David Whitaker, Esq.
Director
Irvin Corley, Jr.
Executive Policy Manager
Marcell R. Todd, Jr.
Director, City Planning Commission
Janese Chapman
Director, Historic Designation Advisory Board

John Alexander
LaKisha Barclift, Esq.
Paige Blessman
M. Rory Bolger, Ph.D., FAICP
Lisa DiChiera
Eric Fazzini, AICP
Willene Green
Christopher Gulock, AICP
Derrick Headd

City of Detroit
CITY COUNCIL
LEGISLATIVE POLICY DIVISION

208 Coleman A. Young Municipal Center
Detroit, Michigan 48226
Phone: (313) 224-4946 Fax: (313) 224-4336

Marcel Hurt, Esq.
Kimani Jeffrey
Anthony W.L. Johnson
Phillip Keller, Esq.
Edward King
Kelsey Maas
Jamie Murphy
Latawn Oden
Analine Powers, Ph.D.
W. Akilah Redmond
Rebecca Savage
Sabrina Shockley
Renee Short
Floyd Stanley
Thomas Stephens, Esq.
Timarie Szwed
Theresa Thomas
Ian Tomashik
Ashley A. Wilson

TO: The Honorable Detroit City Council

FROM: David Whitaker, Director
Legislative Policy Division Staff

DATE: February 9, 2024

RE: Future of Health Transformational Brownfield Plan for **Henry Ford Health System (HFH), Palace Sports & Entertainment, LLC/ DP Amsterdam, LLC (Pistons) and Michigan State University (MSU)** per the **Brownfield Redevelopment Act, Michigan Public Act 381 of 1996 amended by Public Acts 46-50 of 2017 ******REVISED*[1]*******

The Council will be soon asked to review and approve the **Future of Health (FOH) Transformational Brownfield Plan (TBP)**,[2] based on a planned related investment of Henry Ford Health System (HFH), Palace Sports & Entertainment, LLC/ DP Amsterdam, LLC and Michigan State University (MSU), thereby resulting in five projects in the FOH TBP,[3] with a total estimated investment cost of **$773 million**. In addition to the five TBP projects, Henry Ford Health System is planning to develop a *new hospital adjacent to the five projects*,[4] 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.[5]

The Legislative Policy Division (LPD) has raised numerous questions regarding the Future of Health TBP proposal. Attachments 1 through 3 represent LPD's questions and the responses from the Detroit Economic Growth Corporation (DEGC) to those questions. We appreciate these responses. In addition, LPD has thoroughly reviewed the Future of Health Act 381 Transformational Brownfield Plan. A link to the Future of Health Act 381 Combined Transformation Brownfield document is provided in footnote 1 of this report.

For City Council's information, the Detroit Brownfield Redevelopment Authority Board approved The Future of Health Act 381 Combined Transformation Brownfield Plan by a 7-1 vote on Wednesday, January 10, 2024.

[1] ******This report was revised to address the chart on page 19, to correctly reflect a 23.5% City Share of incentives and not 34.3%******
[2] FUTURE OF HEALTH TRANSFORMATIONAL BROWNFIELD PLAN https://www.degc.org/wp-content/uploads/2023/12/FOH-TBP-submitted-to-DBRA-120823r50379303_2.pdf
[3] **FOH TBP**: Future of Health Transformational Brownfield plan
[4] 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 a project included in the TBP.
[5] Detroiters sound off at hearing over $3B New Center development (freep.com)

Summary of Future of Health's TBP Incentive Package

The total incentive package as proposed, inclusive of State of Michigan Transformational and local Brownfield capture, City of Detroit incentives in the form of Commercial Rehabilitation Act (PA 210) tax savings Commercial Redevelopment Act (PA 255) and Neighborhood Enterprise Zone Act (PA 147) tax savings of **$54,929,856**; in addition to a later to be requested PILOT (Payment In-Lieu-of-Taxes) incentive, to assist in providing deep levels of affordable housing. The developer is requesting a **$231,774,802** TIF, [6] reimbursement, with the overall value of the plan estimated at **$241,681,648**, which includes local brownfield costs.[7] In addition, TBP taxes are being captured over 35 years. The present value of the total TBP tax captures in 2024 dollars is $82 million. This totals incentives in tax savings and tax capture to the developer, an estimated value of **$286,704,658**. When including State and local brownfield costs, the incentives total **$296,611,504** (illustrated below).[8]

Future of Health Brownfield Incentive Summary

Project	Research Center	One Ford Place Res. 1	725 Amsterdam Res 2	625 Amsterdam Res. 3	Parking Garage	Totals
Tax Abatement Savings	$0	$42,873,002	$7,058,244	$4,998,610	$0	$54,929,856
Maximum Reimbursement	$39,580,808	$108,784,891	$39,634,717	$27,084,984	$16,689,402	$231,774,802
DBRA Admin Fee	N/A	$2,802,857	$847,491	$529,631	$1,042,468	$5,222,447
State Brownfield Fund	N/A	$2,326,537	$995,776	$700,027	$662,058	$4,684,398
Gross Captured Taxes	$39,580,808	$113,914,285	$41,477,984	$28,314,642	$18,393,928	$241,681,647
Total Incentive	**$39,580,808**	**$156,787,287**	**$48,536,228**	**$33,313,252**	**$18,393,928**	**$296,611,503** *[9]

***Figures subject to rounding**

Reimbursement of Eligible Activities by Site

Project Name	Gross Captured Taxes	DBRA Admin Fee	State Brownfield Fund	Maximum Reimbursement
6175 Third Street (Henry Ford + MSU Research Center) (Research Center)	$39,580,808	N/A	N/A	$39,580,808
6005 Second Avenue (One Ford Place Adaptive Reuse) (Residential 1)	$113,914,286	$2,802,857	$2,326,537	$108,784,891
725 Amsterdam Street (Mixed-Use, 154 Apartments and Retail/Commercial) (Residential 2)	$41,477,984	$847,491	$995,776	$39,634,717
675 Amsterdam Street (Mixed-Use, 105 Apartments and Retail/Commercial) (Residential 3)	$28,314,642	$529,631	$700,027	$27,084,984
6205 Third Street (Parking Garage)	$18,393,928	$1,042,468	$662,058	$16,689,402
Totals	$241,681,648	$5,222,447	$4,684,399	$231,774,802

---

[6] Tax Increment Financing (TIF) subsidizes an entity by refunding or diverting a portion of their taxes to help finance development.
[7] The duration of the TIF plan is 35 years.
[8] the Future of Health residential project underwriting assumes utilizing Low Income Housing Tax Credits (LIHTC), the use of federal historic tax credits, as well as a 35-to-40-year PILOT on the affordable units, which is co-terminus with the anticipated HUD debt financing to be utilized to capitalize the projects. The PILOT program is vital to providing deep affordable housing for the entire 30-year term following construction completion.
[9] The first chart is inclusive of both Tax Abatements (tax savings) and Tax Increment Financing (TIF) (tax captures).

In addition to the captured taxes, the project will generate additional tax revenue that will not be captured but will be newly realized revenue for several taxing jurisdictions in the amount of **$42.28 million**, which includes **$25.8 million** towards Detroit Public School (DPS) debt, as illustrated in the second chart on this page.

