 million in construction period tax capture revenue and in projected sales and use tax exemptions provide for an $1 billion limit tax capture totals for all TBP projects for the life of tis statutorily authorized program statewide.

[81] "TRANSFORMATIONAL" BROWNFIELD REDEVELOPMENT PROJECTS; Legislative analysis, House Fiscal Agency

[82] The Michigan strategic fund may not approve more than 5 transformational brownfield plans under subsection (10) in a calendar year, except that if the Michigan strategic fund approves fewer than 5 plans in a calendar year under subsection (10), the unused approval authority shall carry forward into future calendar years and remain available until December 31, 2022. The Michigan strategic fund also shall not approve more than 5 transformational brownfield plans under subsection (10) in any individual city, village, or township prior to December 31, 2022.

[83] MCL 125.2664a (10) Upon approval by the Michigan strategic fund, the minimum investment requirements in section 2(vv) and limitation under subsection (23)(a) and (b) may be waived if the transformational brownfield plan meets 1 of the following criteria: (a) Is for eligible property in an area approved … for the hardest hit housing markets ... For purposes of this subdivision, an area approved as eligible for blight elimination program funding means that specific portion or portions of a municipality where the Michigan state housing development authority approved the expenditure of blight elimination program funds pursuant to an application identifying the target areas.

was subject to a state emergency declaration issued for drinking water contamination[84] (Flint). In addition, there is also an exception for a "historic resource" if the Michigan strategic fund determines the redevelopment is not economically feasible absent the transformational brownfield plan.[85] Under the exception, municipalities are limited to one per year and there is a limit of five in a year statewide. Detroit is exempt from the minimum threshold requirements, due to its Hardest Hit funding designation.

The four other related state acts have a more limited impact on the TBP program:
Public Act 47 amends the Income Tax Act (**MCL 206.51e**) to provide an amount equal to the construction period tax capture revenues, withholding tax capture revenues, and income tax capture revenues due to be transmitted under all TBPs shall be deposited annually into the State Brownfield Redevelopment Fund.
Public Act 48 amends the General Sales Tax Act (**205.54d**) to exempt from sales taxes, the tax generated from the sale of tangible personal property for use in eligible brownfield redevelopment activities on eligible property included in a TBP, to the extent that the tangible personal property will be affixed and made a structural part of the real property or infrastructure improvements included within the TBP. **Public Act 49** amends the Use Tax Act (**MCL 205.44d**) to exempt from use taxes tangible personal property acquired by a person engaged in the business of altering, repairing, or improving real estate for others, or to the manufacture of a specific product if the property or product is to be affixed or made a structural part of improvements.
Public Act 50 amends the Michigan Renaissance Zone Act (**MCL 125.2689**) to provide that, where a Renaissance Zone overlapped with a TBP, the property owner and local government unit may request that exemptions from the Income Tax Act and City Income Tax Act not apply within the overlapping portion of the renaissance zone. The MSF and city levying the income tax would decide whether to approve the request. This section provides that, where property to be included in a transformational brownfield plan is also included in a renaissance zone (i.e., an income tax free zone), an election can be made to rescind the income tax exemption and capture the applicable income tax revenues.[86]

Amendments to the TBP:

Section 14a. (7) of Act 381 of 1996, as amended, provides the limits and requirements for the allowed State income and withholding tax captures.

The following requirements were removed from the TBP requirements in Act 381 with the recent amendments to the Act:

- The third-party economic impact analysis requirement has been removed which was formerly in Section 14a

- The threshold for triggering the 3rd party underwriting analysis has increased from $1.5M to $10M in withholding and income tax capture in any one year which is in Section 14a(6). The District Detroit TBP meets the $10M threshold and has completed 3rd party underwriting with MEDC.

- There has never been a requirement for job creation in the TBP portion of the Act. There is a requirement to state the projected direct job creation for any Act 381 Plan, but it is not a commitment to create a minimum number of jobs. The TBP allows State income and withholding taxes as some of the significant extra incentives effectively creates a financial incentive for the developer to create jobs at the TBP locations.

Rationale for Transformational Brownfield Plan (TBP) Legislation

The primary rationale for the need, development and planned implementation of the Transformational Brownfield Plan (TBP) legislation are twofold. First, the void of State economic incentives substantial enough to fill the financial

[84] MCL 125.2664a (10) (b) Is for eligible property in a municipality that was subject to a state of emergency under the emergency management act, 1976 PA 390, MCL 30.401 to 30.421, issued for drinking water contamination
[85] MCL 125.2664a (10) (c) Is for eligible property that is a historic resource if the Michigan strategic fund determines the redevelopment is not economically feasible absent the transformational brownfield plan.
[86] MCL 125.2663c "… upon the request of the owner or developer of the eligible property and the local government unit that designated the zone, the Michigan strategic fund, and a city levying a tax under the city income tax act."

gaps on excessively large economic development projects.[87] Second, the State of Michigan's elimination of several financial incentives, such as brownfield tax credits (and state historic tax credits), abolished financial tools which were instrumental in bridging financial gaps with large projects.[88]

According to the Michigan Thrive Initiative, coalition of Michigan economic development organizations, cities and chambers who supported the TBP legislation, there was a need to develop an incentive to initiate $5 billion in major brownfield redevelopment projects to "transform cities across the state".[89] They reached the following conclusions, cities and towns across Michigan are plagued by large, challenging brownfield sites, developers lacked economic development tools to make the numbers work and enacting new legislation was critical.

House Fiscal Agency Reporting on Pros and Cons of TBP

The Michigan State House Fiscal Agency completed a thorough review of the TBP legislation, "TRANSFORMATIONAL" BROWNFIELD REDEVELOPMENT PROJECTS, dated May 4, 2017. The report listed the arguments presented to the state legislature for and against the statute. For your convenience, we have included the arguments listed in the report in their entirety:

ARGUMENTS:
<u>For:</u>
The following are among the arguments made by proponents of the bills:
o The proposed legislation aims at providing support for "transformational" projects, involving significant, large-scale private investment in currently underutilized properties, so as to put them into productive use rather than being blights on the landscape and a cost burden for local units of government, which must provide police, fire, and other services to these polluted, blighted, or obsolete locations. The aim of the legislation is to allow for economic development, both commercial and residential, where it would not otherwise occur, thus generating new economic activity and tax revenue. Communities across Michigan have sites that have proven economically unattractive to developers, for a variety of reasons, and this legislation offers sources of revenue that will "close the investment gap" and make the difference between creating new economic activity and improving community quality of life or leaving communities saddled with abandoned structures and empty lots that are an impediment to attracting businesses and residents.

O The proposal is part of a strategy that aims to make Michigan a more attractive place to work and live, to help retain and attract talent and investment that all too often now goes elsewhere. This is important, not only in supporting the revitalization efforts in Detroit, the state's largest city, but in many other communities, urban, suburban, and rural, across the state. Amendments to the original proposal ensure that development will not be concentrated only in one geographic area of the state; the MSF must ensure an equitable geographic distribution of transformational plans, balancing the needs of communities of different size and geographic area. Plus, the legislations sets a target that at least 35% of plans be located in units with a population under 100,000.

o The provisions in the bills will unlock private capital that will generate a long-run benefit to the state. Significant private investment will be required for owners and developers to qualify for participation in this program. The amount of tax benefits provided will be limited to what is needed to meet the specific financing gap of the project. Moreover, for any project to be approved, it must result in an overall positive fiscal impact to the state, as determined by the Michigan Strategic Fund and, for the largest projects, the State Treasurer. The thinking is that since the income taxes and withholding taxes subject to capture are limited to 50%, the state will be receive at least 50% of the income tax revenue newly created by TBPs rather than nothing from those sites.

o The legislation includes safeguards and provisions to ensure accountability and proper execution. It requires approval at multiple levels, including the local brownfield authority, local elected officials, the MSF, and, in some instances, the State Treasurer. It includes multiple economic and financial analyses, including independent studies

[87] http://mithrivecoalition.com/wp-content/uploads/2017/02/Transformational-Development-infographic8.pdf
[88] "Tax credits would help redevelop Silverdome, Hudson's sites" http://www.freep.com/story/news/politics/2017/05/04/michigan-house-oks-big-brownfield-redevelopment-tax-credits/101299562/
[89] http://mithrivecoalition.com/

for the largest projects. It has "clawbacks"[90] that give MSF the authority to alter reimbursement agreements if the investment targets are not met; and reimbursements to the developer begin only after verifying the required levels of capital investment. There are caps on the amount of reimbursement each year and on the overall number of projects, ensuring that projects will be thoroughly reviewed and annual costs will be controlled. The tools in the bills will only be used in specific situations, the most difficult redevelopment projects, when all other economic development resources have been exhausted.

Against:
Critics of the legislation have made the following arguments.
o This kind of economic development approach once again puts government (at all levels) in the business of picking winners and losers through the use of tax revenues contributed by all taxpayers all over the state. Only some communities will be fortunate enough to be chosen to create these new plans; only some developments will be approved within those communities; others left behind will be at a competitive disadvantage.

o The allocation of resources is best left to the private marketplace. But, if it is true that there is no overall fiscal harm to the state from tax dollars being used in this way, why not let all communities employ these mechanisms and allow many more properties to be transformed? If it is actually the case that the program is intended only for projects that would not happen "but for" the availability of the tax capture, then it ought to be a widely available economic development tool.

o Moreover, using the tax code to send public dollars to private projects obscures the fact that this is public spending for private benefit; it would be preferable to use the appropriations process, which would be a more transparent approach, and would make it clear that there are competing public spending options.

o If individuals simply move into a TBP area from another part of the state, that individual's income tax generated is potentially subject to up to a 50% capture by the authority (depending on the terms of the plan). In that instance, the state would actually lose up to 50% of revenue it is currently collecting. If a TBP does not attract "new" businesses or residents, but simply shifts existing businesses and residents from other parts of the state, where is the overall benefit? While the MSF is required to take into account the displacement of population and tax revenue from other areas of the state to within a TBP, the exact magnitude of this effect will be difficult to predict, and in any case will not be the deciding factor in approval.

o State and local governments, and economic developers, already have a wide variety of redevelopment options: traditional brownfield tax increment financing, property tax abatements, Michigan Business Development Program grants, renaissance zones, among many others. Why more?

POSITIONS:
Representatives of the following organizations testified in support of the bills:
o Saginaw Future (3-22-17)
o Shiawassee Economic Development Partnership (3-22-17)
o Shiawassee Chamber of Commerce (3-22-17)
o Oakland County (3-22-17)
o City of Tecumseh (4-19-17)
o Northern Michigan Chamber Alliance (4-19-17)
o City of Muskegon (4-19-17)
o Lansing Economic Area Partnership (4-19-17)
o Michigan Municipal League (4-19-17)
o Michigan Realtors (4-19-17)
o Grand Rapids Chamber of Commerce (4-19-17)
o Southwest Michigan First (4-19-17)
o Quicken Loans (4-19-17)
Additionally, representatives from 56 other organizations indicated support for the bills.

