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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: February 7, 2024

RE: **DP FOH R3, LLC PA 210 Certificate Request for 675 Amsterdam Pet. # 2023-381**

The Commercial Rehabilitation Act, PA 210 of 2005, is a tax incentive for the rehabilitation of commercial property for the primary purpose and use of a commercial business or a multi-family residential facility. The property must be located within an established Commercial Rehabilitation District. Exemptions are approved for a term of 1-10 years, as determined by the local unit of government. The property taxes are based upon the prior year's taxable value.

Future of Health (FOH) Transformational Brownfield Plan (TBP)

The new construction of a mixed-use apartment building located at **675 Amsterdam** (a portion of the current 6005 Second Avenue property), is one of five projects included in the \$773 million **Future of Health (FOH) Transformational Brownfield Plan (TBP)**, based on a planned related investment of Henry Ford Health System (HFH), Palace Sports & Entertainment (Pistons) and Michigan State University (MSU). The Pistons are investing in residential properties for three of the five projects included in the TBP. The remaining two projects are a newly proposed research project resulting from a joint venture of HFH and MSU, and finally a 320,000 sq. ft. six-story parking garage for the residents of the new apartments and the workers at the research center. In addition to the five TBP projects, Henry Ford Health System is planning to develop a *new hospital adjacent to the five projects*,¹ which will result in the development of six projects in the vicinity. Henry Ford Health System currently owns all of the land for the six project sites and will continue to own all the land once the projects are completed.² *LPD has reported in complete detail on the FOH TBP³ project* under a separate cover. The FOH TBP, if approved by Council, will provide unconventional financial assistance to the developer, which includes several State tax revenue sources.

¹ Although Henry Ford Health's **\$2.248 billion** investment for a new South Campus hospital was voluntarily included in the FOH TBP Community Benefits process, *this development will receive no tax incentives*. Therefore, the new hospital is not included in the TBP.

² [Detroiters sound off at hearing over \\$3B New Center development \(freep.com\)](#)

³ **FOH TBP:** Future of Health Transformational Brownfield plan

Below please find a summary of the five projects in the TBP:

FOH TBP at a glance

Project	Start Date	Investment	Mixed income Residential Units	Mixed Income Gross Sq Ft.	Office Gross Sq Ft.	Retail Gross Sq Ft.	Parking Gross Sq Ft
Henry Ford + MSU Medical Research Center, 6175 Third Street –(Research Center)	May-24	\$393M			326,362		
6005 Second Avenue – (Current One Ford Place) (Residential 1)	April-27	\$190M	403	609,893		17,060	
725 Ansterdam Street Residential 2)	April-25	\$79M	154	151,189		8,015	
675 Ansterdam Street Residential 3)	April-27	\$54M	105	106,122		6,273	
6205 Third Sreet Parking Garage (804 spaces)	October-25	\$58M					320,000
Totals		\$773M	662	867,204	326,362	31,348	320,000

DP FOH R3, LLC PA 210

DP FOH R3, LLC, an affiliate of Palace Sports & Entertainment, LLC (Pistons), is the project developer of the requested PA 210 Commercial Redevelopment Act tax abatement for the property soon to be identified as 675 Amsterdam. The developer plans to construct a mixed-use apartment building projected to contain approximately 112,395 gross square feet (GSF) with 106,122 GSF for 105 apartments, approximately 20% (21) of which will be affordable at an average of 50% (ranging from 30% to 70%) of area median income (AMI), spread among unit types, as well as 6,273 net rentable square feet (NRSF)/GSF for retail/commercial. The residential space will occupy 69,545 NRSF, with the difference of 36,577 square feet comprised of so-called "back of the house" uses such as common areas, elevators, escalators, lobbies, corridors, mechanical rooms and janitor closets.

The current plan indicates that the residential portion of the building will include 55 studio apartments, each with an average of 493 square feet of interior space, 40 one-bedroom apartments, each with an average of 795 square feet of interior space, and ten two-bedroom apartments, each with an average of 1,060 square feet of interior space. The foregoing unit counts and sizes are subject to change during the design process. Tenant amenities are expected to include in-unit washer and dryer, walk-in linen closet, large windows, HVAC, tenant storage lockers, bike storage, a community lounge and kitchen area, as well as co-working and meeting space. All of the units within the building will have substantially identical finishes, amenities and construction quality.