ESTIMATED TAX CAPTURE REVENUE				
Tax Capture Revenue	Gross Captured Taxes	DBRA Admin Fee	State Brownfield Fund	Reimbursement
Huron Clinton Metropolitan Authority (HCMA)	$398,845	$26,437	-	$372,408
Wayne County Community College	$6,204,646	$411,271	-	$5,793,375
Property Tax Subtotal	**$127,277,774**	**$5,222,447**	**$4,684,399**	**$117,370,929**
Construction Income Tax Revenues	$5,590,801	-	-	$5,590,801
Construction Sales / Use Exemptions	$8,229,444	-	-	$8,229,444
Income Tax Capture Revenues	$60,747,590	-	-	$60,747,590
Withholding Tax Capture Revenues	$39,836,038	-	-	$39,836,038
Total	**$241,681,648**	**$5,222,447**	**$4,684,399**	**$231,774,802**

Estimate of Property Taxes Generated but Not Captured

Property Tax Jurisdiction	Net Tax Revenue Increase
School Debt	$25,808,359
Bond Debt	$15,882,067
DIA Tax	$394,272
Zoo Tax	$196,938
Total	$42,281,636

Projected Sources of Developer Reimbursement

Tax Capture Revenue	Total (35 years)
Construction Sales/Use Tax Exemption	$8,229,444
Construction PIT Capture	$5,590,801
Income Tax Capture	$60,747,590
Withholding Tax Capture	$39,836,038
Increased Property Tax Capture – School	$43,970,210
Increased Property Tax Capture – Local	$73,400,719
Total TBP Benefit	$231,774,802

Tax Capture Start/End & Income/Withholding Start/End

Project	Construction Tax Capture Start/End	Property Tax TIF Capture Start/End	Income/ Withholding Start/End
6175 Third Street (Henry Ford + MSU Research Center) (Research Center)	2024 – 2027	N/A	2028 – 2047
6005 Second Avenue (One Ford Place Adaptive Reuse) (Residential 1)	2027 – 2029	2029 – 2058	2030 – 2049
725 Amsterdam Street (Mixed-Use, 154 Apartments and Retail/Commercial) (Residential 2)	2025 – 2027	2028 – 2057	2028 – 2047
675 Amsterdam Street (Mixed-Use, 105 Apartments and Retail/Commercial) (Residential 3)	2027 – 2029	2029 – 2058	2030 – 2049
6205 Third Street (Parking Garage)	2025 – 2027	2028 – 2057[33]	N/A

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 in the following chart at the top of the next page:

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, 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 Future of Health project[10]:

TBP Tax Overview

($ in Millions)

	PROJECT NAME	TOTAL DEVELOPMENT COST	STATE TAXES [1]	NON-CITY PROPERTY TAXES	CITY PROPERTY TAXES	TOTAL TBP (35 YEARS)	PRESENT VALUE OF TBP (2023 DOLLARS) [2]
South Campus	New Patient Tower	$1,740M	NO INCENTIVES				
South Campus	Shared Service Building	$203.3M					
South Campus	Central Energy Facility	$234.63M					
South Campus	South Campus Parking Garage	$69.6M					
East Campus	HFH + MSU Research Building	$392.6M	$39.6M	$0	$0	**$39.6M**	**$18.2M**
East Campus	East Campus Parking Garage	$57.7M	$0.3M	$9.0M	$5.1M	**$14.4M**	**$5.0M**
East Campus	One Ford Place	$188.8M	$43.1M	$38.9M	$21.3M	**$103.3M**	**$33.0M**
East Campus	R2 New Residential	$79.2M	$18.8M	$12.2M	$5.6M	**$36.6M**	**$14.6M**
East Campus	R3 New Residential	$54.2M	$12.6M	$9.0M	$4.1M	**$25.7M**	**$9.0M**
	TOTAL	**$3,020M**	**$114.4M**	**$69.1M**	**$36.1M**	**$219.6M**	**$79.8M**

[1] "State Taxes" Includes Exemption 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) 54

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 Future of Health TBP meets the $10M threshold and therefore will be subject to a 3rd party underwriting analysis.

[10] Please note that the numbers in this table do not reflect updated numbers that are represented in this FOH TBP report. For instance, the total figure is now $231.9 million for the "Total TBP (35 Years)" column, as depicted previously on page 3 of this report.

- 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 4 provides much more detail on the traditional brownfield versus the transformational brownfield plan.

Future of Health Project Summary

The proposed Future of Health project entails five (5) projects of new and rehabilitated retail, business and residential development activity and investment in the New Center area, including an advanced health science and medical research facility, three (3) mixed-income residential buildings, and a construction of an approximately 804 space parking garage. The proposed projects include integrated parking plans, a projected 326,362 square feet of commercial office space, 31,348 square feet of retail space, 867,204 square feet of mixed-income residential space with 662 residential units, and 320,000 gross square feet of parking (804 spaces). At least 20% of the residential units will be available to rent at rates affordable to those earning no more than 50% (ranging from 30% to 70%) of Area Median Income, [11] equivalent to an annual salary of approximately $33,150/year to $42,650/year for a 1-to-3-person household).[12]

A significant complement to the TBP is the development of Henry Ford Health's (HFH) $2.2 Billion of investment, including a new shared services building, central energy facility, as well as a new expansion hospital that will include brand new state-of-the-art operating rooms and emergency room, as well as a new hospital tower with over 400 private beds. The Projects will create new tax revenues available for vital public services - continuing Detroit's rapid redevelopment. The Projects will increase the connection between the HFH Main Campus, New Center, Midtown and other nearby neighborhoods adjacent to West Grand Boulevard and Woodward Avenue, while supporting the rebuilding of neighborhoods and positioning the area for additional investment and growth.

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

Project Summary[13]

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 Residentitial 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**

The following provides detail on each of the five projects:[14]

1. **Henry Ford + MSU Medical Research Center, 6175 Third[15] (Research Center)**.The new construction 326,362 square foot building will be the location of advanced health science and medical research to be conducted pursuant to a collaboration agreement between Henry Ford Health and Michigan State University. The research conducted at the facility will include activities currently conducted at the One Ford Place HFH

[11] Of the 662 new housing units being developed, 133 units are anticipated to be affordable to residents earning an average of 50% (ranging from 30% to 70%) of AMI, which is in line with the average rental rate in the surrounding area according to CoStar. Additionally, based on projected market-rate. - Page 36 0f 59 FOH TBP rental rates in today's dollars, over 70% of market-rate units are anticipated to be at rent levels below 120% of AMI, which is the State defined level for "workforce housing".
[12] Page 5 of 59 of the FOH TBP
[13] Attachment 5 provides LPD's review of FOH TBP Sources and Uses.
[14] Ibid
[15] All Project addresses throughout this TBP other than 6005 Second Avenue are anticipated future building addresses.

headquarters as well as advance research in areas including cancer, neurosciences, immunology, hypertension, and dermatology pursuant to programs funded by the National Institutes of Health ("NIH") and other sources. In addition, a portion of the building will house partners with shared mission for discovery, including the Nick Gilbert Neurofibromatosis Research Institute ("NGNRI") in partnership with the Gilbert Family Foundation ("GFF").

2. **Mixed-Use Adaptive Reuse of One Ford Place (Henry Ford Health corporate headquarters), 6005 Second (Residential 1)**– The adaptive reuse of the current Henry Ford Health corporate headquarters building into approximately 403 mixed income apartments and 17,060 square feet of retail/commercial space.
3. **Residential 2 New Residential, 725 Amsterdam Street (Residential 2)**. New construction of approximately 154 mixed-income apartments and 8,015 square feet of retail/commercial space.
4. **Residential 3 New Residential, 675 Amsterdam Street (Residential 3)**. New construction of approximately 105 mixed-income apartments and 6,273 square feet of retail/commercial space.
5. **East Campus Parking Garage, 6205 Third Street (Parking Garage)**. New construction of an approximately 804 space parking garage for use by occupants and visitors of all components of this TBP.