[90] A clawback is an action whereby an employer or benefactor takes back money that has already been disbursed, sometimes with an added penalty. Clawback: Definition, Meaning, How It Works, and Example (investopedia.com)

Representatives of the following organizations testified in opposition to the bills:

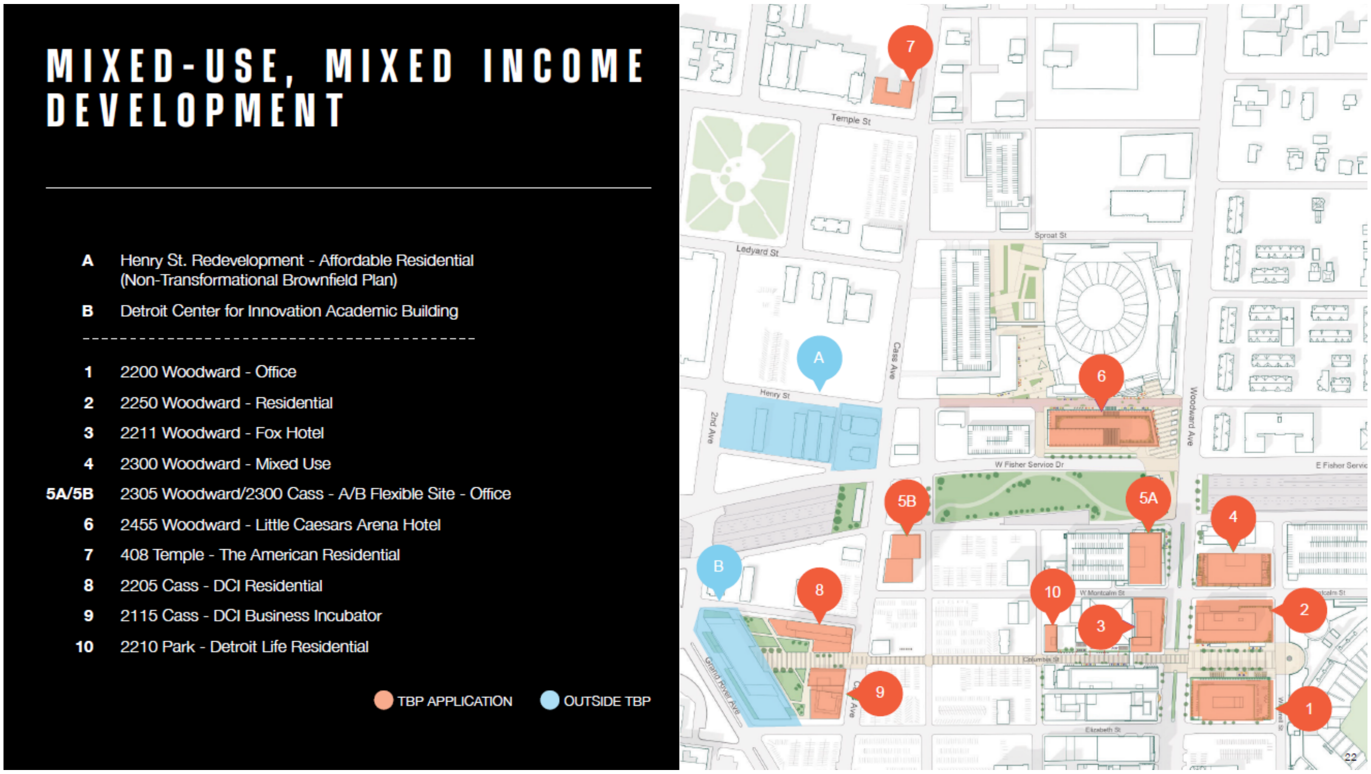
o Equitable Detroit Coalition (3-22-17)
o Mackinac Center for Public Policy (4-19-17)
o Americans For Prosperity (4-19-17)

Additionally, representatives from five school-related organizations indicated opposition to SB 113 & 114: the Michigan Association of School Boards, the Michigan Association of School Administrators; the Middle Cities Education Association; the Michigan Association of Intermediate School Administrators; and a representative of the Barry, Branch, Calhoun, Jackson, Lenawee, and Monroe intermediate school districts. (3-22-17)

Attachment 3

Additional District Detroit project details with project renderings, including more details on DDA loans for affordable housing and infrastructure components of District Detroit TBP project

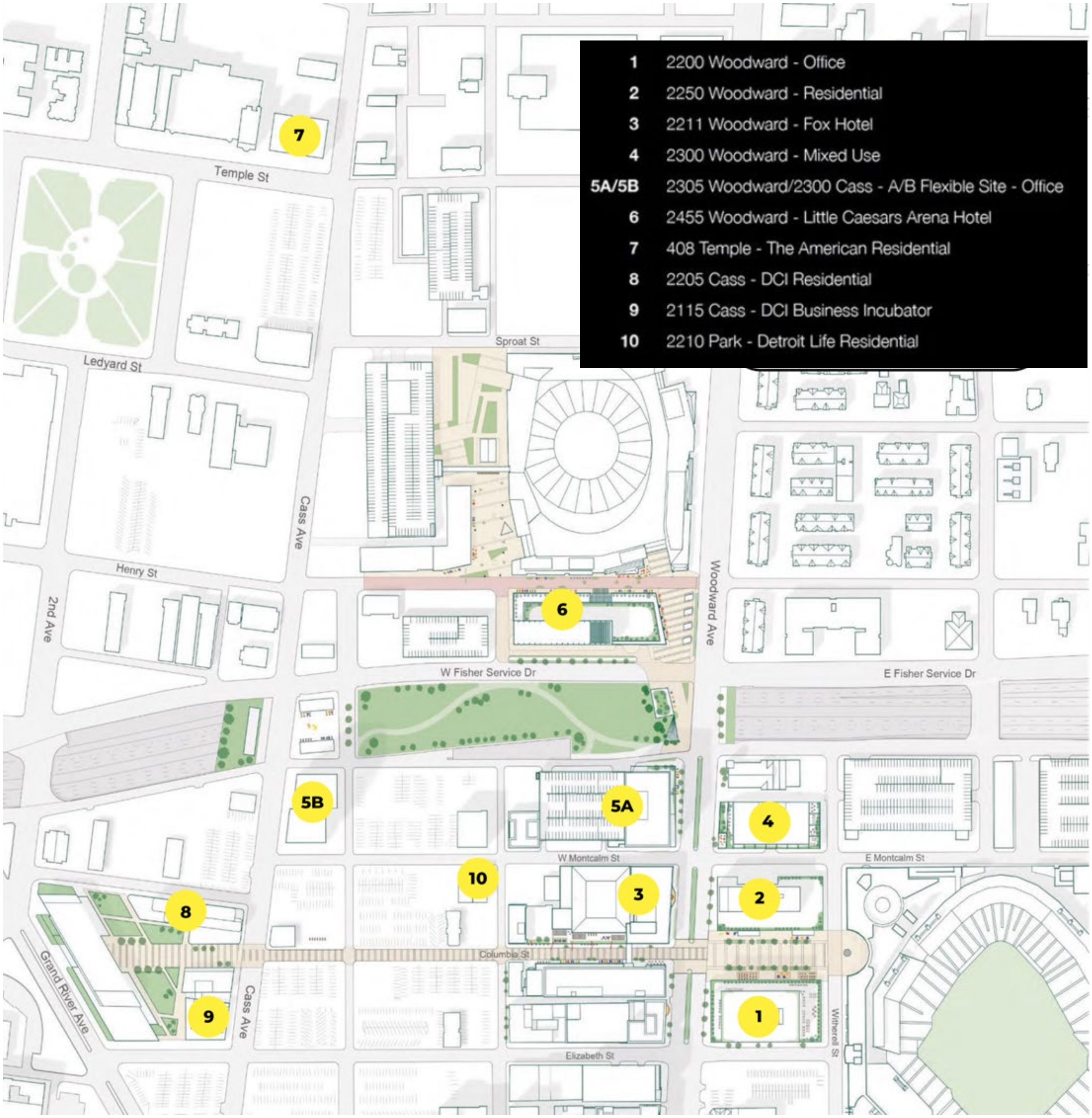
DISTRICT DETROIT PROJECT AT A GLANCE[91]

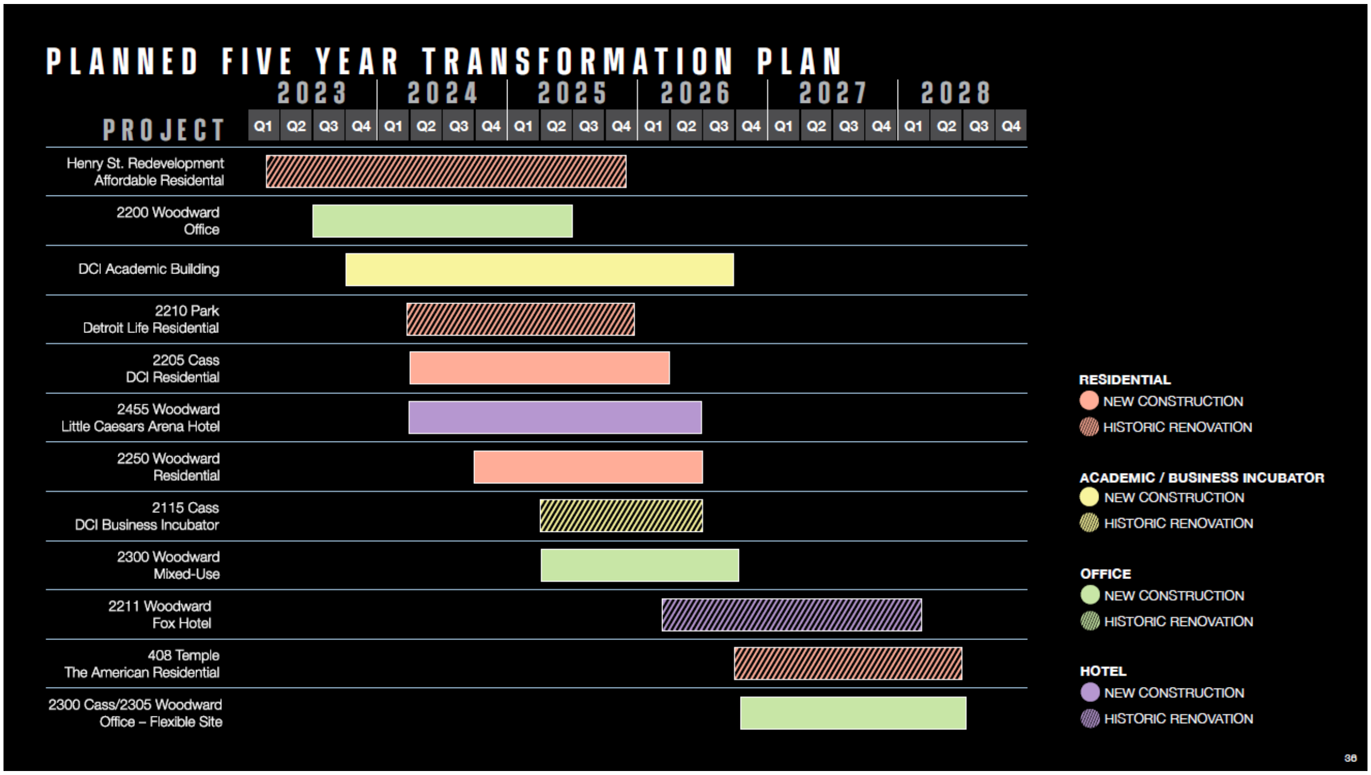


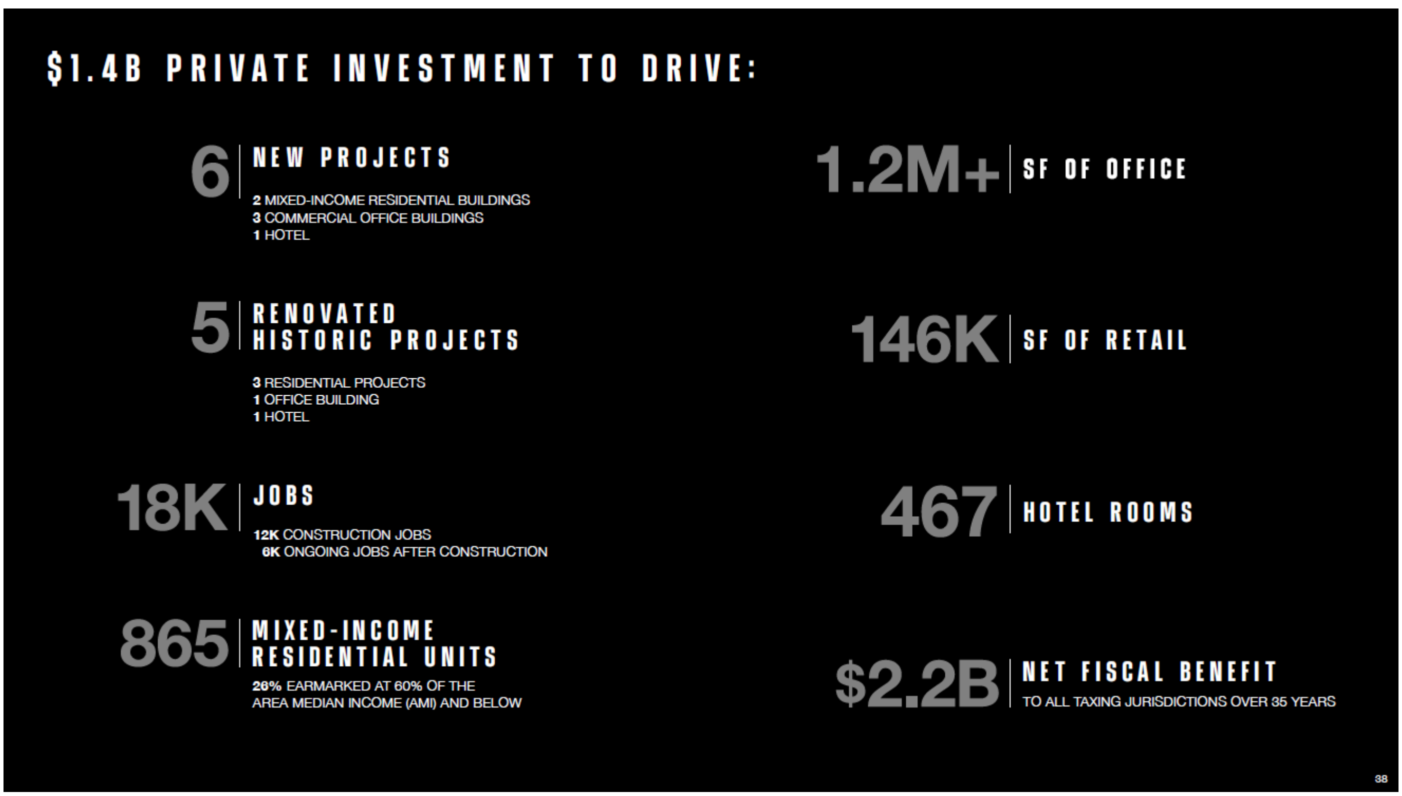
[91] The 10 listed sites include 4 mixed-income residential buildings, 4 commercial office buildings and 2 hotels, along with additional open public and green space. [District Detroit | City of Detroit (detroitmi.gov)]