According to published reports, despite the fact that Henry Ford Health (HFH) won't be involved in the construction or in the operation of the apartments invested in by the **Pistons**, HFH plans to enter into long-term ground leases with a Pistons-related entity (for up to 99 years) for the three apartment sites, including the **DP FOH R3, LLC** site, which upon its completion, will be identified as **675 Amsterdam**.

Building Use⁴

Total Square Footage (SF)	112,395 (75,818 Leasable)
Residential SF	106,122 (69,545 Leasable)
Commercial SF	N/A
Retail SF	6,273
Industrial SF	N/A
Total Residential Units	105 Units (21 Affordable at an average @ 50% AMI)
Micro	10 Units (2 Affordable); 390 Avg. SF; \$747-\$1,482/mo.
Studio	45 Units (9 Affordable); 516 Avg. SF; \$734-\$1,804/mo.
1-Bed	40 Units (8 Affordable); 793 Avg. SF; \$794-\$2,548/mo.
2-Bed	10 Units (2 Affordable); 1,060 Avg. SF; \$941-\$2,967/mo.

⁴ Source: DEGC Fact Sheet data

DEGC Property Tax Abatement Evaluation

Project: Future of Health – 675 Amsterdam R3 Residential

Developer: DP FOH R3, LLC

Description of Incentive: PA 210 CRA provides property tax exemption for the rehabilitation of commercial and commercial housing properties. Existing property taxes are frozen at the ad valorem rate and property taxes on building improvements may be exempt for a 1-10 year period.	
DEGC Abatement Term Recommendation	10 years
Location	
Address	675 Amsterdam
City Council District	District 5
Neighborhood	New Center/Techtown
Located in HRD/SNF Targeted Area	New Center
Building Use	
Total Square Footage (SF)	112,395 (75,818 Leasable)
Residential SF	106,122 (69,545 Leasable)
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2-Bed	10 Units (2 Affordable); 1,060 Avg. SF; \$941-\$2,967/mo.
Project Description	
<p>Henry Ford Health, Michigan State University, and the Detroit Pistons are partnering to invest a combined \$3 billion to create a world class health hub in the City of Detroit. The Future of Health development will drive significant community impact by creating broader residential, business, medical research, entrepreneurial and retail uses in the New Center neighborhood. This project will create a mixed-income, walkable urban environment, all within walking distance to the HFH Main Campus.</p> <p>As part of this overall development, the R3 residential project will consist of the construction of a new mixed-use residential building. This building will feature 6,273 square feet of ground level retail space with 105 residential units located above. 21 units will be designated affordable with rents at 50% AMI.</p>	
Sources and Uses of Capital Summary	
Total Investment	\$54,031,000
Sources	\$13.6M Equity (25%); \$1.4M TBP Benefit (3%); \$30.3M HUD 223(f) Loan (56%); \$4.7M LIHTC/HTC Equity (9%); \$4.1M Gap Resource (8%)
Uses	\$38.9M Hard Costs (72%); \$15.1M Soft Costs (28%)
Project Economic Benefits Summary	
	PA 210 CRA
Estimated Jobs (FTE/Construction)	3 FTE (Developer); 31 FTE (Tenant); 158 (Construction)
Estimated City benefits before tax abatement	\$19,162,496
Total estimated City value of abatement	\$2,605,558
Less cost of services & utility deductions	\$4,620,327
Net Benefit to City with abatement	\$6,631,810

	Amount
Real Property Taxes, before abatement	\$9,729,311
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$697,494
Municipal Income Taxes - Indirect Workers	\$200,728
Municipal Income Taxes - Corporate Income	\$275,368
Municipal Income Taxes - Construction Period	\$146,753
Municipal Income Taxes - New Residents	\$3,079,932
Utility Revenue	\$1,241,947
Utility Users' Excise Taxes	\$379,656
State Revenue Sharing - Sales Tax	\$11,200
Building Permits and Fees	\$537,713
Miscellaneous Taxes & User Fees	\$2,862,394
<u>Subtotal Benefits</u>	<u>\$19,162,496</u>
Cost of Providing Municipal Services	(\$3,378,380)
Cost of Providing Utility Services	(\$1,241,947)
<u>Subtotal Costs</u>	<u>(\$4,620,327)</u>
Net Benefits	\$14,542,169