1. **HFH + MSU Research Facility**
2. **Residential Mixed-Use Residential 1**
3. **Residential Mixed-Use Residential 2**
4. **Residential Mixed-Use Residential 3**
5. **Parking Garage**

`**Future of Health Project Timeline**

According to the DEGC, the proposed Future of Health project approvals timeline is as follows:

January 2024	
Local DBRA Public Hearing	**01/04/24**
DBRA Board Review + Approval - Meeting #2	**01/10/24**
City Council Planning and Economic Development (PEDC) Subcommittee hearing on NEZ Zone for One Ford Place	**01/11/24**
City Council PEDC Subcommittee Public Hearing on PA 255 districts for One Ford Place	**01/11/24**
City Council PEDC Subcommittee Hearing on PA 210 District	**01/11/24**
PEDC Line Item Regarding 1/11 Hearings	**01/18/24**
PEDC Line Item Vote & Referral to Formal Regarding NEZ Zone, Schedule Rezoning Public Hearing	**01/25/24**
Committee of the Whole Council Vote on NEZ Zone, Schedule Rezoning Public Hearing	**01/30/24**
February 2024	
PEDC Public Hearings on Two (2) PA 210, and One (1) PA 255 Certificate	**02/08/24**
PEDC Public Hearing on TBP and Discussion of CBA	**02/08/24**
Formal referral of NEZ Certificate Application to BFA	**02/13/24**

Budget, Finance and Audit Committee Holds Discussion & Sends NEZ Certificate for One Ford Place to Formal	**02/14/24**
PEDC Public Hearing on Rezoning & Votes on: a) PA 210 District, b) PA 255 District, c) Two (2) PA 210 Certificates, d) One (1) PA 255 Certificate, e) TBP, f) CBA, and g) Hospital Rezoning	**02/15/24**
Committee of the Whole Votes on: a) PA 210 District, b) PA 255 District, c) Two (2) PA 210 Certificates, d) One (1) PA 255 Certificate, e) NEZ certificate for OFP, f) TBP, g) CBA, and h) Hospital Rezoning	**02/20/24**
April 2024	
Michigan Strategic Fund (MSF) Board - Vote on TBP	**04/23/24**

Future of Health Transformational Impacts[16]

What does this mean for Detroit and its residents as well as the State of Michigan? The development is anticipated to support approximately 2,145 direct,[17] on-site construction jobs with total wages expected to exceed $133 Million throughout the construction period (an annual average wage of $61,921 per year), for a total economic output of $474 million, and approximately 735 post-construction direct full time equivalent (FTE) jobs with an average annual income of $111,684 per job in today's dollars, with a total anticipated labor income of $4.2 Billion and a total economic output of $5.3 billion over 35 years. Beyond the City of Detroit, the State also will experience increased indirect[18] and induced[19] 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 a combined $113 million in net fiscal revenues over the period (35 years) to the City in the years that this TBP will be in place. The State will experience similar benefits and independent projections predict this TBP will create a combined $273 million in net fiscal revenues over the life of this TBP.

Population Growth – The New Center area already draws interest from those who want to live and work close to the action. Recently completed residential developments in the New Center area confirm there is demand for individuals who want to live and work in the New Center Area. The influx of medical workers who will work at the Research Center, as well as those attracted to the residential components of the TBP or the upcoming $2.2 billion investment being made by HFH as a part of their main hospital campus expansion, are expected to advance population growth in this area of New Center and nearby neighborhoods of the city of Detroit.

Catalyst for Growth in Employment and Commercial Activity – This TBP will attract a variety of workers and residents and serve as a catalyst for job creation and economic activity. The combination of the new Research Center and creation of approximately 662 apartments will support a connected community environment not currently present on the project site – a large portion of which is underutilized and currently used for vehicle surface parking. The additional workers and residents will support daytime business activity while also increasing the demand for dining and entertainment options, recreational and other products and services that will support new and existing businesses in the general area.

[16] "Transformational Impacts" section is from pages 5 and 6 of 59 of The FOF TBP Plan.
[17] Direct jobs are the jobs and payroll directly created by the FOH TBP project. 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 FOH 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.
[18] Ibid
[19] Ibid

Summary of Future of Health Project Economic and Fiscal Impacts[20]

The Projects in this TBP are projected to provide significant new and rehabilitated retail, business and residential development activity and investment to The Future of Health 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:

- Construction period impacts (including tenant improvements) are expected to include 2,145 temporary construction jobs, $133 Million in labor income and $474 Million in total direct economic output, not including any impacts from the proposed approximate $2.2 billion of additional investment expected to be made by HFH at the HFH Main Campus on the west side of the M-10 Lodge Freeway northwest of the projects' areas.
- Ongoing direct impacts from operations are expected to support 735 permanent jobs and create $4.2 Billion in labor income as well as $5.3 billion in total economic output over 35 years.
- Net fiscal benefit to the State throughout the construction period and over the full 35-year TBP is expected to be $273 Million 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 $118 million in total.
- Net fiscal benefit to the other property tax jurisdictions (i.e., DIA, Zoo) throughout the construction period and over the full 35-year TBP is expected to be $1.6 million in total.
- The Projects are planned to include at least $773 million in new development with direct equity investment by the Developers and affiliates, which is well in excess of Act 381 statutory requirement.
- Included within the $773 million of investment, the Developers will be performing $24.8 million of improvements across 109,460 square feet of public maintained infrastructure, including road improvements, utility upgrades, and public lighting improvements.
- An anticipated 1,544,914 GSF of space expected to be developed into:
  326,362 GSF of medical research space, 31,348 GSF of retail/commercial space;
  867,204 GSF of housing space, 320,000 GSF of structured parking. The building square footage is planned as the following:

	A = B + C + D	B	C	D
Project	**Gross Square Footage ("GSF")**	**Commercial Rentable Square Footage ("RSF")**	**Residential Rentable Square Footage ("RSF")**	**Back-of-House Square Footage ("BSF")**
6175 Third Street – Research Center	326,362 GSF	231,403 RSF	-	94,959 BSF
6005 Second Avenue – (Residential 1; Current One Ford Place; 403 apartments and retail/commercial)	626,953 GSF	17,060 RSF	277,389 RSF	332,504 BSF
725 Amsterdam Street – (Residential 2; 154 apartments and retail/commercial)	159,204 GSF	8,015 RSF	104,431 RSF	46,758 BSF
675 Amsterdam Street – (Residential 3; 105 apartments and retail/commercial)	112,395 GSF	6,273 RSF	69,545 RSF	36,577 BSF
6205 Third Street Parking Garage	320,000 GSF	271,278 RSF	-	48,722 BSF
Totals	1,544,914 GSF	534,029 RSF	451,365 RSF	559,520 BSF

[20] Ibid, pages 16 & 17 of 59 of FOH TBP.

Future of Health Project Gap Analysis[21]

Factors that justify the Future of Health TBP project are as follows:

- The $773 million in adaptive reuse, and new construction of residential, retail/commercial and medical research space will substantially improve the health and well-being of the community
- This major development would provide affordable housing options (Pistons) for residents at different income levels, with 20% of the units earmarked as affordable units at an average of 50% AMI (ranging from 30% to 70%), exceeding the City's typical requirements (20% at 80% AMI).
- The new **Research Center** will serve as a flagship for the partnership to build on the transformative research of HFH and MSU:
    - MSU's discoveries in health include the cancer fighting drug cisplatin. MSU also revolutionized food crops globally and in 2022, introduced The Facility for Rare Isotope Beams, the world's most powerful heavy-ion accelerator.[22]
    - HFH's ground-breaking work is far reaching as well. It includes discoveries like tPA[23] for acute ischemic stroke, advances in severe sepsis treatment, and robotic surgery for prostate cancer. HFH also hosts the 3rd largest brain tumor tissue bank in the world.
- Projects of this scale have incurred significant national headwinds since the COVID19 Pandemic hit in 2020. The highest level of inflation recorded in decades has driven the Federal Reserve to quintuple short-term borrowing in the past year, forcing real estate development investors to look to public financing resources to help fill financing gaps due to the following factors:
    - Construction materials such as lumber, glass, and steel have seeing price increases ranging from 20% to 65% since February 2020 while short-term interest rates have soared from below 1% to over 5% as the Federal Reserve attempts to slow down price increases.
    - This increase in the cost of construction as well as the cost of borrowing has directly led to projects being unable to secure the funding necessary to commence construction without some partnership from federal, state, and/or local government.
    - Real estate development in the City of Detroit especially remains pervasively difficult due to local market conditions associated with construction costs, rental rates, and property taxes. When compared to 53 large U.S. cities, Detroit ranks #1 with the highest effective property tax rate for commercial property
    - The City's composite construction price index for labor and materials ranks 11th highest amongst 20 major cities in the United States, meanwhile the average monthly rent for a one-bedroom apartment ranks 13th amongst the same 20 major cities. When combining these indexes, the City of Detroit ranks 16th in terms of viability of development when comparing rent-to-cost.
    - These adverse local market economic factors are directly what the TBP program seeks to help developers overcome. For example, the proposed multi-family developments within this TBP tentatively anticipate a market-rate rent per one-bedroom apartment of $1,994 per month in today's dollars. The TBP income tax capture would provide an additional $350 per month of income, an 18% increase. The increase puts the per unit income at $2,344 per month, which is nearly in line with new Class A multi-family housing being built in Chicago ($2,571 per month) and Washington DC ($2,446 per month).
    - The discrepancy between costs of construction and rent generating revenue underscores the necessity of Act 381 Transformational Brownfield support proposed in this TBP to make this program of investment economically viable.