NEW AND RENOVATED HISTORIC PROJECTS
1.2M+ SF OF OFFICE
146K SF OF RETAIL
467 HOTEL ROOMS
865 MIXED-INCOME RESIDENTIAL UNITS
26% EARMARKED AT 60% OF THE AREA MEDIAN INCOME (AMI) AND BELOW
RESIDENTIAL
NEW CONSTRUCTION
HISTORIC RENOVATION
OFFICE
NEW CONSTRUCTION
HISTORIC RENOVATION
ACADEMIC / BUSINESS INCUBATOR
NEW CONSTRUCTION
HISTORIC RENOVATION
HOTEL
NEW CONSTRUCTION
HISTORIC RENOVATION
Temple St
Sproat St
Ledyard St
Cass Ave
2nd Ave
Woodward Ave
W Fisher Service Dr
E Fisher Service
W Montcalm St
E Montcalm St
Elizabeth St
23

Map of District Detroit TBP




PLANNED FIVE YEAR TRANSFORMATION PLAN
2023
2024
2025
2026
2027
2028
PROJECT
Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4
Henry St. Redevelopment Affordable Residental
2200 Woodward Office
DCI Academic Building
2210 Park Detroit Life Residential
2205 Cass DCI Residential
2455 Woodward Little Caesars Arena Hotel
2250 Woodward Residential
2115 Cass DCI Business Incubator
2300 Woodward Mixed-Use
2211 Woodward Fox Hotel
408 Temple The American Residential
2300 Cass/2305 Woodward Office – Flexible Site
RESIDENTIAL
NEW CONSTRUCTION
HISTORIC RENOVATION
ACADEMIC / BUSINESS INCUBATOR
NEW CONSTRUCTION
HISTORIC RENOVATION
OFFICE
NEW CONSTRUCTION
HISTORIC RENOVATION
HOTEL
NEW CONSTRUCTION
HISTORIC RENOVATION
36


$1.4B PRIVATE INVESTMENT TO DRIVE:
6 NEW PROJECTS
2 MIXED-INCOME RESIDENTIAL BUILDINGS
3 COMMERCIAL OFFICE BUILDINGS
1 HOTEL
5 RENOVATED HISTORIC PROJECTS
3 RESIDENTIAL PROJECTS
1 OFFICE BUILDING
1 HOTEL
18K JOBS
12K CONSTRUCTION JOBS
6K ONGOING JOBS AFTER CONSTRUCTION
865 MIXED-INCOME RESIDENTIAL UNITS
26% EARMARKED AT 60% OF THE AREA MEDIAN INCOME (AMI) AND BELOW
1.2M+ SF OF OFFICE
146K SF OF RETAIL
467 HOTEL ROOMS
$2.2B NET FISCAL BENEFIT
TO ALL TAXING JURISDICTIONS OVER 35 YEARS
38

JOB OPPORTUNITIES

Office
- Loan Officers
- Tellers
- Loan Interviewers and Clerks
- Customer Service Representatives
- Claims Adjuster
- Insurance Claims Clerks
- Sales Agents
- Software Developers
- Computer Systems Analysts
- Mechanical Engineers
- Management Analysts
- Office Clerks

Property Management
- Maintenance and Repair Workers
- Office Clerks
- General Operations Managers
- Landscaping and Groundskeeping Workers

Hotel
- Concierge
- Housekeeping Cleaners
- Maintenance and Repair Workers
- Waiters
- Cooks
- General Operations Managers

Retail
- Salespersons
- Supervisors
- Cashiers
- General Operations Managers
- Customer Service Representatives
- Stockers
- Office Clerks

Food and Beverage
- Waiters
- Cooks
- Supervisors
- Hosts
- Cashiers
- Dishwashers
- Bartenders
- General Operations Managers

Construction
- Construction Laborers
- Carpenters
- Construction Managers
- First-line Supervisors
- Painters
- Office Clerks

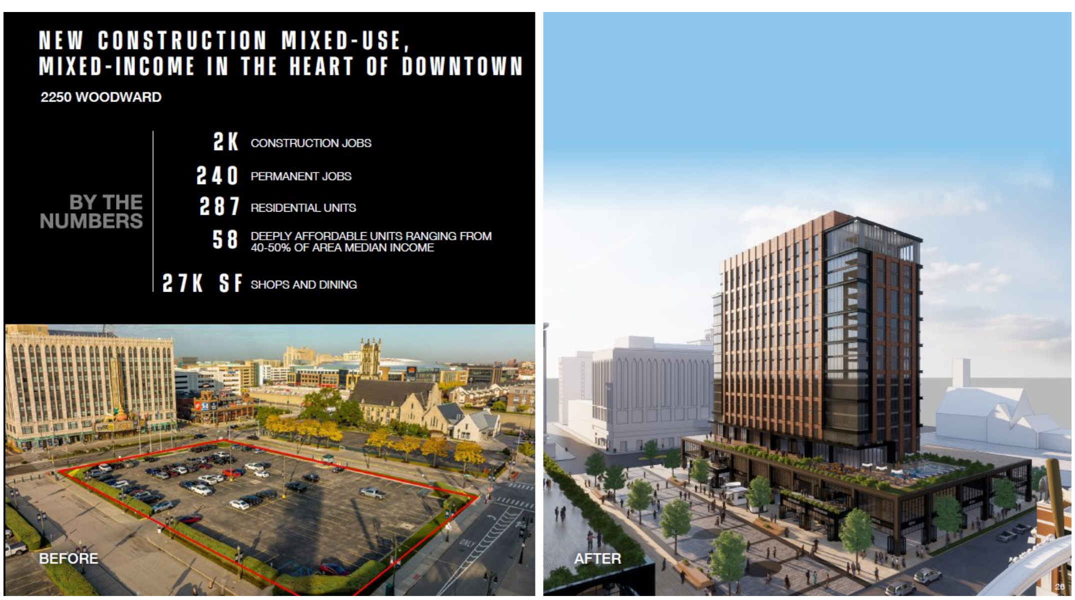
Loan for Affordable Units (3)

As part of the residential offerings, Olympia Development of Michigan (ODM) and its housing development partner Related, via its joint development entity Related Olympia Predevelopment Company, LLC, have committed to reserving at least 20% of the residential rental units for households making 50% of AMI or less. The Developer has requested the DDA support of the projects through a loan for each project under the DDA newly implemented Affordable Housing Program, with a $23.7M loan for the completion of 139 affordable units at 50% AMI for the each of the following three housing projects:[92]

<u>2250 Woodward</u>

PROJECT NAME	TOTAL DEVELOPMENT COST	STATE TAXES [1]	NON-CITY PROPERTY TAXES	CITY CONTRIBUTION	TOTAL TBP (OVER 35 YEARS)	PRESENT VALUE OF TBP (2023 DOLLARS) [2]
2250 Woodward – Residential	$216.0	$43.7	$25.5	$0	**$69.2**	**$29.2**

• **2250 Woodward** – New construction of a 20-story multi-family housing tower, with first floor retail, facing the Fox Theatre, expected to include 287 residential units, of which 20% (58 units) would be affordable at 50% AMI or below. Construction is expected to commence in fall of 2024, with a 2-year construction period. **Loan** - $10.9 million to support 58 affordable units. **TBP capture: $69.2 M, PA 210 savings: $5.4M, NEZ savings: $14M**



[92] Low-Income Housing Tax Credits (LIHTC) are also being requested for all three residential projects.

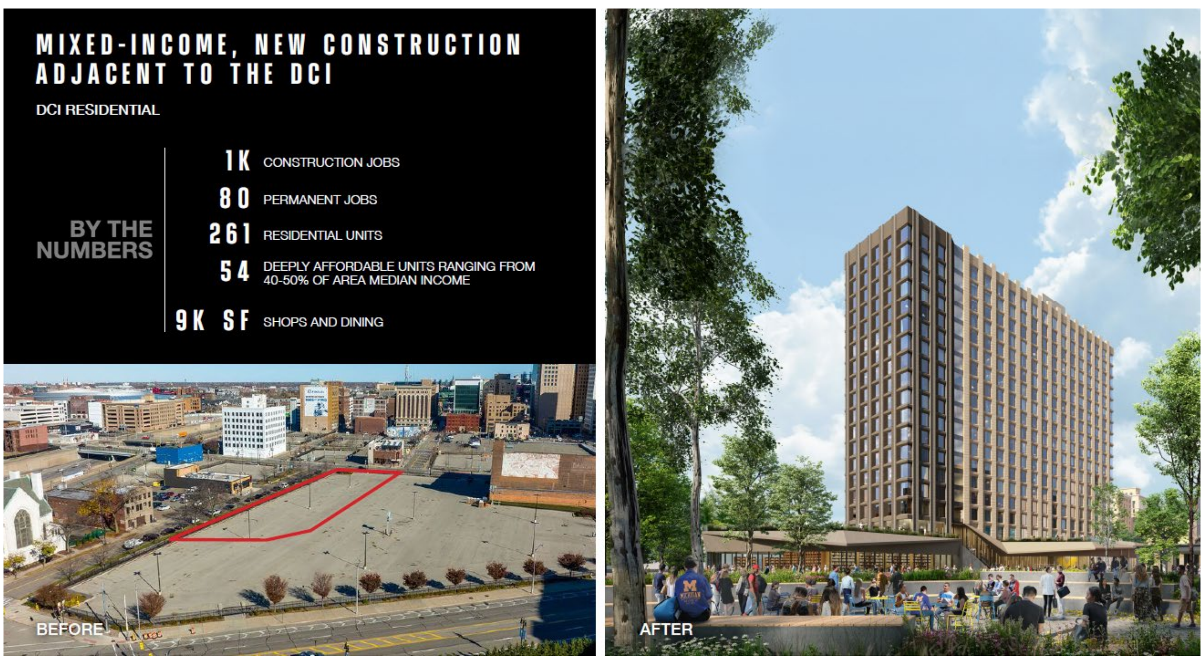
Tax abatements for 2250 Woodward

(In $ Millions)				
PROJECT NAME	PA 210	NEZ	TOTAL ABATEMENTS (OVER 10-15 YRS)	PRESENT VALUE OF ABATEMENTS (2023 DOLLARS) [1]
2250 Woodward - North; Residential	$5	$14	**$19**	**$12**

<u>2205 Cass</u>

• **2205 Cass** – New construction of 18 story multi-family housing tower with first floor retail, located across from the planned University of Michigan Detroit Center for Innovation, expected to include 261 residential units, of which 20% (54 units) would be affordable at 50% AMI or below. Construction is expected to commence in spring of 2024, with a 2 ½ year construction period. **Loan** - $8.804 million to support 54 affordable units **TBP capture: $47.9M, PA 210 savings: <$1M, NEZ savings: $11M**

PROJECT NAME	TOTAL DEVELOPMENT COST	STATE TAXES [1]	NON-CITY PROPERTY TAXES	CITY CONTRIBUTION	TOTAL TBP (OVER 35 YEARS)	PRESENT VALUE OF TBP (2023 DOLLARS) [2]
2505 Cass – DCI Residential	$150.1	$33.0	$15.0	$0	**$47.9**	**$20.6**