Impacted Taxing Units: Incentive Summary over the First 10 Years ⁵

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Brownfield TIF Capture	Corporate Income & Utility User's Exemption	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$19,162,496	(\$4,620,327)	(\$2,605,558)	(\$5,304,801)	\$0	\$6,631,810
Wayne County	\$2,902,353	(\$431,895)	(\$638,125)	(\$1,721,993)	\$0	\$110,340
Detroit Public Schools	\$19,326,300	(\$9,902,898)	(\$1,039,578)	(\$5,040,665)	\$0	\$3,343,160
State Education	\$1,791,622	\$0	\$0	(\$1,774,570)	\$0	\$17,052
Downtown Dev. Authority	\$0	\$0	\$0	\$0	\$0	\$0
Wayne RESA	\$1,620,671	\$0	(\$434,024)	(\$1,171,222)	\$0	\$15,425
Wayne County Comm. College	\$961,563	\$0	(\$257,511)	(\$694,900)	\$0	\$9,152
Wayne County Zoo	\$29,621	\$0	(\$7,933)	\$0	\$0	\$21,689
Detroit Institute of Arts	\$59,303	\$0	(\$15,882)	\$0	\$0	\$43,421
Total	\$45,853,929	(\$14,955,120)	(\$4,998,610)	(\$15,708,151)	\$0	\$10,192,048

DEGC Chart of Taxes Before, During & After the Incentive⁶

	Existing Taxes	New Taxes <i>With</i> PA 210 + Brownfield TIF	New Taxes <i>Without</i> PA 210 + Brownfield TIF	Taxes <i>After PA 210</i> Expires
City of Detroit	\$0	\$7,449	\$210,416	\$74,789
Library	\$0	\$327	\$34,859	\$342
Wayne County	\$0	\$563	\$60,070	\$590
Detroit Public Schools	\$0	\$11,020	\$226,156	\$120,395
State Education	\$0	\$423	\$45,166	\$444
Wayne RESA	\$0	\$383	\$40,857	\$401
Wayne County Comm. College	\$0	\$227	\$24,241	\$238
Wayne County Zoo	\$0	\$75	\$747	\$909
Detroit Institute of Arts	\$0	\$150	\$1,495	\$1,820
Total	\$0	\$20,618	\$644,006	\$199,929

Conclusion

⁵ Charts courtesy of the DEGC

⁶ Existing Annual Taxes: \$0 - New Taxes With PA 255 + Brownfield TIF: \$20,618 New Taxes Without PA 255 + Brownfield TIF: \$644,006 – Taxes After PA 255 EXPIRES: \$199,929

The estimated total capital investment for this project is **\$54,031,000**. It is also estimated that the completed project will create 3 developer FTE's,⁷ 31 tenant FTE's and 158 temporary construction jobs. The total value of the 10-year Commercial Rehabilitation tax savings is estimated at **\$4,998,610**.

Based on the investment and jobs, inclusive of the TIF capture,⁸ this project is estimated to provide the City of Detroit a net benefit of **\$6,631,810**, and all of the impacted taxing units, a net benefit of **\$10,192,048** over the 12 years of the Commercial Rehabilitation tax abatement.

However, if the developer does not proceed in good faith to complete the project, pursuant to the Act, the City Council may revoke the certificate: *“The legislative body of the qualified local governmental unit may, by resolution, revoke the commercial rehabilitation exemption certificate of a facility if it finds that the completion of rehabilitation of the qualified facility has not occurred within the time authorized by the legislative body in the exemption certificate, or a duly authorized extension of that time, or that the holder of the commercial rehabilitation exemption certificate has not proceeded in good faith with the operation of the qualified facility in a manner consistent with the purposes of this act and in the absence of circumstances that are beyond the control of the holder of the exemption certificate.”*⁹

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

Attachments: January 22, 2024 - Letter from Finance Assessors
January 23, 2024 - CRIO¹⁰ Employment Clearance

cc: Auditor General's Office
Antoine Bryant, Planning and Development Department
Julie Schneider, HRD
Justus Cook, HRD
Veronica Farley, Law Department
Stephanie Grimes Washington, Mayor's Office
Gail Fulton, Mayor's Office
Malik Washington, Mayor's Office
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC
Cora Capler, DEGC

⁷ **FTE**, or full-time equivalent, is a unit of measurement that represents the number of full-time hours an organization's employees work. [What Is Full-Time Equivalent \(FTE\)? Plus How To Calculate It | Indeed.com](#)