---

[21] FOH TBP project gap information primarily comes from Section entitled "Project Justification" on pages 22 through 24 of 59 of FOH TBP.

[22] Researching the properties and interactions of rare isotopes—short-lived nuclei not normally found on Earth—paves the way for scientific breakthroughs, including new approaches to diagnosing and treating cancer and other diseases, and strengthening national security.

[23] Currently Alteplase, a recombinant tissue plasminogen activator, abbreviated **tPA** is the only FDA approved thrombolytic for acute ischemic stroke. Tenecteplase (abbreviated TNK) is a genetically modified recombinant tissue-type plasminogen activator that is rapidly gaining more evidence in acute stroke treatment. NeuroEMCrit - Time is Brain - Acute Ischemic Stroke Part I: Vascular Syndromes and Thrombolysis

Tax Incentives as it relates to the Developer's Financing for the Future of Health Project

LPD inquired about the Developer's need to provide private financing upfront to initiate the Future of Health project before the Transformational Brownfield Plan (TBP) benefits and City's tax incentives take effect. We further questioned if the lenders wanted the Developer to receive approval of the TBP tax benefits and the PA 210, PA 255 and NEZ tax incentives to provide financing for the project.

The Developer responded in the affirmative, indicating that it needed to provide all the initial financing for the projects. The TBP, and the other tax incentives do not provide any up-front funds for the project. The projects must be started for any TBP incentives to commence and completed in order for any of the tax incentives 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.

Developer's Return on Investment from Future of Health Project

The DEGC has reported that the returns on the Future of Health project would be -6 percent without incentives; 4.5 percent[24] with incentives. The DEGC has further reported that 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. LPD inquired why would the Future of Health developer settle for a 4.5% return.

The Developer responded by indicating at the -6% return, it would not pursue the project. At the 4.5% return the projects are at the borderline of viability. It is important to note a viable return is necessary for other investors to participate in the project. While the Future of Health Developer may settle for a particular return, that same return may not attract other sources of capital that would help drive successful project financing. The Developer responded that the overall incentives package is critical in helping it to achieve a viable return. The incentives are also instrumental in enabling the residential projects to produce the average 50% Area Median Income (AMI) depth of affordability. LPD inquired why isn't the Developer able to provide more equity into the Future of Health 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. Below, is an illustration from the DEGC that was presented to the public in the FOH TBP Community Benefits meetings, which illustrates the DEGC "But for Analysis" rationale:

[Rest of the page is blank]

[24] 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 4.5%. (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 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.

Could the project happen without incentives?

THE PROJECT WOULD NOT HAPPEN WITHOUT INCENTIVES BECAUSE:

1. The project would not be able to receive financing without the incentives.
2. The project would not be worth investing in without the incentives.

Two key underwriting metrics:

1. **Debt Service Coverage Ratio (DSCR):**
   The ability for the developer to pay its mortgage payments after accounting for revenues and expenditures.
2. **Return on Investment (ROI):**
   An approximate measure of an investment's profitability

DEGC
Detroit Economic Growth Corporation
DEGC BUT-FOR ANALYSIS

ESTIMATED TAX CAPTURE REVENUE

Tax Capture Revenue	Gross Captured Taxes	DBRA Admin Fee	State Brownfield Fund	Reimbursement
School Operating	$35,985,787	-	-	$35,985,787
State Education	$12,668,821	-	$4,684,399	$7,984,423
Wayne County Operating – Summer	$10,644,210	$707,861	-	$9,936,348
Wayne County Operating – Winter	$1,864,952	$124,023	-	$1,740,929
Wayne County Parks – Winter	$470,522	$31,188	-	$439,334
Wayne County Jail – Winter	$1,803,089	$119,516	-	$1,683,573
Wayne County RESA	$184,201	$12,210	-	$171,991
Wayne County RESA SP ED	$6,443,760	$427,120	-	$6,016,640
Wayne County Special RESA ENH	$3,829,686	$253,848	-	$3,575,838
Library	$8,922,381	$591,414	-	$8,330,968
General City Operating	$37,856,873	$2,517,558	-	$35,339,315
Huron Clinton Metropolitan Authority (HCMA)	$398,845	$26,437	-	$372,408
Wayne County Community College	$6,204,646	$411,271	-	$5,793,375
Property Tax Subtotal	**$127,277,774**	**$5,222,447**	**$4,684,399**	**$117,370,929**
Construction Income Tax Revenues	$5,590,801	-	-	$5,590,801
Construction Sales / Use Exemptions	$8,229,444	-	-	$8,229,444
Income Tax Capture Revenues	$60,747,590	-	-	$60,747,590
Withholding Tax Capture Revenues	$39,836,038	-	-	$39,836,038
Total	**$241,681,648**	**$5,222,447**	**$4,684,399**	**$231,774,802**

Future of Health Project Cost/benefit Analysis

It is anticipated that the Future of Health TBP projects will generate $117,956,186 in net benefits to the City of Detroit over a 35-year period, as illustrated in the charts below.