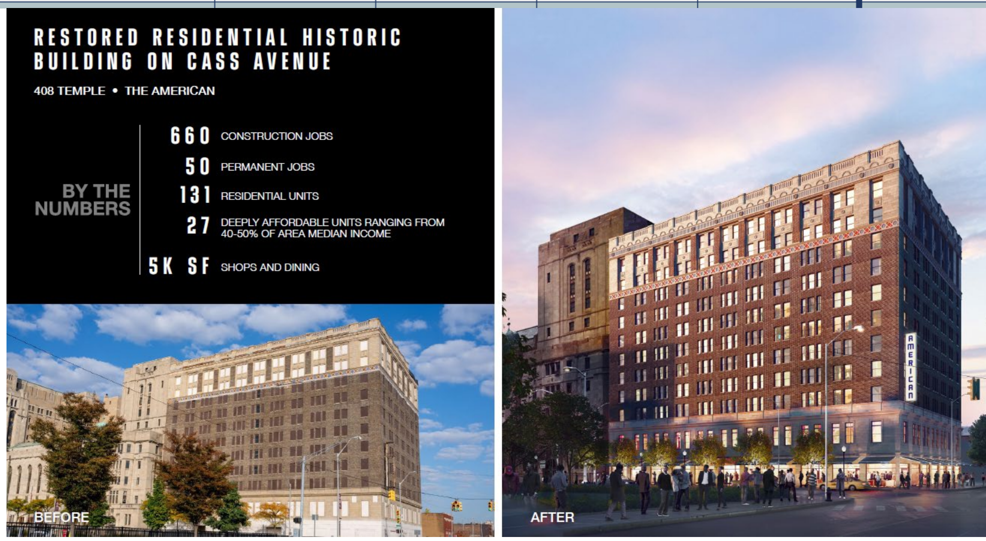
Tax abatements for 2205 Cass

(In $ Millions)				
PROJECT NAME	PA 210	NEZ	TOTAL ABATEMENTS (OVER 10-15 YRS)	PRESENT VALUE OF ABATEMENTS (2023 DOLLARS) [1]
2205 Cass - DCI Residential	<$1	$11	**$11**	**$7**

408 Temple

• **408 Temple** – Historic rehabilitation of former American / Fort Wayne Hotel located in the Cass Park district, with first floor retail, expected to include 131 residential units, of which 20% (27 units) would be affordable at 50% AMI or below. Construction is expected to commence in fall of 2026, with a 2-year construction period. **Loan** - $4.061 million to support 27 affordable units **TBP capture: $22.8M, PA 210 savings: <$1M, NEZ savings: $9M**

PROJECT NAME	TOTAL DEVELOPMENT COST	STATE TAXES [1]	NON-CITY PROPERTY TAXES	CITY CONTRIBUTION	TOTAL TBP (OVER 35 YEARS)	PRESENT VALUE OF TBP (2023 DOLLARS) [2]
408 Temple – The American Residential	$68.7	$13.8	$9.0	$0	**$22.8**	**$8.2**



Tax abatements for 408 Temple

(In $ Millions)

PROJECT NAME	PA 210	NEZ	TOTAL ABATEMENTS (OVER 10-15 YRS)	PRESENT VALUE OF ABATEMENTS (2023 DOLLARS) [1]
408 Temple - The American Residential	<$1	$9	**$9**	**$5**

District Detroit TBP Affordable Housing Summary

2250 Woodward **Loan** - $10.9 million to support 58 affordable units (287 total residential units)
2205 Cass **Loan** - $8.804 million to support 54 affordable units (261 total residential units)
408 Temple **Loan** - $4.061 million to support 27 affordable units (131 total residential units)

Net Affordable Housing Result: **$23.7M loan** for the completion of **139 affordable units (20.5%) at 50% AMI** (679 total residential units)[93]

[93] For reference, an individual making 50% of the AMI earns approximately $31,350 annually. The rents in these units would be discounted from an average monthly market rent of $2,400 to $840.

Affordable Housing Loan Fund Details

On November 9, 2022, the DDA Board approved certain program parameters in connection with housing loans made under the DDA's Housing, Office, Retail Development and Absorption Fund, where the housing developer makes a commitment that at least 20% of the residential rental units will be reserved for households making 70% of AMI or less.

Initially, the Affordable Housing Program Parameters included a provision that if the affordable units of a loan find recipient are occupied by individuals who have been residents of the City of Detroit for at least 5 years prior to occupancy, then a portion of the loan may be eligible for forgiveness, upon terms to be approved by the DDA Board of Directors. However, after further discussion of the Affordable Housing Program Parameters with the City's Housing and Revitalization Department (HRD), expressed concern that housing insecure individuals may find it difficult to demonstrate city of residency for 5 years prior their tenancy in the housing project, which could have the unintended consequence of excluding individuals that the program seeks to assist.

As a direct result of the concerns raised by HRD, the DDA subsequently approved a modification to the relevant provision in the Affordable Housing Program Parameters as follows:
*If affordable units are occupied by individuals who have been residents of the City of Detroit for at least **3 years prior to occupancy**, then a portion of the loan may be eligible for forgiveness, upon terms to be approved by DDA Board of Directors.*

Upon our discussions with DDA staff, we learned the terms of the loan to be applied to the aforementioned three deep affordable housing facilities in the District Detroit TBP, 2250 Woodward, 2205 Cass and 408 Temple, would be forgiven for the principal payment on its loan from the DDA each year that 50% of the occupied units were populated with certified Detroit residents, individuals who were documented to live in the city of Detroit, three-years prior to occupancy. The developer would still be subject to a 1% interest payments specified in their loan.

The final loan parameters approve by the DDA are as follows:

Affordable Housing (where at least 20% of the residential rental units will be reserved for households making 70% of AMI or less)
Affordability Target
Loan Amount
50% AMI 40% of Hard Construction Cost
60% AMI 30% of Hard Construction Costs
70% AMI 20% of Hard Construction Costs
80% AMI *No loan available under Affordable Housing Program Parameters*
Terms:
(1) Project must include at least 10 affordable units
(2) Interest rate not-to-exceed 2%. The terms and conditions of each loan will vary and will be determined based on the development project economics and market conditions at the time of underwriting and closing.
(3) If affordable units are occupied by individuals who have been residents of the City of Detroit for at least 3 years prior to occupancy, then a portion of the loan may be eligible for forgiveness, upon terms to be approved by DDA Board of Directors.[94]
(4) Maximum Loan Amount = $200k/affordable unit

[94] The Board approved a change in the initial Affordable Housing Program Parameters that reduced this requirement from 5 years to 3 years.

The loan terms for the District Detroit TBP are as follows:[95]

EXHIBIT A

Proposed Loan Terms

Borrower	Project Location	Maximum Loan Amount
SPE Affiliate of Related Olympia Predevelopment Company, LLC	2250 Woodward Ave, Detroit MI 48201	$10,900,000 based upon 40% of the hard construction costs in order to complete 58 affordable units within the greater 287 total unit development
SPE Affiliate of Related Olympia Predevelopment Company, LLC	2505 Cass, Detroit MI 48201	$8,804,000 based upon 40% of the hard construction costs in order to complete 54 affordable units within the greater 261 total unit development
SPE Affiliate of Related Olympia Predevelopment Company, LLC	408 Temple St, Detroit MI 48201	$4,061,000 based upon 40% of the hard construction costs in order to complete 27 affordable units within the greater 131 total unit development.

Loan Amounts: Above loan amounts represent maximum loan commitments. Final loan amounts to be determined based upon final unit and affordable unit count and final construction budget, per DDA Board approved loan parameters.

Interest Rate: 1.0% per annum

Fee: 0.5% at closing

Term: 408 months (34 years)

Repayment: Interest accrues and is deferred for 48 months following closing. Deferred interest shall be capitalized and added to the principal loan balance at the beginning of the 49th month following closing (such amended principal balance being the "**Amended Principal Amount**"). Monthly interest only payments commencing on the first business day of the 50th month following closing and continuing until loan maturity. Commencing on the first business day of the month immediately following the 3rd anniversary of closing, Borrower shall submit an annual rent roll verification for the affordable units, including number of affordable units occupied by Existing Detroiters. For every year in which at

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[95] DDA Board book of January 11, 2023

least 50% of the affordable units are occupied by Existing Detroiters, 1/30th of the original principal loan amount (or, from and after the 49th month, the Amended Principal Amount) will be forgiven. Remaining principal balance and accrued but unpaid interest, if any, is due at maturity. Loan is due upon sale of Borrower's interest in the Project, unless DDA reasonably approves an assignment and assumption of the loan to Borrower's proposed assignee.

"**Existing Detroiter**" is defined as an individual who has been a resident of the City of Detroit for the three (3) consecutive years prior to their occupancy in the Project.

Security:	Subordinated Lien position on all business assets, Assignment of Leases and Rents, Subordinated Leasehold Mortgage on the property. DDA's security interest will be subordinated to that of the senior lender and/or MSHDA.
Affordability Requirements:	At least 20% of the residential units must be reserved for households making 50% AMI or less for the term of the Loan; affordable unit mix subject to approval by DDA staff.
Guaranty	A joint and several corporate Guaranty of payment by each of Olympia Development of Michigan, LLC and The Related Companies LP, or a by respective affiliate thereof approved by the DDA.
Eligible Uses:	All Project costs, including hard construction costs (including demolition), equipment and fixtures.
Disbursement:	Owner equity contributions are first, followed by the DDA loan on a construction draw basis.
Commencement and Completion	Projects must be commenced (as evidenced by the closing of the applicable DDA and senior loans) within 5 years following the approval by the Michigan Strategic Fund ("**MSF**") of the Developer's proposed Transformational Brownfield Plan ("**TBP**"). Funding authority granted by the Board of Directors for any project not so commenced shall be automatically null and void without further authorization of the Board of Directors. Projects must be completed (as evidenced by a temporary certificate of occupancy issued by BSEED) by the later of 48 months following the applicable loan closing and the maturity or conversion (as applicable) of the senior construction loan.

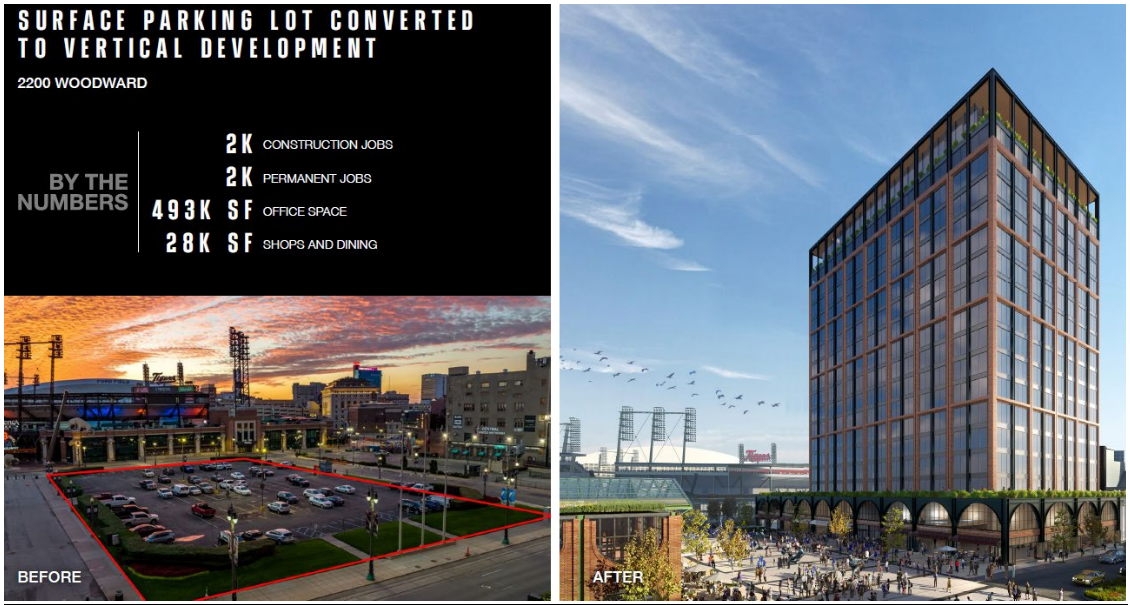
Other Conditions: Satisfactory review and acceptance of standard due diligence items. Binding commitments for all project loans, including executed loan documents. Borrower will provide itemized schedule and use of funds. Execution of mutually acceptable loan documents by Borrower and Guarantors. DDA may assign the right to receive loan fee to DEGC. The closing of each loan shall be subject to the aforementioned conditions and each loan shall be independent of the other loans and not subject to cross-default. From the date of Board Approval through loan closing, Developer shall provide DDA a semi-annual written update of status of each of the projects. Following loan closing through completion, Developer shall provide DDA a quarterly written update of status of each of the projects.