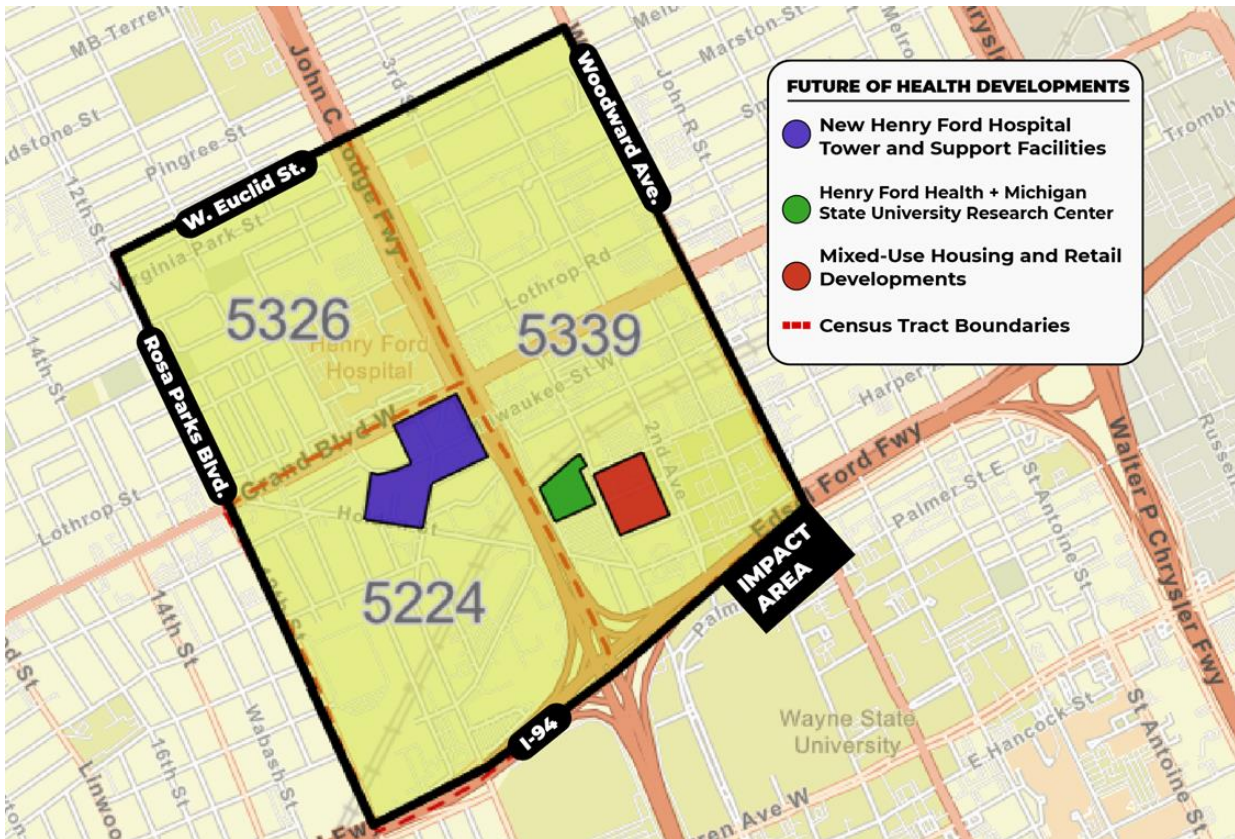
⁸ Tax increment financing (TIF) is a public financing method that is used as a subsidy for redevelopment, infrastructure, and other community-improvement projects

⁹ COMMERCIAL REHABILITATION ACT (Act 210) MCL. 207.852(1)

¹⁰ **CRIO**- Civil Rights, Inclusion & Opportunity Department



Rendering of 675 Amsterdam



Map of Area¹¹

¹¹ Map of Area and Rendering of the FOH completed TBP courtesy of the DEGC



Rendering of the FOH completed TBP



CITY OF DETROIT
 OFFICE OF THE CHIEF FINANCIAL OFFICER
 OFFICE OF THE ASSESSOR

COLEMAN A. YOUNG MUNICIPAL CENTER
 2 WOODWARD AVE., SUITE 824
 DETROIT, MI 48226
 PHONE: 313•224•3011
 FAX: 313•224•9400

January 22, 2024

Mr. Antoine Bryant, Director
 Planning & Development Department
 Coleman A. Young Municipal Center
 2 Woodward Ave, Suite 808
 Detroit, MI 48226