	Additional Benefits	Additional Costs	Total Real Property Tax Abatements	Brownfield TIF Capture	Corporate Income & Utility User's Exemtpion	Net Benefits to the City of Detroit	Net Present Value of Benefits
Year 1	$18,631,072	$0	$0	$0	$0	$18,631,072	$18,631,072
Year 2	$2,812,917	$0	$0	$0	$0	$2,812,917	$2,678,968
Year 3	$1,888,248	$0	$0	$0	$0	$1,888,248	$1,712,697
Year 4	$4,433,823	$0	($267,298)	$0	$0	$4,166,525	$3,599,201
Year 5	$2,477,862	($556,147)	($311,593)	($63,173)	$0	$1,546,949	$1,272,678
Year 6	$3,842,607	($756,457)	($1,371,911)	($443,504)	$0	$1,270,735	$995,654
Year 7	$4,971,317	($1,235,941)	($1,557,126)	($449,219)	$0	$1,729,032	$1,290,230
Year 8	$5,098,770	($1,273,019)	($1,592,450)	($455,049)	$0	$1,778,253	$1,263,771
Year 9	$5,229,403	($1,311,209)	($1,628,480)	($460,995)	$0	$1,828,719	$1,237,749
Year 10	$5,363,512	($1,350,546)	($1,665,231)	($467,060)	$0	$1,880,675	$1,212,300
Year 11	$5,501,192	($1,391,062)	($1,702,717)	($473,246)	$0	$1,934,166	$1,187,410
Year 12	$5,642,540	($1,432,794)	($1,740,953)	($479,557)	$0	$1,989,237	$1,163,065
Year 13	$5,787,659	($1,475,778)	($1,779,954)	($485,993)	$0	$2,045,935	$1,139,253
Year 14	$5,936,651	($1,520,051)	($1,819,734)	($492,558)	$0	$2,104,308	$1,115,960
Year 15	$6,089,624	($1,565,653)	($1,480,480)	($785,825)	$0	$2,257,666	$1,140,275
Year 16	$6,246,687	($1,612,622)	($1,514,271)	($798,387)	$0	$2,321,407	$1,116,636
Year 17	$6,407,952	($1,661,001)	($1,279,744)	($1,014,148)	$0	$2,453,059	$1,123,775
Year 18	$6,573,537	($1,710,831)	($1,309,521)	($1,031,276)	$0	$2,521,909	$1,100,301
Year 19	$6,743,558	($1,762,156)	($1,294,593)	($1,082,924)	$0	$2,603,886	$1,081,968
Year 20	$6,918,141	($1,815,020)	($289,333)	($1,811,517)	$0	$3,002,270	$1,188,100
Year 21	$7,097,409	($1,869,471)	($196,746)	($1,946,121)	$0	$3,085,071	$1,162,731
Year 22	$7,281,494	($1,925,555)	($100,341)	($2,085,384)	$0	$3,170,215	$1,137,924
Year 23	$7,470,528	($1,983,322)	$0	($2,229,439)	$0	$3,257,767	$1,113,667
Year 24	$7,664,648	($2,042,821)	$0	($2,274,028)	$0	$3,347,799	$1,089,947
Year 25	$7,863,995	($2,104,106)	$0	($2,319,508)	$0	$3,440,381	$1,066,752
Year 26	$8,068,714	($2,167,229)	$0	($2,365,898)	$0	$3,535,587	$1,044,069
Year 27	$8,278,954	($2,232,246)	$0	($2,413,216)	$0	$3,633,492	$1,021,886
Year 28	$8,494,869	($2,299,213)	$0	($2,461,481)	$0	$3,734,175	$1,000,192
Year 29	$8,716,615	($2,368,190)	$0	($2,510,710)	$0	$3,837,715	$978,977
Year 30	$8,944,355	($2,439,236)	$0	($2,560,924)	$0	$3,944,195	$958,228
Year 31	$9,178,256	($2,512,413)	$0	($2,612,143)	$0	$4,053,700	$937,935
Year 32	$9,418,488	($2,587,785)	$0	($2,664,386)	$0	$4,166,317	$918,087
Year 33	$9,665,229	($2,665,419)	$0	($2,717,673)	$0	$4,282,137	$898,676
Year 34	$9,918,659	($2,745,381)	$0	($2,772,027)	$0	$4,401,251	$879,689
Year 35	$10,179,048	($2,827,743)	$0	($2,051,886)	$0	$5,299,419	$1,008,770
Total	$244,838,331	($57,200,414)	($22,902,476)	($46,779,255)	$0	$117,956,186	$60,468,593

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

	Amount
Real Property Taxes, before abatement	$87,015,663
Personal Property Taxes, before abatement	$0
New Residential Property Taxes	$0
Municipal Income Taxes - Direct Workers	$52,194,437
Municipal Income Taxes - Indirect Workers	$16,903,321
Municipal Income Taxes - Corporate Income	$1,448,954
Municipal Income Taxes - Construction Period	$7,654,364
Municipal Income Taxes - New Residents	$18,503,579
Utility Revenue	$11,921,029
Utility Users' Excise Taxes	$5,772,180
State Revenue Sharing - Sales Tax	$150,132
Building Permits and Fees	$20,065,707
Miscellaneous Taxes & User Fees	$23,208,965
Subtotal Benefits	$244,838,331
Cost of Providing Municipal Services	($45,279,386)
Cost of Providing Utility Services	($11,921,029)
Subtotal Costs	($57,200,414)
Net Benefits	$187,637,917

Incentive Summary over the First 35 Years

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Brownfield TIF Capture	Corporate Income & Utility User's Exemtpion	Net Benefits After Tax Abatements & Incentives
City of Detroit	$244,838,331	($57,200,414)	($22,902,476)	($46,779,255)	$0	$117,956,186
Wayne County	$29,148,248	($6,508,948)	($5,659,178)	($15,181,618)	$0	$1,798,505
Detroit Public Schools	$164,183,369	($80,295,036)	($17,289,264)	($35,985,787)	$0	$30,613,282
State Education	$16,020,981	$0	($2,952,120)	($12,668,821)	$0	$400,039
Downtown Dev. Authority	$0	$0	$0	$0	$0	$0
Wayne RESA	$14,492,312	$0	($3,717,322)	($10,457,647)	$0	$317,343
Wayne County Comm. College	$8,598,460	$0	($2,205,531)	($6,204,646)	$0	$188,283
Wayne County Zoo	$264,880	$0	($67,943)	$0	$0	$196,938
Detroit Institute of Arts	$530,294	$0	($136,022)	$0	$0	$394,272
Total	$478,076,876	($144,004,398)	($54,929,856)	($127,277,774)	$0	$151,864,848

The charts above present a projection that the proposed Future of Health TBP will generate a net benefit to the City of Detroit of $117,956,186 over 35 years. Over the same 35-year period. In addition, the TBP will generate a net benefit of $33,908,662 for the other taxing jurisdictions (Wayne County, Detroit Public Schools, State Education, Wayne County, Zoo, and Detroit Institute of Arts) over 35 years ($151,864,848 overall, inclusive of the City of Detroit).

Charts above were prepared by the DEGC.[26]

[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 also shows the calculations for the City tax incentives (NEZ PA 210 and PA 255). 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.

The cost/benefit analysis is for the City of Detroit is inclusive of the following 35-year totals:

ITEM	AMOUNT
Real Property Taxes, before abatement	$87,015,663
Personal Property Taxes, before abatement	$0
New Residential Property Taxes	$0
Municipal Income Taxes - Direct Workers	$52,194,437
Municipal Income Taxes - Indirect Workers	$16,903,321
Municipal Income Taxes - Corporate Income	$1,448,954
Municipal Income Taxes - Construction Period	$7,654,364
Municipal Income Taxes - New Residents	$18,503,579
Utility Revenue	$11,921,029
Utility Users' Excise Taxes	$5,772,180
State Revenue Sharing - Sales Tax	$150,132
Building Permits and Fees	$20,065,707
Miscellaneous Taxes & User Fees	$23,208,965
Cost of Providing Municipal Services	($45,279,386)
Cost of Providing Utility Services	($11,921,029)
PA 147 Abatement (NEZ)	($16,119,536)
PA 210 Abatement	($6,284,714)
PA 255 Abatement	($498,226)
Brownfield TIF Capture	($46,779,255)
City of Detroit Net Benefit	**$117,956,185**

*Totals subject to rounding

- Equals to approximately $117,956,186 net benefits to the City of Detroit over 35 years.

LPD concludes that it is quite significant for the City to potentially receive net benefits in the neighborhood of $118 million when the cost to the City in the form of local tax incentives equals only approximately $22.9 million. When considering the cost of incentives to net benefit, **the ratio of net benefits to cost is 5.2/1.0, a very positive ratio and potential return on the City's investment.**[27]

Future of Health Overall Tax Abatement Summary[28]

Project Name	Total Property Tax Abatement Savings	Abatement Type	Certificate Local Approval Anticipated Date
6175 Third Street (Henry Ford + MSU Research Center) (Research Center)	$0	N/A	N/A
6005 Second Avenue (One Ford Place Adaptive Reuse) (Residential 1)	$42,873,002	NEZ, PA 255 and PILOT	February, 2024[37]
725 Amsterdam Street (Mixed-Use, 154 Apartments and Retail/Commercial) (Residential 2)	$7,058,244	PA 210 and PILOT	February, 2024[38]
675 Amsterdam Street (Mixed-Use, 105 Apartments and Retail/Commercial) (Residential 3)	$4,998,610	PA 210 and PILOT	February, 2024[39]
6205 Third Street (Parking Garage)	$0	N/A	N/A
Total	$54,929,856	-	-

[27] Cost of Providing Municipal Services and the Cost of Providing Utility Services are deducted from the bottom line of Net benefits.
[28] Chart courtesy of DEGC