Additional Funding Conditions: Funding authority granted by the Board of Directors under the above terms shall be automatically null and void without further authorization of the Board of Directors unless each of the following occurs:

- MSF must approve TBP on or prior to December 31, 2023; and
- Commencement of construction under the TPB (of at least one Project) must commence within 2 years following MSF's approval of the TBP.

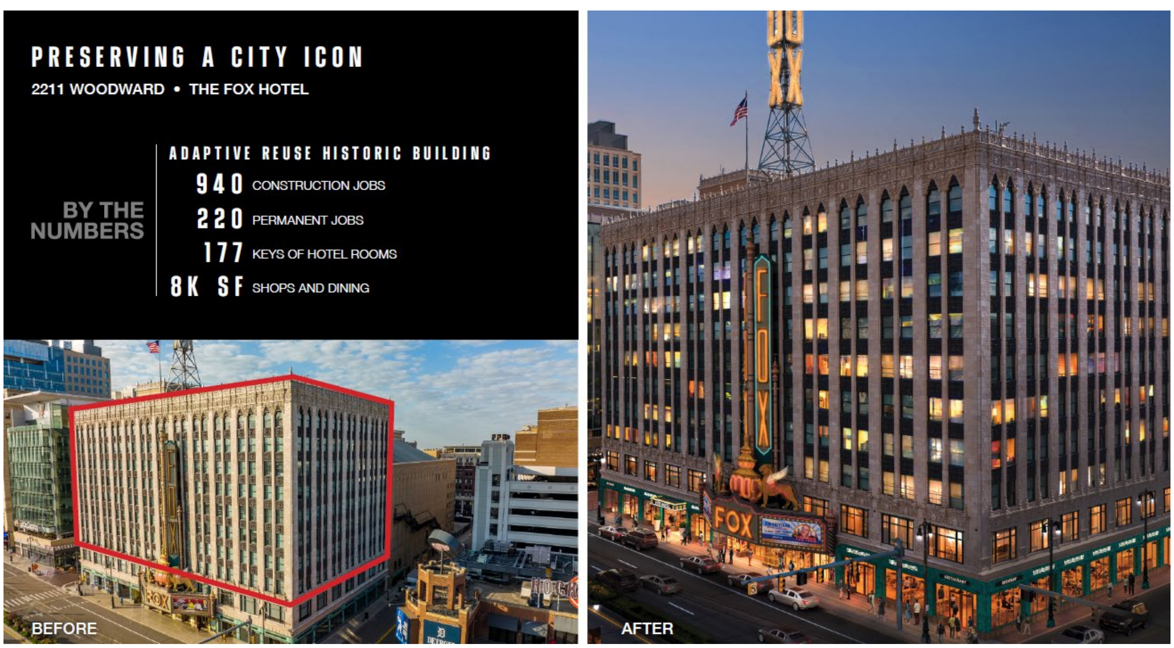
Office, Mixed Use, Hotel & Apartments (7)[96]

2200 Woodward



2200 Woodward: A surface parking lot will be turned into a **mixed-use high-rise building** with a two-story underground parking structure and a public plaza on Columbia Street. Of the total 702,000 square feet, the majority will be toward office space with 28,000 square feet of ground-floor retail space and 181,700 square feet of underground parking for nearly 300 spaces. **The development cost is $340 million**. The developer is requesting **$170.5 million TBP reimbursement, in addition to a PA 210 request for $35 million in tax savings.**

2211 Woodward



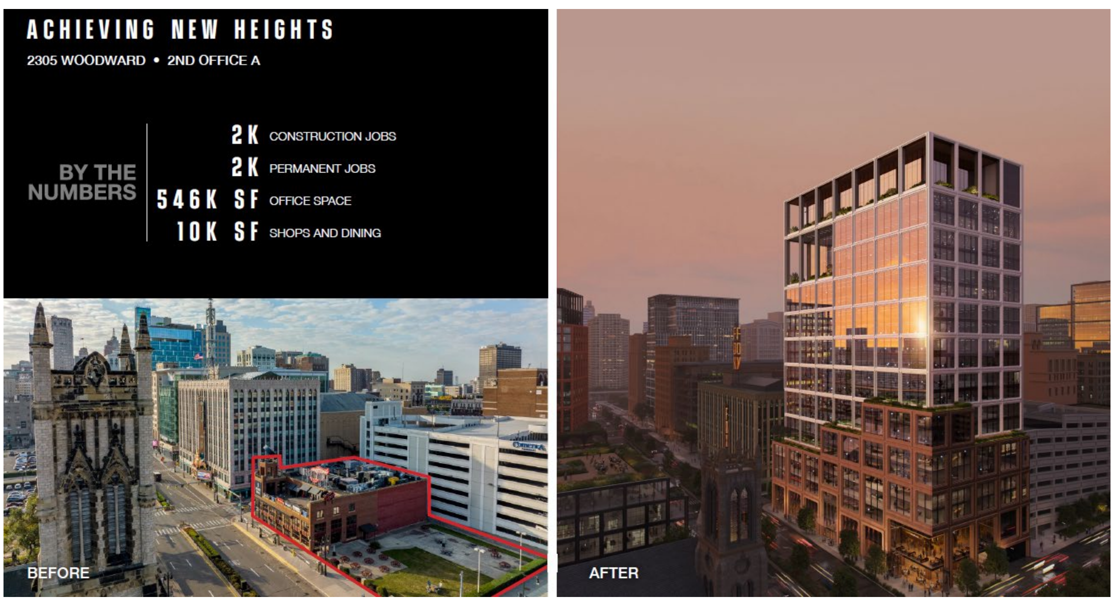
2211 Woodward: **The Fox Hotel -** The redevelopment of the office building portion of the Fox Theatre into a hotel with 177 hotel rooms and ground retail. The Fox Theatre, located in a separate condominium of the building, will not be altered. **The development cost is $121 million**. The developer is requesting **$23.9 million TBP reimbursement, in addition to a PA 210 request for $4 million in tax savings.**

[96] Details emerge on 10 planned developments of District Detroit (detroitnews.com)

2300 Woodward

2300 Woodward: A surface parking lot will be redeveloped into a new construction, **mixed-use five-story building** with 18,000 square feet of ground-floor retail space and 131,000 square feet of office space. **The development cost is $84 million. The developer is requesting $42.5 million in TBP reimbursements, in addition to a PA 210 request for $8 million in tax savings.**

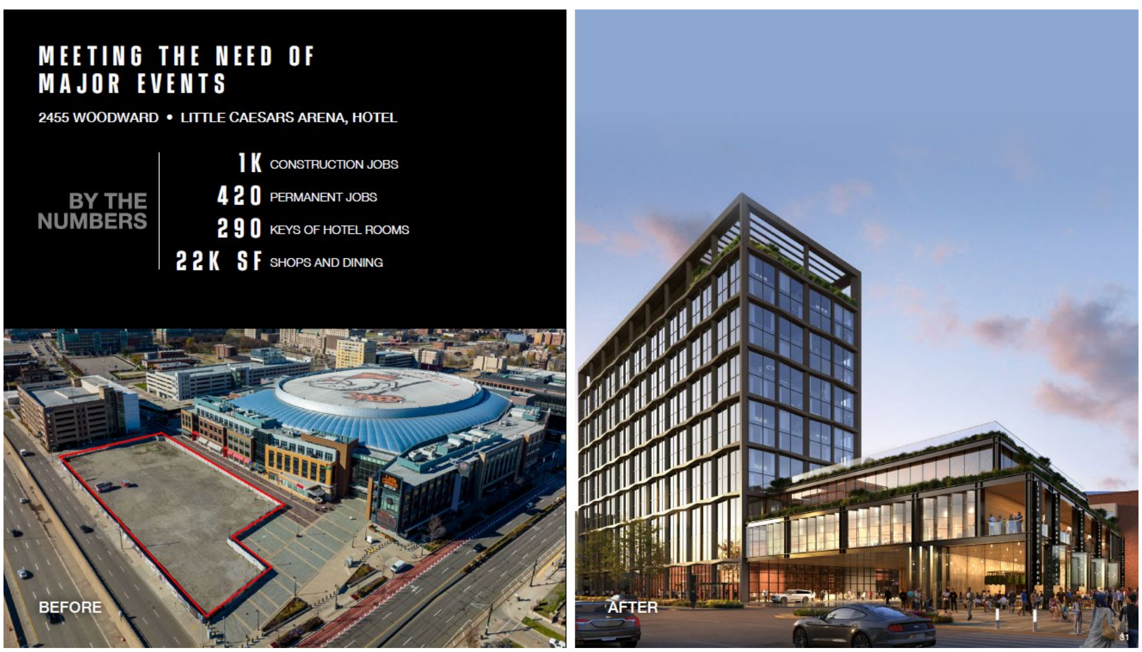
2305 Woodward/2300 Cass (A)



<u>**2305 Woodward/2300 Cass (B)**</u>

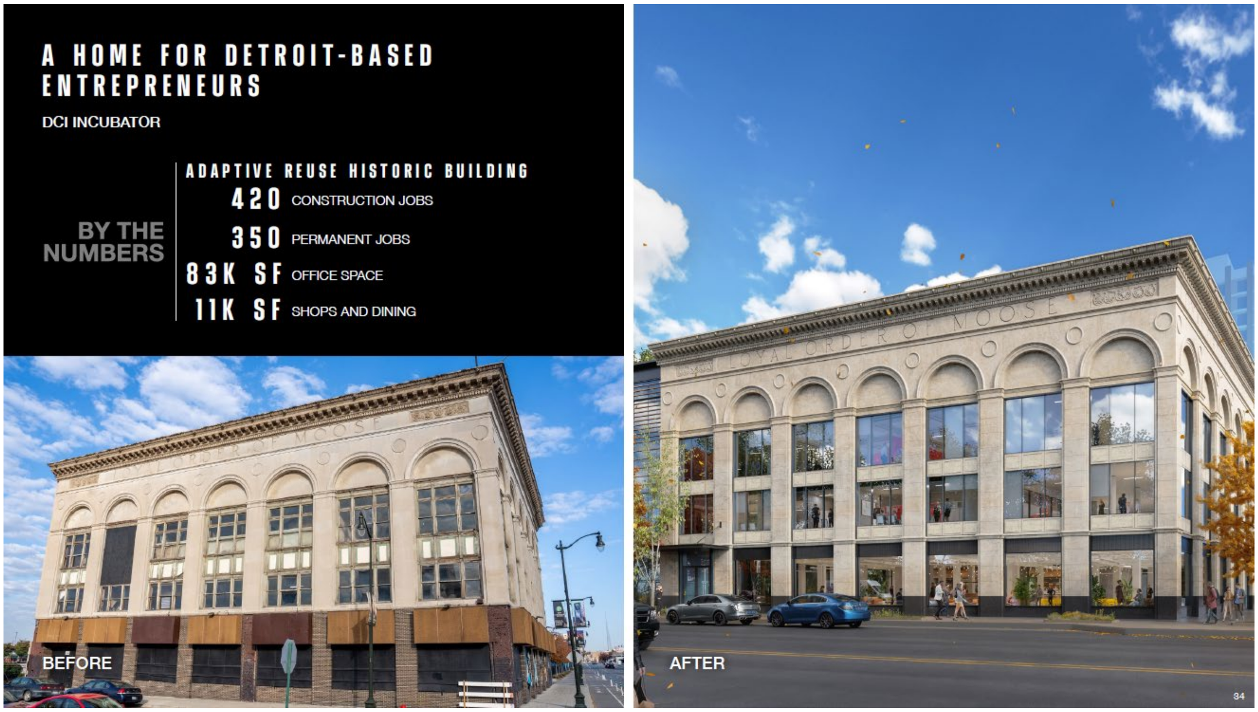
2305 Woodward/2300 Cass: A surface parking lot will be redeveloped into a mixed-use 21-story building. This will include demolition of existing structures to build a 556,000-square-foot building adjacent to the Detroit Center for Innovation. The building will have 10,500 square feet of ground-floor retail and 545,000 square feet of office space. **The development cost is $279 million,** and the **developer is requesting $163.2 million TBP reimbursement, in addition to a PA 210 request for $25 million in tax savings.**