Re: Amended Request for Approval of Commercial Rehabilitation Exemption Certificate Pursuant to P.A. 210 of 2005, as amended; 675 Amsterdam; Related to Petition 2023-381 (requesting commercial rehabilitation district for portion of current 6005 Second Avenue property)

DP FOH R3, LLC
 Property Address: 675 Amsterdam (tentative)
 Parcel Number: (part of 04003440.004)

Dear Mr. Antoine Bryant:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed Commercial Rehabilitation Certificate request located at **675 Amsterdam** in the **New Center district** area of the City of Detroit.

The rationale for creating Commercial Rehabilitation Districts under PA 210 of 2005, as amended, is based on the anticipation of increased market value upon completion of new construction and/or significant rehabilitation of commercial and former industrial property where the primary purpose and use is the operation of a commercial business enterprise or multifamily residential use. Commercial property also includes facilities related to a commercial business enterprise under the same ownership at that location, including, but not limited to, office, engineering, research and development, warehousing, parts distribution, retail sales, and other commercial activities. Commercial property also includes a building or group of contiguous buildings previously used for industrial purposes that will be converted to the operation of a commercial business enterprise.

The 2023 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
04003440.004	675 Amsterdam	\$ -	\$ -	\$ -	\$ -

The project as proposed by DP FOH R3, LLC (as affiliate of Palace Sports & Entertainment, LLC) proposes to construct and own a mixed-use apartment building projected to contain approximately 112,395 gross square feet ("GSF") with 106,122 GSF for 105 apartments, approximately 20% (21) of which will be affordable at an average of 50% of area median income ("AMI"), spread among unit types, as well as 6,273 net rentable square feet ("NRSF")/GSF for retail/commercial. The residential space will occupy 69,545 NRSF, with the difference of 36,577 square feet comprised of so-called "back of the house" uses such as common areas, elevators, escalators, lobbies, corridors, mechanical rooms and janitor closets. Current plans indicate the residential portion of the building will include 55 studio apartments each with an average of 493 square feet of interior space, 40 one-bedroom apartments each with an average of 796 square feet of interior space, and 10 two-bedroom apartments each with an average of 1,060 square feet of interior space. The foregoing unit counts and sizes are subject to change during the design process. Tenant amenities are expected to include in-unit washer and dryer, walk-in linen closet, large



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Commercial Rehabilitation Certificate Request

DP FOH R3, LLC

Property Address: 675 Amsterdam (tentative)

Parcel Number: (part of 04003440.004)

Page 2

windows, HVAC, tenant storage lockers, bike storage, a community lounge and kitchen area, as well as co-working and meeting space. All units in the building will have substantially identical amenities, finishes and construction quality. The proposed rehabilitation consists of the construction of the new building and improvements described above on a commercial parcel currently used as a parking lot for occupants of and visitors to the adjacent One Ford Place building located at 6005 Second Avenue. Structures were previously located on the property. Pursuant to P.A. 210 of 2005, as amended, with respect to the proposed development of a mixed-income, mixed-use multi-family apartment building on the northerly portion of what is currently referred to as 6005 Second Avenue, which portion in the future is expected to be identified as 675 Amsterdam. The proposed development would be located in the commercial rehabilitation district which is the subject of pending petition 2023-381. The amendment corrects the requested abatement term.

The property will be subject to a ground lease between Henry Ford Health Systems and DP FOH R3, LLC, which will own the structures. The State Tax Commission (STC) has determined that the proposed developer may proceed with obtaining local approval of the issuance of the certificate prior to acquiring interest in the property, but that the certificate would be held in abeyance by the STC pending submission of a ground lease and/or proof of ownership.

This property meets the criteria set forth under PA 210 of 2005, as amended. It applies to blighted, functionally obsolete, and contaminated properties. "Commercial rehabilitation district" or "district" means an area not less than 3 acres in size of a qualified local governmental unit established as provided in section 3. However, if the commercial rehabilitation district is located in a downtown or business area or contains a qualified retail food establishment as determined by the legislative body of the qualified local governmental unit, the district may be less than 3 acres in size. The local government unit may establish by resolution a district that contains 1 or more parcels or tracts of land if at the time the resolution is adopted the parcel or tract of land or portion of a parcel or tract of land within the district is a qualified facility.