Future of Health TBP Projected Job Creation and Workforce Development Plans

Regarding projected job creation associated with the Future of Health project, it was mentioned previously that the project should generate approximately 735 direct ongoing jobs and 2,145 construction jobs. The chart below provides a breakdown of the number of direct and construction jobs, the types of jobs expected, and anticipated construction wages by project site:

Direct Jobs and Construction Jobs with Wages by Site

Project	Direct Ongoing Jobs FTE	Types of Jobs Expected	Direct Construction Jobs	Total Anticipated Construction Wages
6175 Third Street (Henry Ford + MSU Research Center)	558	Medical research	1,096	$67.9M
6005 Second Avenue (One Ford Place Adaptive Reuse) (Residential 1)	98	Retail/commercial; Apartment management, maintenance and housekeeping	539	$33.4M
725 Amsterdam Street (Mixed-Use, 154 Apartments and Retail/Commercial) (Residential 2)	45	Retail/commercial; Apartment management, maintenance and housekeeping	248	$15.3M
675 Amsterdam Street (Mixed-Use, 105 Apartments and Retail/Commercial) (Residential 3)	34	Retail/commercial; Apartment management, maintenance and housekeeping	158	$9.8M
6205 Third Street (Parking Garage)	-	Parking management and maintenance	104	$6.4M
Totals	**735**	-	**2,145**	**$132.8M**

According to the FOH TBP, the average annual salary for the projected 558 direct jobs at the Research Center is $137,800, $39,602 for the 22 direct jobs in Soft Retail, $24,849 average, for the 137 direct jobs in Food & Beverage; and the average annual salary for the projected 2,145 construction jobs is around $62,000. Obviously, many of the higher paying jobs must be filled by 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 development s 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 Future of Health TBP project, it is apparent that the Developer may need to cultivate a robust plan to attract Detroiters to fill the highly skilled office jobs.

A View of Future of Health’s TBP State and Local Tax Incentives

The chart below shows Future of Health’s total transformational brownfield tax incentives by dollar value and by percentage:

Item	Combined Totals over 35 years	Combined Totals over 35 years
Library Capture	$8,922,381	3.0%
City Operating Capture	$37,856,873	12.8%
Total City Share of Capture (including the Library)	**$46,779,254**	**15.8%**
Estimated Other Taxing Jurisdiction Capture	$80,498,520	27.1%
Construction Income Tax Revenues	$5,590,801	1.9%
Construction Sales / Use Exemptions	$8,229,444	2.8%
Income Tax Capture Revenues	$60,747,590	20.5%
Withholding Tax Capture Revenues	$39,836,038	13.4%
Total Non-City Captures	$194,902,393	65.7%
Total Brownfield Tax Captures	**$241,681,647**	**81.5%**
City Tax Abatements	**$22,902,476**	**7.7%**
Non-City Tax Abatements	$32,027,380	**10.8%**
Total Tax Abatements	**$54,929,856**	**18.5%**
Estimated Grand Total of Incentives	**$296,611,503**	**100%**
City Share of Incentives Including Tax Captures and Abatements	**$69,681,730**	**23.5%**

The chart above shows an estimated $296.61 million in total transformational brownfield related tax incentives, of which, $69.7 million or 23.5% comes from City tax incentives. The remaining $226.9 million in transformational brownfield tax incentives comes from construction sales tax exemption, tax increment property tax revenues from non-City sources, construction State income tax revenues, withholding State tax capture revenues, and State income tax revenues[29]. As a result, 76.5% of the transformational brownfield related tax incentives, are to come from non-City sources.

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 three TBP projects have been approved in Michigan by the MSF: The Bedrock TBP, the redevelopment of a former paper mill in the Village of Vicksburg in Kalamazoo County (Vicksburg Paper Mill TBP) and the recently approved District Detroit TBP.

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 three TBP projects approved by the MSF so far:

[29] Under the Plan, the DBRA captures tax increment property taxes up to 35 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 FOH 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.

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[30]	Projected Net Fiscal Benefit to the State from TBP Project over the life of the TBP project
Bedrock	$386.8 M[31]	$26,043.4 M[32]	1.50%	$1.9 B[33]
Vicksburg Paper Mill	$ 20.9 M[34]	$26,043.4 M	0.08%	$39.6 M[35]
District Detroit	$401.9 M[36]	$26,043.4 M	1.54%	$1.0 B[37]
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 three approved TBP projects have a minor impact on State revenue sources, only 3.1% of FY 2023-2024 State net income tax, sales tax, and 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 three approved TBP projects.**

It is also important to note that the City (local) tax incentives anticipated to be used for the TBP Projects do not reduce property tax revenues of the City but instead reduce the amount of tax increment property taxes captured under the Plan. The tax increment property tax capture is up to 35 years, the Neighborhood Enterprise Zone (NEZ) capture is 17 years, the PA 255 Commercial Redevelopment Act for 12 years, and the PA 210 Commercial Rehabilitation Act capture is 10 years.

---

[30] 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.
[31] 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
[32] 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
[33] 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
[34] 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
[35] Source: Ibid
[36] Source: Page 41 of 69 of District Detroit's TBP.
[37] Source: Page 20 of 69 of District Detroit's TBP.

School Tax Capture

As indicated on the Chart on page 13, the TBP includes an estimated $35,985,787 that would come from captured school operating tax revenues.

The 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[38]) 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 It is worth repeating that these school debt taxes therefore <u>cannot</u> be captured by law.

Future of Health 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 35 years, once the remediation efforts and costs are verified.

The following information supports why the 5 Future of Health project sites are eligible brownfield sites for the purposes of redevelopment under the more traditional Brownfield program.

- The Eligible Property includes 5 Project sites. All Project sites are located within the City of Detroit, Wayne County, Michigan.[39] Project site qualifications include one historic resource[40] and all five sites with facility or facility adjacent status.[41] Attachment 4 represents a summary of the site-specific eligible property information. Attachment 5 also shows legal description of the project sites.

---

[38] 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/)

[39] The City of Detroit is a "***qualified local unit of government***" within the meaning of Act 381. MCL 125.2652(*ll*).

[40] **"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 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.

[41] **"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).

- Details regarding environmental conditions and other qualifying conditions relating to each of the Projects in the Future of Health TBP are included in Attachment 5 entitled “Site Conditions and Known Environmental Contamination.”

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[42] 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:

Property Tax and Transformational Brownfield Activities		
MSF Eligible Activities Costs and Schedule		
MSF Eligible Activities	**Cost**	**Completion Season/Year**
New Construction		
6175 Third Street (Henry Ford + MSU Research Center) (Research Center)	$39,580,808	Second Quarter 2027
725 Amsterdam Street (Mixed-Use, 154 Apartments and Retail/Commercial) (Residential 2)	$39,634,717	Second Quarter 2027
675 Amsterdam Street (Mixed-Use, 105 Apartments and Retail/Commercial) (Residential 3)	$27,084,984	Second Quarter 2029
6205 Third Street (Parking Garage)	$16,689,402	Second Quarter 2027
New Construction Sub-Total	**$122,989,911**	
Restoration, Alteration, Renovation, or Improvement of Buildings		
6005 Second Avenue (One Ford Place Adaptive Reuse) (Residential 1)	$108,784,891	Second Quarter 2029
Restoration, Alteration, Renovation, or Improvement of Buildings Sub-Total	**$108,784,891**	
MSF Eligible Activities Total Costs	**$231,774,802**	

[42] **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).

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.

The Amount of Local Community and Financial Support for the Future of Health Project

The developer is seeking support for the projects under this TBP through local tax abatements under PA 210, PA 255 and Neighborhood Enterprise Zone ("**NEZ**"). These tax abatements are necessary to the economic viability of each proposed Project.