<u>**2455 Woodward**</u>



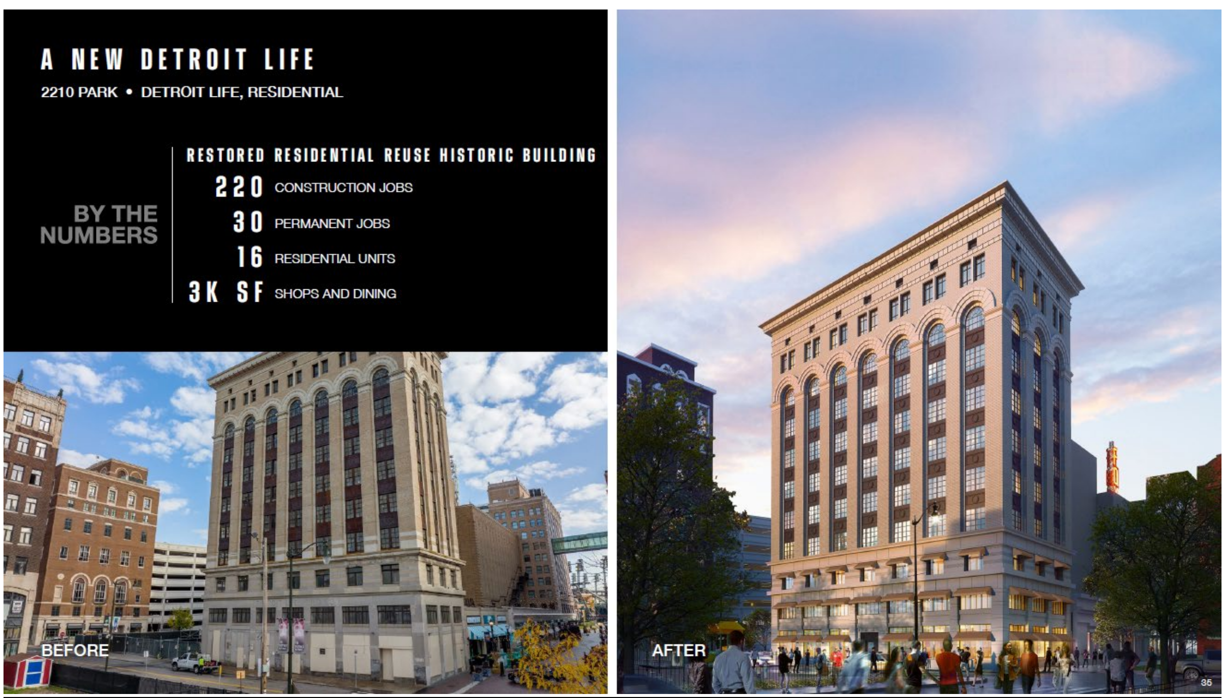
2455 Woodward: Planned redevelopment of undeveloped land adjacent to Little Caesars Arena **into a new 15-story building for a hotel**. It will have 22,000 square feet of ground retail and approximately 290 hotel rooms. The **development cost is $191 million,** and the developer is requesting **$42.1 million in reimbursement, in addition to a PA 210 request for $14 million in tax savings.**

2115 Cass



2115 Cass: Adaptive reuse of the vacant Moose Lodge building into a **four-story business incubator** with 10,700 square feet of ground-retail space. **The development cost is $60 million**, and **the developer is requesting $28.4 million TBP reimbursement, in addition to a PA 210 request for $4 million in tax savings.**

2210 Park



2210 Park: Redevelopment of the vacant Detroit Life Building into a **mixed-use 10-story**. It would have 16 apartments with 3,000 square feet of ground-floor retail. The development cost is **$24 million,** and the developer is requesting **$5.8 million in reimbursement**, in addition to a **PA 147 NEZ request for $3 million in tax savings.**

Infrastructure Loan

In addition to the loan the DDA is providing the developer for Affordable Housing, the DDA is also providing the developer a $25 million infrastructure loan. In 2013, the DDA established the Restated City of Detroit Downtown Development Authority Tax Increment Financing and Development Plan for Development Area No. 1 (the DDA Plan), the EC Ancillary Development Project. The purpose of the EC Ancillary Development Project is to encourage the development, redevelopment, rehabilitation and repurposing of existing buildings and vacant lands located within the Catalyst Development Area, outside of the Events Center (commonly known as the Little Caesars Arena).

The projects in the currently proposed TBP, which will be undertaken by affiliates of Olympia and Related's joint development entity Related Olympia Predevelopment Company, LLC, include approximately $29 million in public infrastructure improvements, including but not limited to right of way improvements, public utility installation, and development of public spaces. In order to assist with the financial viability of the projects, the DDA plans to support the public infrastructure improvements in an amount not to exceed $25 million, payable as a loan to the developers. The planned infrastructure improvements are as follows:

Infrastructure Improvements

	Project Number	Road Improvements	Utilities	Security	Public Spaces	Totals	Proportional Share
Superblock	1, 2, 4	$ 4,663,156	$ 2,509,237	$ 422,554	$ 5,000,000	**$12,594,947**	40%
Fox Town	3, 5a*	$ 1,437,096	$ 718,902	$ 155,735	-	**$2,311,733**	7%
Columbia Park	5b*	$ 1,936,366	$ 332,000	$ 180,783	-	**$2,449,149**	8%
LCA Hotel	6	$ 1,555,782	$ 496,000	$ 270,086	-	**$2,321,868**	7%
The American	7	$ 631,255	$ 140,000	$ 65,344	-	**$836,598**	3%
M-Block	8, 9	$ 5,315,432	$ 1,319,606	$ 412,752	$ 3,500,000	**$10,547,790**	33%
Detroit Life	10	$ 378,429	$ 58,000	$ 26,137	-	**$462,566**	1%
		$15,917,516	**$5,573,744**	**$1,533,391**	**$8,500,000**	**$31,524,651***	

*Developer will elect to proceed with either Project 5a **or** Project 5b, with total public infrastructure costs estimated at $29 million following such election.

The loan terms and conditions are set forth in the next following DDA Exhibit A on the following pages:

500 Griswold, Suite 2200
Detroit, MI 48226

EXHIBIT A

PROPOSED FUNDING TERMS

Infrastructure Reimbursement Agreement

Parties:	City of Detroit Downtown Development Authority ("**DDA**") and Related Olympia Predevelopment Company LLC ("**Developer**").
Purpose:	Provide for the reimbursement from DDA's general tax increment revenues of certain eligible infrastructure costs incurred by Developer (or its affiliate acting as the developer or a specific project) in connection with Developer's 10 planned developments located within the DDA's Catalyst Development Area within the DDA Plan, as described on **Attachment A** hereto (each, a "**Project**" and collectively, the "**Projects**").
Maximum Reimbursement:	$25,000,000.00
Eligible Costs:	Design, engineering, permitting, equipment, material, construction costs, and actual interest costs (not to exceed 5%) relating to the public infrastructure

of record, including but not limited to contractor invoices and pay applications, proof of payment, and lien waivers; and

CRIO certification for Executive Order compliance.

Anticipated Reimbursement Schedule:

7/1/2025-6/30/2026: $3,000,000
7/1/2026-6/30/2027: $3,000,000
7/1/2027-6/30/2028: $5,000,000
7/1/2028-6/30/2029: $5,000,000
7/1/2029-6/30/2030: $5,000,000
7/1/2030-6/30/2031: $4,000,000

DDA anticipates reimbursement payments to be made on the above schedule; provided, however, DDA shall have the right to defer all or part of any payments due (i) to the extent that the sum of the payment due and prior payments exceeds to the amount of Eligible Costs for which the Reimbursement Conditions have been satisfied or (ii) in the event that, in any year or years in which a payment hereunder is due, DDA does not receive general tax increment revenues in an amount sufficient to make the payment in accordance with the above payment schedule after payment by the DDA of (i) all bonded indebtedness, incurred before or after the date of this Agreement, and (ii) all contractual obligations made prior to the date of the reimbursement agreement, in which event DDA shall have the right to delay the scheduled payment to the extent of such insufficiency.

Other Conditions

Closing of the construction financing for each Project (or, for infrastructure with more than one associated Project, closing of the construction financing for one of the associated Projects) must occur within 5 years following the approval by the Michigan Strategic Fund ("**MSF**") of the Developer's proposed Transformational Brownfield Plan ("**TBP**").

For any Project for which construction financing closing does not occur by such deadline, (i) such Project shall not be eligible for reimbursement of associated infrastructure and (ii) the Maximum Reimbursement shall be reduced by the Proportionate Share associated with the Project, as set forth in **Attachment B**.

From the date of Board Approval, Developer shall provide DDA a semi-annual written update of status of each of the Projects. Following construction financing of a Project through completion, Developer shall provide DDA a quarterly written update of status of such Project(s).

Additional Funding Conditions: Funding authority granted by the Board of Directors under the above terms shall be automatically null and void without further authorization of the Board of Directors unless each of the following occurs:

- MSF must approve the TBP on or prior to December 31, 2023; and
- Commencement of construction under the TPB (of at least one Project) must commence within 2 years following MSFs approval of the TBP.

Attachment 4

Summary of Site-Specific Eligible Property Information

Legal description of property

Project	Parcel Address/Tax ID Number Ownership	Basis of Eligibility/Additional Information
2200 Woodward - Office	Part of current 2200 Woodward Part of 0104142-54 Current Owner: Detroit-Wayne County Stadium Authority (DWCSA); Tiger Ballpark, LLC (TBL) is the Concessionaire under Concession Management Agreement (the CMA) that gives TBL the right to operate the Property through the 2034 MLB season and through 6, 10-year extensions	Part of 0104142-54 – Facility Status
2250 Woodward - Residential	Part of 2200 Woodward Part of 01004142-54 Current Owner: Detroit-Wayne County Stadium Authority (DWCSA); Tiger Ballpark, LLC (TBL) is the Concessionaire under Concession Management Agreement (the CMA) that gives TBL the right to operate the Property through the 2034 MLB season and through 6, 10-year extensions	Part of 01004142-54 – Facility Status
2211 Woodward – Fox Hotel	2211 Woodward Condominium Units 2 and 3 (which does not include the theatre) 02001861.002 02001861.003L Current Owner: Fox Office Building, LLC	02001861.002 and 02001861.003L - Historic Resource
2300 Woodward - Mixed Use	Part of 50 E Fisher, and part of 131 E Montcalm Part of 01000522-56, and part of 01000339-477	Part of 01000522-56, and part of 01000339-477 – Facility Status

Project	Parcel Address/Tax ID Number Ownership	Basis of Eligibility/Additional Information
	Current Owners: St. John's Episcopal Church and DWCSA; East Montcalm Development, LLC has a ground lease over the church-owned portion of site, and TBL controls the remainder of the property via the CMA	
2305 Woodward/ **2300 Cass -** Flexible Office	Alternative A 2301 & 2305 Woodward 02001859-60 and 02001857-8 Current Owner: Olympia Entertainment, Inc.	02001859-60 - Adjacent and Contiguous 02001857-8 – Facility Status
	Alternative B 2310 Cass, 219 & 211 W Fisher, 200 W Montcalm 02002047-8, 02000491, 02000490, 02000465 Current Owners: 2310 Cass, LLC and ODM Parking, LLC	02000491, 02000490, 02000465 – Facility Status 02002047-8, 2310 Cass - Adjacent and Contiguous
2455 Woodward - Little Caesars Arena Hotel	2457, 2465 & 2473 Woodward, 02001853-6, 02001852, 02001851, 42, 48, 54, 60, 68, 76 & 84 W Fisher 02000545, 02000544, 02000543, 02000542, 02000541, 02000540, 02000539, 41, 47, 59, 67, 71 & 83 Henry 02000546, 02000547, 02000548.001, 02000548.002L 02000549, 02000550-1 Current Owners: Nexus Properties, LLC, and ODM Parking, LLC	02001853-6, 02001852, 02001851, 02000545, 02000543, 02000542, 02000541, 02000540, 02000539, 02000546, 02000547, 02000548.001, 02000548.002L 02000549, 02000550-1 – Facility Status Adjacent and Contiguous - 02000544, 48 W. Fisher Adjacent and Contiguous – 02000541, 68 W. Fisher Adjacent and Contiguous – 02000539, 84 W. Fisher Adjacent and Contiguous – 02000546, 41 Henry