A review of the project plan and related statutes indicated that the proposed Commercial Rehabilitation Act for the property located at **675 Amsterdam** is eligible as it pertains to the Commercial Rehabilitation certificate criteria under P.A. 210 of 2005, as amended.

Sincerely,

Charles Ericson, MMAO
Assessor/Board of Assessors



CITY OF DETROIT
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OFFICE OF THE ASSESSOR

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Commercial Rehabilitation Certificate Request

DP FOH R3, LLC
Property Address: 675 Amsterdam (tentative)
Parcel Number: (part of 04003440.004)
Page 3

Facility and parking located on portions of the following:

Property Address: 675 Amsterdam

Parcel Number: 04003440.004

Legal Description: E SECOND AVE 1 THRU 9 ALSO PT OF 10 THRU 15 & 17 THRU 25 BLK 14 CASS FARM CO LTD SUB OF BLKS L19 P35 PLATS, W C R INCL THAT PT OF VAC ALLEY WITHIN AND THAT PT OF VAC THIRD AVE DESC AS COM AT INTERSECT OF S LINE AMSTERDAM ST 50 FT WD AND W LINE OF SECOND AVE 150 FT WD BEING NE COR 10 BLK 14 TH S 23D 56M 53S E 263.31 FT TO POB TH S 23D 56M 53S E 9.29 FT TH S 65D 51M 59S W 631.94 FT TH N 23 D 37M 16S W 6.29 FT TH ALG CURVE TO R RAD 703.00 FT, CHR D BEARING N 18D 12M 02S W 132.82 FT TH N 12D 46M 49S W 136.88 FT TH N 65D 51M 59S W 482.65 FT TH S 23D 56M 53S E 243.87 FT TH N 65D 51M 59S E 29.99 FT TH S 23D 56M 53S E 19.44 FT TH N 65D 51M 59S E 79.45 FT TO POB CONT 3.211 ACRES

Property Address: 6005 Second Avenue

Parcel Number: 04003440.003

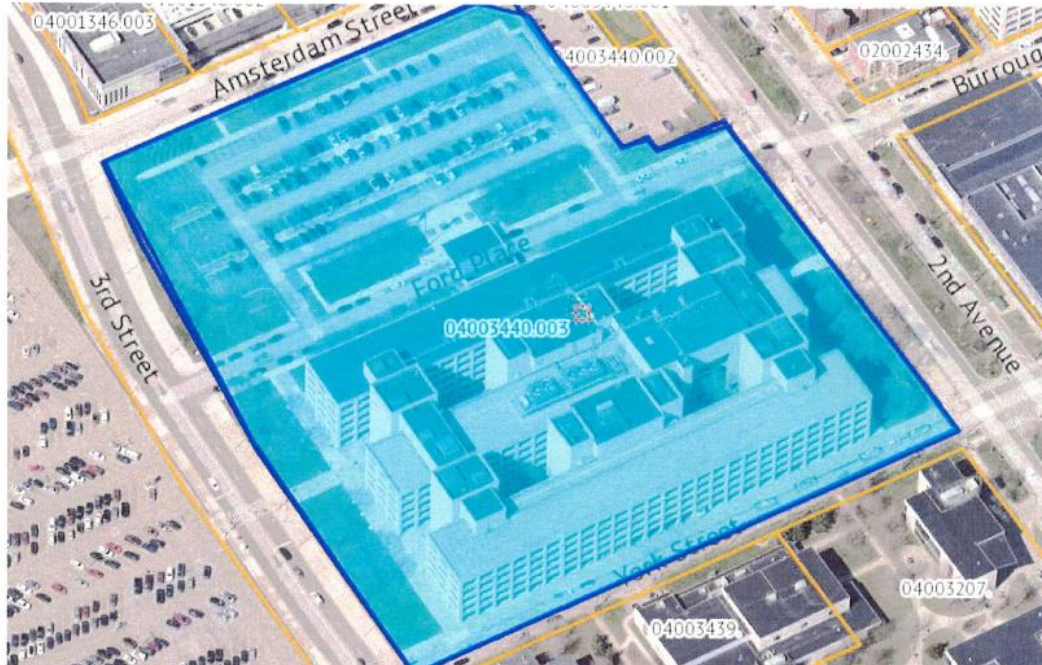
Legal Description: E THIRDS --- LOTS 1 THRU 9; LOTS 16 THRU 25; PT OF LOTS 10 THRU 15 BLKS 14 & LOTS 1 THRU 25 BLK 15 CASS FARM CO LTD SUB OF BLKS L19 P35 PLATS, W C R; INCL THAT PT OF VAC YORK ST (60 FT WD) & THAT PT OF VAC VIENNA AVE (50 FT WD) & ALL VAC ALLEYS WITHIN DESC AREA: COMM AT THE INTERSECTION OF W LINE SECOND AVE (150 FT WD) & S LINE OF AMSTERDAM ST (50 FT WD) TH S 23D 56M 53S E 263.31 FT TO POB; TH S 23D 56M 53S E 456.57 FT; TH S 65D 53M 36S W 627.7 FT; TH ALG CURVE TO R 159.62 FT, RAD 1873 FT DELTA 4D 52M 59S, CH N 26D 03M 25S W 159.58 FT; TH N 23D 37M 16S W 293.79 FT; TH ALG CURVE TO R 133.01 FT, RAD 703 FT DELTA 10D 50M 27S, CH N 18D 12M 02S W 132.82 FT; TH N 12D 46M 49S W 136.88 FT; TH N 65D 51M 59S E 482.62 FT; TH S 23D 56M 53S E 243.87 FT; TH N 65D 51M 59S E 29.99 FT; TH S 23D 56M 53S E 19.44 FT; TH N 65D 51M 59S E 79.45 FT TO POB ---9.7 ACRES (PARENT PARCEL 04003440.003 SPLIT ON 12/14/2023 INTO 04003440.004, 04003440.005)



