



**DETROIT CITY COUNCIL – DISTRICT 5  
OFFICE OF THE PRESIDENT  
MARY SHEFFIELD**



Contact: Kayla Rice (313)224-4505  
[Kayla.Rice@detroitmi.gov](mailto:Kayla.Rice@detroitmi.gov)

FOR IMMEDIATE RELEASE  
March 28, 2023 5:00 P.M.

## **Statement of Opposition to the Proposed District Detroit Development**

While I support development and in general support what's being proposed by the developers, their development agreement and corresponding Community Benefits Agreement lacks the requisite specificity, guarantees surrounding equity and ownership, and business case to garner my support. The following are the reasons I cannot support the deal as presented:

### **History**

- During my first year in office, we were asked to support the heavily subsidized construction of the Little Caesar's Arena. As a part of the deal, the City lost all the revenue sharing associated with Joe Louis Arena which included: 10% of ticket proceeds, 7% of suite sales, 10% of food and beverage concessions, 5% of souvenir sales and other revenue from parking and proceeds from cable rights. Additionally, the City also had to agree to demolish Joe Louis Arena, our asset, and sign a non-compete clause at the insistence of the ODM's representatives. At that time, I requested ODM agree to a 2% surcharge on tickets at the new arena and was told the deal was already baked and that they wouldn't consider it.
- With respect to the Arena Deal, ODM receives concessions, parking, television rights and naming rights revenue from the events center operation. Additionally, ODM does not contribute any funding directly to the City until the MSF bonds are paid off. According to a Legislative Policy Division report, the level of private contribution to the events center seems more favorable to ODM. Ideally, ODM would provide a revenue stream directly to the City of Detroit related to the events taking place in the entertainment district. Therefore, I requested ODM and Related Companies agree to voluntarily institute a 2% ticket surcharge on every entertainment event, at facilities owned or managed by either company or their affiliates, to be remitted to the City of Detroit on a monthly basis which was denied.
- With respect to the construction jobs related to LCA and by ODM's own admission, they only achieved having 23% of the Construction work performed by Detroiters during the Little Caesars Arena project and they paid fines in excess \$6 million.
- As a part of the proposed District Detroit deal, the City has to vote to terminate a past Brownfield Redevelopment in which the developer failed to complete a project at the Detroit Life Building.

### **Equity and Inclusion**

- As a result of the community benefits process and after negotiations with the NAC, it was agreed that the developer "shall have a target" to procure, or cause to be procured \$100,000,000 million of goods and services from disadvantaged businesses, Detroit Based Businesses, Detroit Small Businesses, Detroit Headquartered Business, and Detroit Resident Business. In theory and as currently written, this could allow one Detroit-based company to receive the whole spend i.e. in construction which the agreement allows. I have been requesting, to no avail, stronger language and

protections in the agreement which would ensure several businesses, especially disadvantaged and businesses owned by Detroiters, would have access to these opportunities by specifically requiring that a percentage of the overall spend be set aside for disadvantage business. I also requested a timeline for meeting the “spend” benefit goal because in the absence of such benchmarks, the developer could in theory wait 5, 10, or 20 years before meeting the objective (not obligation). Additionally, the agreement is not legally binding and in my opinion lacks enforceability as well as offering no commitments for a post-construction spend percentage with disadvantaged businesses.

- The developers have not committed to, nor can they guarantee, Detroiters will receive any percentage of the post-construction jobs. Additionally, the number of projected post-construction jobs are a combination of unspecified amounts of full-time and part-time jobs with most being low wage hospitality jobs making as low as \$28,000 annually for some full-time positions.
- The developers, unlike other recent major developers such as the Pistons, Bedrock and Michigan Central, have made no agreement to follow executive order 2014-5 and commit to spend at least 30% of the total value of all contracts with Detroit Headquartered and Detroit-based business.
- When asked to provide examples of when the developers have partnered with minority developers ODM only cited one project in the City of Detroit, the 150 Bagley project, which has yet to be completed and in which the minority partners were only allowed to lease property for 99 years versus being given access to ownership. There must be stronger guarantees for minority-owned businesses to be the beneficiaries of the Co-development program outlined in the CBA and receive an equitable ownership stake.
- The developers did not honor the Neighborhood Advisory Committee’s request for a commitment to set aside 25% of the retail space to be built for disadvantaged, Detroit-headquartered, Detroit-resident or minority-owned businesses. Instead the developers agreed to a \$1 million Tenant Improvement Fund which will be rolled out as financing is approved for each building and provides no guarantees that fund will be used to support historically marginalized groups of prospective entrepreneurs or current business owners.
- While the commitment to affordable housing is admirable, the developers will utilize forgivable DDA loans to help finance the development of the affordable units. I joined activists and my colleagues in requesting a significant investment in the Detroit Affordable Housing Development and Preservation Fund (Detroit’s Housing Trust Fund) which, again to the Developers’ credit, was honored albeit at a lower amount than requested.