Project	Parcel Address/Tax ID Number Ownership	Basis of Eligibility/Additional Information
408 Temple- American Residential Redevelopment	408 Temple 02002261 Current Owner: Temple Commons, LLC	02002261 - A Historic Resource within the Cass Park Historic District, Detroit City Code, Section 21-2-233
2205 Cass – DCI Residential	Part of 2121 Cass Ave 437 W. Columbia Street, 465 W. Columbia Street Part of 02000353-6 Current Owner: Olympia Development of Michigan, LLC	Part of 02000353-6- Facility Status
2115 Cass - DCI Business Incubator	Part of 2121 Cass, 2115 Cass, 426 W Elizabeth Part of 02000353-6, 02002290, 02000402 Current Owners: Moose Building, LLC and Olympia Development of Michigan, LLC	Part of 02000353-6, 02000402 - Facility Status 02002290 - Adjacent and Contiguous (2115 Cass)
2210 Park -Detroit Life Residential	2210 Park Avenue 02000447 Current Owner: Detroit Life Building, LLC	02000447 - Historic Resource, Detroit City Code, Section 212-203

Attachment 5

Site Conditions and Known Environmental Contamination

Eligible Activities

Project[1]	Parcel Address	Basis of Eligibility/Additional Information
2200 Woodward	2200 Woodward	**Contamination** • *Phase II Environmental Site Assessment Lots 1 and 2 Property 2200 Woodward Avenue Detroit, MI, January 23, 2015; NTH Project No. 62-140490-01;* Metals and PNAs detected in soils at levels in excess of Drinking Water Protection, Groundwater Surface Water Interface Protection and Direct Contact Criteria and contaminants detected above vapor intrusion standard. **In excess of DWP:** Arsenic; Mercury; Acenaphthylene; Anthracene; Fluoranthene; Phenanthrene; Pyrene **In excess of GSIP:** Arsenic; Chromium; Mercury; Selenium; Silver; Zinc; Naphthalene; Acenaphthene; Fluoranthene; Fluorene; 2-Methylnaphthalene; Phenanthrene **In excess of DC:** Arsenic; Benzo(a)anthracene; Benzo(a)pyrene; Benzo(b)fluoranthene; Dibenzo(a,h)anthracene; Indeno(1,2,3-cd)pyrene **In excess of VIAP:** Mercury; Naphthylene; Tetrachloroethylene; 2-Methylnaphthalene; Phenanthrene
2250 Woodward	2250 Woodward	**Same as above**
2211 Woodward	2211 Woodward	**historic resource** https://www.nationalregisterofhistoricplaces.com/mi/Wayne/state3.html https://www.miplace.org/historic-preservation/programs-and-services/historic-landmarks/fox-theatre/

[1] DWP – EGLE's Part 201 Generic Cleanup Criteria for the protection of residential drinking water

GSIP – EGLE's Part 201 Generic Cleanup Criteria for the protection of the groundwater-surface water interface

DC - EGLE's Part 201 Generic Cleanup Criteria for direct contact protection

VIAP SL – EGLE's residential volatilization to indoor air pathway screening levels

4871-0829-8819.v1

Project[1]	Parcel Address	Basis of Eligibility/Additional Information
2300 Woodward **Mixed Use**	50 E Fisher, 131 E Montcalm	**Contamination/Adjacency** • *Phase II Environmental Site Assessment Lot 3 Property 75 and 79 E. Montcalm Street Detroit, MI, January 9, 2015; NTH Project No. 62-140488-01* • *Phase II Environmental Site Assessment Church Tower Property, 50 E. Fisher Street, Detroit, MI, October 10, 2022, NTH Project No. 22000359-50E* Metals and three PNAs detected in soils at levels in excess of Drinking Water Protection, Groundwater Surface Water Interface Protection and Direct Contact Criteria **In excess of DWP:** Arsenic, Chromium **In excess of GSIP:** Arsenic, Chromium, Mercury, Selenium, Zinc, Fluoranthene, Phenanthrene **In excess of DC:** Arsenic, Benzo(a)pyrene **In excess of VIAP:** Mercury; Phenanthrene
2305 Woodward/ **2300 Cass**	Alternative A 2301 & *2305* Woodward	**Contamination/Adjacency** • *Phase II Environmental Site Assessment Hockeytown Property - 2301 & 2305 Woodward Avenue Detroit, MI; June 1, 2018 NTH Project No. 62-120941-77F1* VOCs, metals and one PNA detected in soils at levels in excess of Drinking Water Protection, Groundwater Surface Water Interface Protection and Direct Contact Criteria all on northerly parcel. **In excess of DWP:** Arsenic; Lead; Mercury; Tetrachloroethylene; Trichloroethylene **In excess of GSIP:** Arsenic; Chromium; Mercury; Selenium; Zinc; Phenanthrene; **In excess of DC:** Arsenic; Lead **In excess of VIAP:** Mercury; Cis-1,2,-dichloroethylene; Tetrachloroethylene; Trichlorethylene; Phenanthrene

	Alternative B 2310 Cass, 219 & 211 W Fisher, 200 W Montcalm	**Contamination/Adjacency** • *Baseline Environmental Assessment Cass, Fisher and Montcalm Property 2224 Cass Ave., 219 W. Fisher St., and 200 W. Montcalm St. Detroit, MI May 18, 2021 NTH Project No. 62-210101-04* • *Baseline Environmental Assessment 29 South Parking Lots Property Detroit, MI, October 19, 2016 NTH Project No. 62-120941-42H2* Metals and PNAs detected in soils at levels in excess of Drinking Water Protection, GSIP and Direct Contact Criteria; one VOC detected in soils at levels in excess of Drinking Water Protection, GSIP and Direct Contact Criteria **Collectively:** <u>In excess of DWP:</u> Arsenic; Chromium; Mercury; Selenium; Trichloroethylene; Anthracene; Phenanthrene <u>In excess of GSIP:</u> Arsenic; Chromium; Selenium ; Cadmium; Chromium; Copper; Mercury; Zinc; Fluoranthene; Phenanthrene; Acenaphthene; Fluorene; 2-Methylnaphthalene; Naphthalene; Xylenes <u>In excess of DC:</u> Arsenic; Lead; Benzo(a)pyrene; Benzo(a)anthracene; Benzo(b)fluoranthene; Dibenzo(a,h)anthracene; Indeno(1,2,3-cd)pyrene <u>In excess of VIAP:</u> Mercury; Benzene; Ethylbenzene; Naphthalene; 1,2,4-Trimethylbenzene; Trichloroethylene; Xylenes; Benzo(a)anthracene; 2-Methylnaphthalene; Phenanthrene **2310 Cass Ave** **Qualifies as Adjacent** **211 W. Fisher** Arsenic - DWP and GSIP; Chromium – GSIP; Selenium - GSIP **219 W. Fisher** Arsenic - DWP, GSIP and DC; Cadmium – GSIP; Chromium - DWP, GSIP, and PSIC; Copper – GSIP; Lead – DC; Mercury – GSIP; Selenium – GSIP; Zinc – GSIP; Benzo(a)pyrene – DC; Fluoranthene – GSIP; Phenanthrene – GSIP; Trichloroethylene - DWP **200 Montcalm** Arsenic - DWP, GSIP, and DC; Chromium - DWP and GSIP; Mercury - DWP and GSIP; Selenium - DWP and GSIP; Zinc – GSIP; Acenaphthene – GSIP; Anthracene – DWP; Benzo(a)anthracene – DC; Benzo(a)pyrene – DC; Benzo(b)fluoranthene – DC; Dibenzo(a,h)anthracene – DC; Fluoranthene – GSIP; Fluorene – GSIP; Indeno(1,2,3-cd)pyrene – DC; 2-Methylnaphthalene – GSIP; Naphthalene – GSIP; Phenanthrene - DWP, GSIP, and VSIC; Xylenes – GSIP

Project[1]	Parcel Address	Basis of Eligibility/Additional Information
2455 Woodward **Little Caesars Arena Hotel**	2457, 2465 & 2473 Woodward, 42, 48, 54, 60, 68, 76 & 84 W Fisher, & 41, 47, 59, 67, 71 & 83 Henry	**Contamination/ Adjacency** • *Baseline Environmental Assessment Kava Blue South Property Detroit, MI December 9, 2016 NTH Project No. 62-120941-42AC (42 W Fisher, 48 W Fisher, 41 E Henry, 47 E Henry, and 49 E Henry* • *Baseline Environmental Assessment – Cherrylawn Parcels – 2457 and 2465 Woodward Ave, 42 and 48 Fisher Ave, and 41, 47 and 59 Henry Street, Detroit, MI May 14, 2010 NTH Project No. 62-091757-02* • *Baseline Environmental Assessment – 2473 Woodward Ave, Detroit, MI November 8, 2016 NTH Project No. 62-120941-32C2* • *Baseline Environmental Assessment – 54 Fisher, 83 Henry (and 84 Sproat) Streets (and 2720 and 2723 Park Ave), Detroit, MI November 18, 2016 NTH Project No. 62-120941-32C1* • *Baseline Environmental Assessment Waycor – Fisher Parcels – 60, 68, 76 and 84 W Fisher, Detroit, MI July 30, 2009 NTH Project No. 62-082550-01F* • *Baseline Environmental Assessment – Henry Street Parking Parcels – 67 and 71 Henry, Detroit, MI December 22, 2010 NTH Project No. 62-100658-02* • *Baseline Environmental Assessment – 2473 Woodward Ave, Detroit, MI November 8, 2016 NTH Project No. 62-120941-32C2* • Metals and PNAs in excess of Direct Contact, GSIP, Drinking Water Criteria. **Collectively:** **In excess of DWP:** Arsenic; Chromium; Lead; Mercury; Selenium; Benzene; Anthracene; Phenanthrene; Tetrachloroethene; Arsenic - DWP and GSIP **In excess of GSIP:** Arsenic ; Barium; Cadmium; Chromium; Copper, Lead, Mercury; Silver; Selenium; Zinc; Fluoranthene; Phenanthrene; Naphthalene; Acenaphthene; Fluorene; 2-Methylnaphthalene; **In excess of DC:** Arsenic; Lead; Benzo(a)pyrene; Benzo(a)anthracene; Benzo(a)pyrene; Benzo(b)fluoranthene; Dibenzo(a,h)anthracene; Indeno(1,2,3-cd)pyrene; Phenanthrene **In excess of VIAP:** Mercury; Benzene; Ethylbenzene; 2-Methylnaphthalene; Naphthalene; Phenanthrene; Tetrachloroethene **2457 Woodward** Arsenic – DWP, GSIP, and DC; Selenium - GSIP **2465 Woodward** Benzo(a)pyrene – DC; Fluoranthene – GSIP;Phenanthrene - GSIP **2473 Woodward** Barium - GSIP; Selenium - GSIP; Zinc - GSIP; Naphthalene - GSIP; Acenaphthene - GSIP; Anthracene - DWP; Benzo(a)anthracene - DC; Benzo(a)pyrene - DC; Benzo(b)fluoranthene - DC; Dibenzo(a,h)anthracene - DC; Fluoranthene - GSIP; Fluorene - GSIP;

Project[1]	Parcel Address	Basis of Eligibility/Additional Information
DCI Residential	2121 Cass Ave	**Contamination** • *Baseline Environmental Assessment for 2171 Cass Avenue, Detroit, MI, September 12, 1997, Toltest, Project No. 71045.07* • *Baseline Environmental Assessment for 2121 Cass Avenue, Detroit, MI, April 23, 2007, NTH, Project No. 16-061081-03* • *Baseline Environmental Assessment for 2148 W. Grand River Ave and 481 Columbia Street, Detroit, MI, September 12, 1997, Toltest, Project No. 71045.05* • *426 Elizabeth and 2142 W Grand River Ave, Phase II ESA, NTH Project No. 62-061050-02, dated December 5, 2006.* • *2121 Cass and 2030 W. Grand River Ave, A limited Phase II ESA, NTH Project No. 62-061081-02), dated January 12, 2007.* **Collectively:** **In excess of DWP**: Arsenic; Chromium **In excess of GSIP:** Arsenic; Copper; Mercury; Selenium; Zinc; Fluoranthene; Phenanthrene **In excess of DC:** Arsenic; Lead; Benzo(a)pyrene **In excess of VIAP:** Mercury; Phenanthrene **2121 Cass Avenue** Arsenic - DWP and GSIP; Mercury – GSIP; Benzo(a)pyrene – DC; Fluoranthene – GSIP; Phenanthrene - GSIP **2171 Cass Avenue qualifies as adjacent**
DCI Incubator	2121 Cass (in part), 2115 Cass, 426 W Elizabeth	**2121 Cass Avenue -** Arsenic - DWP and GSIP; Mercury – GSIP; Benzo(a)pyrene – DC; Fluoranthene – GSIP; Phenanthrene - GSIP **2171 Cass Avenue qualifies as adjacent** **2142 W. Grand River Ave.** Arsenic – DWP, GSIP, and DC; Chromium – DWP and GSIP; Copper – GSIP; Lead – DC; Mercury – GSIP; Selenium – GSIP; Zinc - GSIP **2148 W. Grand River Ave. qualifies as adjacent** **2154 W. Grand River Ave. qualifies as adjacent** **426 Elizabeth** Arsenic - DWP and GSIP; Chromium – GSIP; Mercury – GSIP; Fluoranthene – GSIP; Phenanthrene - GSIP