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Commercial Rehabilitation Certificate Request
DP FOH R3, LLC
Property Address: 675 Amsterdam (tentative)
Parcel Number: (part of 04003440.004)
Page 4





COLEMAN A. YOUNG MUNICIPAL CENTER
2 WOODWARD AVENUE, SUITE 1240
DETROIT, MICHIGAN 48226
PHONE: 313.224.4950
FAX: 313.224.3434

Decision Regarding Employment Clearance for Tax Abatement Employment Commitment <5 Full-time Employees

Date: January 23, 2024

Tax Abatement Type: PA 210

New Renewal

Duration of Abatement: 17 years

Development Name: Future of Health- Residential 3 Project

Development: The project will be located east of the proposed Henry Ford + MSU Research Center, the newly constructed mixed-use building is projected to contain approximately 105 apartments and over 6,000 sq ft for retail/commercial use.

Parcel/Facility Address: 675 Amsterdam

Applicant/Recipient: Richard Barr

Applicant Contact: 313-465-7308 rbarr@honigman.com

Post-Construction Employment Commitments

If Developer Occupied is selected, the Developer will be responsible for both Developer and Tenant requirements listed below.

Developer Occupied Tenant Occupied

Total Employment: 3

Developer commits to

- 1) Report to CRIO annually;
 - a. Developer’s efforts regarding tenants
 - b. Tenant’s compliance with commitments stated below (3)
 - c. Total number of employees at the facility
 - d. Number of employees at the facility who are Detroit residents
- 2) Provide Detroit at Work (DAW) information to any/all tenant(s) for life of abatement
- 3) Work with Commercial Tenant(s) to do the following;
 - a. **Post all Detroit job openings through the DAW website;**
 - b. **Report to Developer annually;**
 - i. Tenant’s compliance with requirements
 - ii. The number of individuals employed by Tenant
 - iii. The number of employees who are Detroit residents

The Applicant/Recipient has provided the Civil Rights, Inclusion and Opportunity Department (CRIO) required information in accordance with specific current and future employment data and commitments as part of a tax abatement agreement with the City of Detroit.

Therefore my signature below grants **Approval** of the above tax abatement application/renewal based upon annual reports to and appraisals by this agency of the recipient’s employment measures projected and achieved for the duration of the abatement.



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 2 WOODWARD AVENUE, SUITE 1240
 DETROIT, MICHIGAN 48226
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**Decision Regarding Employment Clearance for Tax Abatement
 Employment Commitment <5 Full-time Employees**

<u>Tenika R. Griggs, Esq.</u>	<small>DocuSigned by:</small>  <small>F1F584C0D898E341A...</small>	<u>1/24/2024</u>
CRIO Deputy Director Name	CRIO Deputy Director Signature	Date