## **Merits of the Projections**

- We are being sold on the fact that Detroit needs this and that 1.2 million square feet of new commercial/office real estate should be a welcome addition to the City’s commercial landscape. While I agree that development, in general, is a good thing, I’m not convinced that office space is the best use of tax incentives and public funding at this time. According to a recent report cited in the Free Press, downtown Detroit has only seen a return of 20-25% of its workforce on Mondays and Friday and 40-45% mid-week. With no guarantees that trend will change anytime in the near future or that there won’t be another pandemic, the projected benefits of the District Detroit to the City could be significantly lower.
- Additionally, not enough has been done to study the potential impact on current commercial real estate owners who are already struggling and may find themselves in direct competition with District Detroit as their tenants’ leases begin to expire. Thus, any relocation of companies/jobs from

within Detroit would have a net-zero or even possibly a negative impact on the City's income tax revenue.

- Increased income tax revenue is often the carrot dangled in front of City Council to secure to tax incentives and public subsidies for development projects. However, as is the case with District Detroit, if the majority of positions are low-income and a mixture of part-time employment, the City of Detroit may never realize a positive impact on a revenues if a significant number of the workers qualify to receive a refund of the taxes withheld.

## **Community Input**

- I have personally spoken to a number of African-American leaders and business owners who believe the negotiated community benefits are inadequate but fear retribution if they speak up and share their opinion.
- Finally, as with all major votes, especially around contentious tax incentives, I give District 5 residents a voice in the process. In a poll of District 5 residents, I found that the majority of my constituents do not support the tax incentives for District Detroit and a greater majority believe the project costs outweigh the benefits for the City, its residents, and Detroit businesses.

There are facts and there is truth. Sometimes they don't neatly coincide. The truth is something that very few people in our political discourse today will even acknowledge. The truth is there could be a win/win in most situations even this one, if all sides are willing to honestly address real problems and seek truthful solutions. The project has some merit, but is not the panacea that is described. This project, promises only 140 units of affordable housing, when tens of thousands are needed. It promises 1.2 million square feet of office space at a time when we are begging people to come back to work, businesses are downsizing and office buildings remain largely unoccupied. I know my vote today will feed into the narrative that when I stand up and fight for the people of Detroit and historically under-represented communities of color in the commercial real estate arena that I am anti-business. Nothing could be further from the truth. I have literally, after fighting for more guarantees for Detroiters, voted for almost every major development deal over my nine plus years on City Council. Standing on principle is not synonymous with stamping down progress. This model of developing our City has been the norm over the last 40 years and we've see nothing but the proliferation of poverty, the loss of population, the obliteration of Black businesses and the systematic exclusion of Detroiters with respect to ownership and equity! I for one can no longer continue with business as usual. If not us, then who? If not now, then when? I submit to everyone in earshot of my voice that there is a better way forward and good is now longer good enough. As a people and as a City we deserve better!

###

---

*Council President Mary Sheffield represents the 5th District, which covers the lower eastside, downtown, the riverfront and central portions of Detroit. She was first elected to office in 2013 and is the youngest person ever elected to City Council in the history of Detroit. She was elected as the City's youngest Council President in January of 2022.*

**2 Woodward Ave., Suite 1340 Detroit, MI 48226**  
**Phone 313.224.4505 Fax 313.224.0367**  
**[councilmembersheffield@detroitmi.gov](mailto:councilmembersheffield@detroitmi.gov)**