Project[1]	Parcel Address	Basis of Eligibility/Additional Information
Detroit Life Residential	2210 Park Avenue	**Historic Resource** as confirmed in Detroit City Ordinances Sec. 21-2-203 The National Register of Historic Places reference identification number for this building is 97000396. https://detroitmi.gov/sites/detroitmi.localhost/files/2018-08/Park%20Avenue%20Local%20HD%20Final%20Report.pdf

Attachment 6

Historic District Detroit Properties

- **2210 Park Avenue -** This Project, commonly known as the Detroit Life Building, qualifies as a Brownfield for inclusion in this TBP on the basis of its status as a contributing historic resource within the National Park Avenue Historic District. The National Register of Historic Places' reference identification number for this building is 97000396. This ten-story neoclassical style building was designed by architects Arnold & Scheve and opened in 1923. Documentation of 2210 Park Avenue's inclusion in the City's Park Avenue Historic District is included in **Attachment C** of the District Detroit TBP**.**

  408 Temple Street – This Project, more commonly known as the Fort Wayne Hotel or American Hotel, qualifies as a Brownfield for inclusion in this TBP on the basis of its status as a contributing historic resource within the National Cass Park Historic District. This eleven-story brown brick and terra cotta building was designed by Ellington and Weston and opened in 1926. Documentation of the 408 Temple Street Project site's inclusion in the City's Cass Park Historic District is included in **Attachment C** of the District Detroit TBP.

- **2211 Woodward Avenue –** This Project, The Fox Building, located at 2111 Woodward Avenue, qualifies as a Brownfield for inclusion in this TBP on the basis of its status as a historic resource. This ten-story cream-colored terra cotta beaux arts building was designed by Charles Howard Crane and constructed in 1927-8 as an office building surrounding a theater. It has been listed on the National Register of Historic Places (No. 85000280) since 1985. In 1989, it was designated a National Historic Landmark and in 1991, it was placed on the Michigan State Register of Historic Sites. It was deemed significant in part due to its architecture. Documentation of the Fox Building historic designation is included in **Attachment C** of the District Detroit TBP.

EXHIBIT E

RESOLUTION APPROVING TRANSFORMATIONAL BROWNFIELD PLAN OF THE CITY OF DETROIT BROWNFIELD REDEVELOPMENT AUTHORITY FOR THE DISTRICT DETROIT REDEVELOPMENT PROJECTS

City of Detroit
County of Wayne, Michigan

WHEREAS, pursuant to 381 PA 1996, as amended ("Act 381"), the City of Detroit Brownfield Redevelopment Authority ("Authority") has been established by resolution of the City Council of the City of Detroit (the "City Council") for the purpose of promoting the revitalization of eligible properties in the City of Detroit; and

WHEREAS, under Act 381, the Authority is authorized to develop and propose for adoption by City Council a brownfield plan for one (1) or more parcels of eligible property; and

WHEREAS, pursuant to the resolution establishing the Authority and the bylaws of the Authority, the Authority has prepared a proposed transformational brownfield plan for the District Detroit Redevelopment Projects (the "Plan"); and

WHEREAS, in accordance with the resolution establishing the Authority, the Authority submitted the Plan to the Community Advisory Committee for consideration on January 30, 2023 and a public hearing was conducted by the Authority on February 6, 2023 to solicit comments on the proposed Plan; and

WHEREAS, the Community Advisory Committee recommended approval of the Plan on January 30, 2023; and

WHEREAS, the Authority determined that the Plan constitutes a "Qualifying Downtown Brownfield Project" under that certain Interlocal Agreement by and between the Authority and the City of Detroit Downtown Development Authority and approved the Plan on February 8, 2023 and forwarded it to the City Council with a request for City Council's approval of the Plan; and

WHEREAS, the required notice of the public hearing on the Plan by the City Council was given in accordance with Sections 13c(5), 14 and 14(a) of Act 381, including not less than thirty (30) days' notice to the Michigan Strategic Fund; and

WHEREAS, the City Council held a public hearing on the proposed Plan on March 2, 2023.

NOW, THEREFORE, BE IT RESOLVED, THAT:

1. Definitions. Where used in this Resolution the terms set forth below shall have the following meaning unless the context clearly requires otherwise:

"Captured Taxable Value" shall have the meaning ascribed to such term in Act 381.

"Construction Period Tax Capture Revenues" shall have the meaning ascribed to such term in Act 381.

"Eligible Activities" or "eligible activity" shall have the meaning ascribed to such term in Act 381.

"Eligible Property" shall have the meaning ascribed to such term in Act 381.

"Income Tax Capture Revenues" shall have the meaning ascribed to such term in Act 381.

"Plan" means the Plan prepared by the Authority, as transmitted to the City Council by the Authority for approval, copies of which Plan are on file in the office of the City Clerk.

"Tax Increment Revenues" shall have the meaning ascribed to such term in Act 381.

"Taxing Jurisdiction" shall mean each unit of government levying an ad valorem property tax on the Eligible Property.

"Withholding Tax Capture Revenues" shall have the meaning ascribed to such term in Act 381.

2. Public Purpose. The City Council hereby determines that the Plan constitutes a public purpose in accordance with Section 14(5) of Act 381.

3. Best Interest of the Public. The City Council hereby determines that it is in the best interests of the public to promote the revitalization of certain properties in the City and to proceed with the Plan.

4. Review Considerations. As required by Act 381, the City Council has in reviewing the Plan taken into account the following considerations:

(a) The Plan meets the requirements of Section 2(ww) of Act 381[97], and that the Plan is calculated to, and has the reasonable likelihood to, have a transformational impact on the local economic development and community revitalization based on the extent of brownfield redevelopment and growth in population, commercial activity, and employment that will result from the Plan;

(b) The Plan meets the requirements set forth in Section 13, 13(b), and 13(c) of Act 381;

(c) The costs of the proposed Eligible Activities identified in the Plan are reasonable and necessary to carry out the purposes of Act 381;

(d) The amounts of Captured Taxable Value, Construction Period Tax Capture Revenues, Withholding Tax Capture Revenues and Income Tax Capture Revenues estimated to result from adoption of the Plan are reasonable;

(e) Based on an economic and fiscal impact analysis, the Plan will result in an overall positive fiscal impact to the State of Michigan;

(f) The Plan takes into account the criteria described in Section 90b(4) of the Michigan strategic fund act, 1984 PA 270, MCL 125.2090b;

(g) The Plan includes the appropriate provisions regarding affordable housing;

(h) The proposed method of financing the costs of eligible activities is feasible and the Authority has the ability to arrange the financing; and

(i) The Plan will have a positive impact on existing investment and development conditions in the project area and act as a catalyst for additional revitalization of the area in which it is located.

5. Approval and Adoption of Plan. The Plan as submitted by the Authority is hereby approved and adopted. A copy of the Plan and all amendments thereto shall be maintained on file in the City Clerk's office.

6. Preparation of Base Year Assessment Roll for the Eligible Property.

(a) Within 60 days of the adoption of this Resolution, the City Assessor shall prepare the initial Base Year Assessment Roll for the Eligible Property in the Plan. The initial Base Year Assessment Roll shall list each Taxing Jurisdiction levying taxes on the Eligible Property on the effective date of this Resolution and the amount of tax revenue derived by each Taxing Jurisdiction from ad valorem taxes on the Eligible Property, excluding millage specifically levied for the payment of principal and interest of obligations approved by the electors or obligations pledging the unlimited taxing power of the local governmental unit.

(b) The City Assessor shall transmit copies of the initial Base Year Assessment Roll to the City Treasurer, County Treasurer, Authority and each Taxing Jurisdiction which will have Tax Increment Revenues captured by the Authority, together with a notice that the Base Year Assessment Roll has been prepared in accordance with this Resolution and the Plan approved by this Resolution.

7. Preparation of Annual Base Year Assessment Roll. Each year within 15 days following the final equalization of the Eligible Property, the City Assessor shall prepare an updated Base Year Assessment Roll. The updated Base Year Assessment Roll shall show the information required in the initial Base Year Assessment Roll and, in addition, the Tax Increment Revenues for each Eligible Property for that year. Copies of the annual Base Year Assessment Roll shall be transmitted by the Assessor to the same persons as the initial Base Year Assessment Roll, together with a notice that it has been prepared in accordance with the Plan. Following the election under Section 1.1 of the Plan of the project at 2305 Woodward [Project 5A] or 2300 Cass Avenue [Project 5B], the City Assessor shall ensure that the Base Year Assessment Roll is updated to remove the aforementioned information with respect to the project and its associated Eligible Property that is not elected.

8. Establishment of Project Fund; Approval of Depositary. The Authority shall establish a separate fund for the Eligible Property ("Project Fund") subject to this Plan, which shall be kept in a depositary bank account or accounts in a bank or banks approved by the Treasurer of the City. All moneys received by the Authority pursuant to the Plan shall be deposited in the Project Fund. All moneys in the Project Fund and earnings thereon shall be used only in accordance with the Plan and Act 381.

9. Use of Moneys in the Project Fund. The moneys credited to the Project Fund and on hand therein from time to time shall be used to first make those payments authorized by and in accordance with Act 381, the Plan and any reimbursement agreement governing such payments.

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[97] Please note that Section 2(ww) of Act 381 sets forth the definition of "Transformational Brownfield Plan"; however, references to this Section throughout Act 381 are incorrectly listed as Section 2(vv), including but not limited to Section 14a(3)(a) and Section 14a(10).

10. Return of Surplus Funds to Taxing Jurisdictions. The Authority shall return all surplus funds attributable to Tax Increment Revenues not deposited in the Local Brownfield Revolving Fund proportionately to the Taxing Jurisdictions.

11. Payment of Tax Increment Revenues to Authority. The municipal and county treasurers shall, as ad valorem and specific local taxes are collected on the Eligible Property, pay the Tax Increment Revenues to the Authority for deposit in the Project Fund. The payments shall be made not more than 30 days after the Tax Increment Revenues are collected.

12. Payment of Construction Period Tax Capture Revenues, Withholding Tax Capture Revenues, and Income Tax Capture Revenues to Authority. Any funds equal to the amount of Construction Period Tax Capture Revenues, Withholding Tax Capture Revenues, and Income Tax Capture Revenues received by the Authority from the State treasurer in connection with the Plan shall be deposited in the Project Fund.

13. Disclaimer. By adoption of this Resolution and approval of the Plan, the City assumes no obligation or liability to the owner, developer, lessee or lessor of the Eligible Property for any loss or damage that may result to such persons from the adoption of this Resolution and Plan. The City makes no guarantees or representations as to the approvals and/or determinations of the Michigan Strategic Fund with respect to the Plan, determinations of the appropriate state officials regarding the ability of the owner, developer or lessor to qualify for a Michigan Business Tax Act credit (or assignment thereof) pursuant to Act 36, Public Acts of Michigan, 2007, as amended, or as to the ability of the Authority to capture Tax Increment Revenues from the State and local school district taxes for the Plan.

14. Repealer. All resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution be and the same hereby are rescinded.

15. The City Clerk is requested to submit four (4) certified copies of this Resolution to the DBRA, 500 Griswold Street, Suite 2200, Detroit, MI 48226

AYES: Members ____________________

NAYS: Members ____________________

RESOLUTION DECLARED ADOPTED.

____
Janice Winfrey, City Clerk
City of Detroit
County of Wayne, Michigan

WAIVER OF RECONSIDERATION IS REQUESTED

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Council of the City of Detroit, County of Wayne, State of Michigan, at a regular meeting held on ____________, 2023, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, as amended, and that the minutes of said meeting were kept and will be or have been made available as required by said Act.

____

Janice Winfrey, City Clerk
City of Detroit
County of Wayne, Michigan