Table below shows projection of approximately $55 million dollars in total property tax abatement savings for the Future of Health project:

				Abatement Types		
Project	Market-Rate Residential Abatement	Commercial Abatement	Total Property Tax Abatement Savings	NEZ-R	PA 255-R	PA 210
6175 Third Street (Henry Ford + MSU Research Center)	N/A	N/A	$0	$0	$0	$0
6005 Second Avenue (One Ford Place Adaptive Reuse) (Residential 1)	NEZ-R	PA 255-R	$42,873,002	$41,564,830	$1,308,171	$0
725 Amsterdam Street (Mixed-Use, 154 Apartments and Retail/Commercial) (Residential 2)	PA 210	PA 210	$7,058,244	$0	$0	$7,058,244
675 Amsterdam Street (Mixed-Use, 105 Apartments and Retail/Commercial) (Residential 3)	PA 210	PA 210	$4,998,610	$0	$0	$4,998,610
6205 Third Street (Parking Garage)	N/A	N/A	$0	$0	$0	$0
Total			$54,929,856	$41,564,830	$1,308,171	$12,056,855

Future of Health TBP Project Evaluation

Attachment 10 represents the resolution approving Future of Health'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 Future of Health 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: <u>Public Purpose.</u> The City Council hereby determines that the Plan constitutes a public purpose[43] in accordance with Section 14(5) of Act 381.

[43] 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

LPD's comments: Section 1.3 Project Justification on pages 22-24 of 59 of Future of Health TBP describes in detail the Future of Health project's impact on the Future of Health 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 3.1 on pages 35-37 further speak to the Future of Health 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 Future of Health 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[44], 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 29 of 59 of Future of Health TBP, the following is stated: "As demonstrated 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 37 of 59 of Future of Health TBP states: "This TBP meets the requirements of Sections 13, 13B and 13C of Act 381. The TBP identifies the Eligible Properties and the 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 37 of 59 of Future of Health 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

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)

[44] 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).

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 the Future of Health TBP, and Tables 17 attached to TBP, and the Future of Health 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 Future of Health's economic and fiscal impacts of Future of Health TBP, and DEGC's economic and fiscal report using the Total Impact software developed by Impact DataSource, we find the Future of Health'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 39 of 59 of Future of Health 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 Future of Health 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 39-50 of 59 of TBP and Sections 4.1 through 4.18 on pages 39-50 of 59 of the TBP to meet the MSF requirements above. In addition, these sections further supports how the Future of Health 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 39 of 59 of Future of Health TBP states: "All three of the Residential 1, Residential 2 and Residential 3Projects in this TBP will have affordable housing and 20% (133) of the total number of rental units (662) developed through this Project will be deeply affordable (affordable to those with income not greater than an average of 50% of Area Median Income ("AMI") vs 80% of AMI as prescribed by City Ordinance for projects not subject to a community benefits agreement). Though unit counts will be dependent upon final project designs, it is currently anticipated the 20% of the units for each residential building will be affordable, resulting in 81 affordable units of 403 total units at Residential 1, 31 affordable units of 154 total units at Residential 2, and 21 affordable units of 105 total units at Residential 3, The Developers intend to enter into the affordable housing agreements with the City of Detroit prior to approval of this TBP."

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 22-24 of 59 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 45 of 59 of TBP speak to the Future of Health'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 "Future of Health 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 68.6% 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 41-42 of 59 of TBP satisfies the requirement of this section.

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.[45]

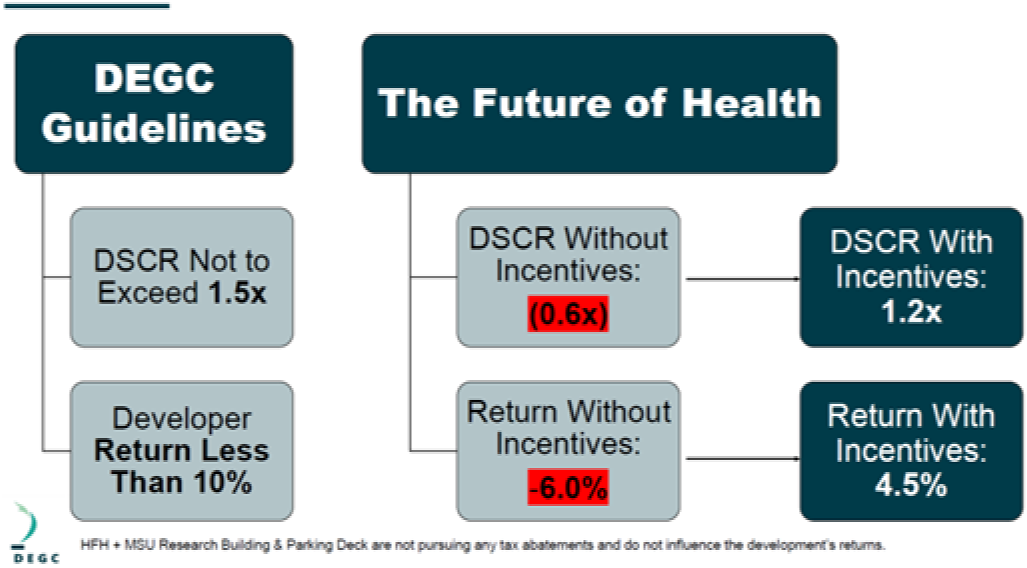
Currently, the Developer and a 9-membered Future of Health Neighborhood Advisory Council (NAC) are in the process of negotiating community benefits that can positively impact the community impacted by the Future of Health (FOH) project. As of this report date, the Community Benefits Report and Provision Agreement for The FOH project will appear on the February 6th Formal Session Agenda for referral to the February 8, 2024, Detroit City Council Planning and Economic Development Committee meeting. The Community Benefits Agreement (CBA) included several key items in relation to education and jobs.[46] The Legislative Policy Division will report in detail on the Community Benefits Report and Provision Agreement for The FOH project under a separate cover.

[45] 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.

[46] Job & Education items in the CBA: 18. Tuition-Free Scholarships. Developer shall make available a total of fifty (50), full-time, four-year, tuition-free scholarships to Michigan State University to qualifying seniors at University Prep and Northwestern High School over a period of ten (10) years commencing within one (1) year of the final approval of the TBP by the MSF. 19. Student Scholarship Competition and STEM Events. Developer shall engage with Detroit Public Schools to invite participation from high school students at Northwestern High School and University Prep in the Detroit Black History Month Scholarship competition and Detroit Pistons STEM and Tech Slam events hosted by the Pistons. 20. Trade Apprenticeships. During the Construction Period, Developer shall encourage Developer's trade partners to provide on-the-job training through apprenticeship programs with areas of focus including construction, medical, research and technology jobs. 21. Job Fairs. During the Construction Period, Developer shall host a job fair within the Impact Area twice per year to provide resources and information regarding open construction and permanent jobs within the Future of Health Development. 22. HBCU Pipeline. Developer will make reasonable efforts to create a partnership with Historically Black Colleges and Universities in order to create a pipeline of diverse, qualified candidates to healthcare positions within the City of Detroit to help increase the diversity of the workforce in Detroit and in the Future of Health Development. 23. Nursing Assistant Apprenticeship Program. Developer will operate the Henry Ford Health's Nurse Assistant Apprenticeship Program, which provides an opportunity for qualified individuals to enroll in the program and upon completion, get hired full-time at Henry Ford Health as a nurse assistant. 24. Educational Partners and Opportunities. Developer commits to work with Detroit Public Schools Community District, Michigan State University College of Education, Wayne County Community College, Henry Ford College, and Wayne State University to provide health, wellness and career pathway education opportunities, internships, mentorship opportunities and college application assistance for students within the Impact Area and the balance of the City of Detroit.

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.[47] 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.[48] After a careful review of the pro forma[49] for the Future of Health 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 0.6 (which is also below the minimum standard for most institutions of lending) and the ROI would be -6%, which is extremely low.

Conversely however, adding the elements of the TBP, with its tax captures and tax abatements listed under the plan for Future of Health, 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 Future of Health TBP. In addition, the TBP statute requires a minimum level of equity of 20%. The developer of the Future of Health TBP is exceeding this requirement with a 43% equity investment beyond financing.

Upon reviewing the utility of the proposed Future of Health 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 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

---

[47] 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.
[48] 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.
[49] 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.

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.[50]

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.[51]

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 Future of Health 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 Future of Health project are sound and we concur with their findings. In addition, the projected net benefit to the City of Detroit of $118 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.[52] 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
Antoine Bryant, Planning and Development Department
Julie Schneider, HRD
Veronica Farley, HRD
Justus Cook, HRD
Stephanie Grimes Washington, Mayor's Office
Hassan Beydoun, Jobs & Economy Team
Brittney Hoszkiw, Jobs & Economy Team
Gail Fulton, Mayor's Office
Malik Washington, Mayor's Office
Kevin Johnson, DEGC

---

[50] 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.

[51] 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.

[52] 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.

Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC
Cora Capler, DEGC
Glen Long, DEGC
David Howell, DEGC
Christopher Hughes, DEGC
Jay Rising, OCFO
John Naglick, OCFO
Tanya Stoudemire, OCFO
Steven Watson, OCFO

Attachments:
Attachment 1 Answers to LPD's General Project Questions
Attachment 2 Answers to LPD's PILOT Questions
Attachment 3 Answers to LPD's Financial Gap Questions
Attachment 4 Traditional Brownfield versus Transformational Brownfield Plan
Attachment 5 LPD's Review of FOH TBP Sources and Uses
Attachment 6 FOH TBP Property Legal Description & Zoning
Attachment 7 FOH TBP Eligible Activities
Attachment 8 Historic Future of Health Property
Attachment 9 Overview of the FOH TBP
Attachment 10 FOH TBP Resolution

Attachment 1

January 10, 2024

Legislative Policy Division (LPD) Questions on the Future of Health Transformational Brownfield Plan (TBP)

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, PA 255 and NEZ tax incentives need approval by the Detroit City Council. Please provide your projected timetable for these approvals.

Below is a breakdown of the anticipate approval schedule for the Future of Health project:

January 2023	
Local DBRA Public Hearing	01/04/24
DBRA Board Review + Approval - Meeting #2	01/10/24
City Council Planning and Economic Development (PEDC) Subcommittee hearing on NEZ Zone for One Ford Place	01/11/24
City Council PEDC Subcommittee Public Hearing on PA255 districts for One Ford Place	01/11/24
City Council PEDC Subcommittee Hearing on PA210 District	01/11/24
PEDC Line Item Regarding 1/11 Hearings	01/18/24
PEDC Line Item Vote & Referral to Formal Regarding NEZ Zone, Schedule Rezoning Public Hearing	01/25/24
Committee of the Whole Council Vote on NEZ Zone, Schedule Rezoning Public Hearing	01/30/24
February 2023	

PEDC Public Hearings on Two (2) PA 210, and One (1) PA 255 Certificate	02/01/24
PEDC Public Hearing on CBA & TBP	02/08/24
Budget and Finance Committee Holds Discussion & Send NEZ Certificate for One Ford Place to Formal	02/14/24
PEDC Public Hearing on Rezoning & Votes on: a) PA 210 District, b) PA 255 District, c) Two (2) PA 210 Certificates, d) One (1) PA 255 Certificate, e) TBP, f) CBA, and g) Hospital Rezoning	02/15/24
Committee of the Whole Votes on: a) PA 210 District, b) PA 255 District, c) Two (2) PA 210 Certificates, d) One (1) PA 255 Certificate, e) TBP, f) CBA, and g) Hospital Rezoning	02/20/24
April 2024	
Michigan Strategic Fund (MSF) Board - Vote on TBP	04/23/24

2. Please explain the rationale for the construction schedule and the anticipated start dates of the Future of Health projects as presented in the planned transformation plan for the Future of Health TBP. More specific questions:

The proposed construction schedule is anchored around the delivery of the Henry Ford Health (HFH) + Michigan State University (MSU) Research Center as well as the HFH Expansion Hospital, both of which are expected to commence construction in 2024, pending incentive and zoning approvals. The 1st new construction residential project (725 Amsterdam) is anticipated to start construction in 2025 and conclude in 2027 providing rental residential offerings to a combination of current employees, those who will fill new jobs generated by the project and people already living in or outside of the surrounding neighborhoods who are looking for a new place to live. The adaptive reuse of One Ford Place is unable to commence construction until the completion of the HFH + MSU Research Center as 195 research employees will be relocating from One Ford Place to the HFH + MSU Research Center. Additionally, One Ford Place and the 2nd new construction residential project (675 Amsterdam) are both positioned to commence construction in 2027 to meet a 2029 delivery to provide additional residential offerings in time for the Expansion Hospital completion in 2029.

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 developments are in varying stages of design, with both the HFH + MSU Research Center and the Expansion Hospital in a position to commence construction in 2024. The proposed schedule of the remaining developments is in line with the developers', as well as their construction and architecture partners', expectations for planning, design, and procurement schedules. Macroeconomic pressures can have unanticipated impacts to development and the capital markets. The developers will work to mitigate unforeseen impacts as they arise.

b. Does the TBP 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 TBP provides significant financial benefit, without which the projects would not be viable. In discussions with construction lenders, it is anticipated that this benefit would be underwritten with the same risk profile as traditional rental income as the incentive is directly tied to building occupancy. Financing will therefore be available for construction subject to typical recourse requirements, completion guaranties, and other requirements.

c. There are several predictions that working a five-day work week in an office environment may be a thing of the past, post COVID, although the office space in this plan is limited to the Henry Ford + MSU Medical Research Center, please explain how the developer is convinced that there will be a demand for the newly proposed office space.

Most of the jobs anticipated for the HFH + MSU Research Center are for wet and dry lab researchers as well as support staff, which require a daily in person presence due to the various forms of equipment and research space being developed on-site of the proposed biomedical research center.

That said, the impacts of COVID are felt by the project in another manner, specifically at the current headquarters of HFH, One Ford Place. Prevailing work from home trends and the change in office work patterns have dramatically reduced the daytime worker occupancy of One Ford Place. As a result of this, HFH will be relocating from One Ford Place and consolidating their workforce into a smaller office footprint within the New Center neighborhood outside the boundaries of the proposed developments. One Ford Place will then be converted to a mixed-use, mixed-income residential building providing housing and amenities to a combination of current employee, those who will fill new jobs generated by the project and people already living in or outside of the surrounding neighborhoods who are looking for a new place to live.

3. Would the developer be required to provide private financing upfront to start the Future of Health 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, PA 255 and NEZ tax incentives to provide financing for the project? If yes, would the developer seek Council's approval of the PA 210, PA 255 and NEZ tax incentives while seeking approval of the TBP tax benefits?

The developers are seeking approval for all tax incentives and zoning approvals simultaneously from the various City and State departments over the coming weeks and months. These approvals are required to secure financing for the construction of the projects.

d. Please provide a sources and uses statement for the proposed new Henry Ford Hospital project, which includes the new patient tower, shared service building, and central energy hub, which is not in the Future of Health TBP. Sources should include financing, owners' equity and any City, State and Federal sources or assistance. Uses should include acquisition, hard construction costs, and soft costs.

See Response to Question 4.

4. Please provide a sources and uses statement for the proposed Future of Health project. Sources should include financing, owners' equity from Henry ford Health (HFH), Palace Sports & Entertainment (Pistons), and Michigan State (MSU) 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 Future of Health project according to TBP requirements? Does the developer's equity contribution meet this minimum requirement or far exceed it?

See Response Below:

The minimum equity investment for a TBP is 20% per MSF program guidelines, which the development as a whole is in excess of as well as the individual partner components: https://www.miplace.org/4957ea/globalassets/documents/tbp/tbp-guidelines.pdf

	Total	South Campus	New Patient Tower	Shared Service Building	South Garage
Construction Sources (in 000s)					
Detroit Pistons Capital Contribution	$80.3	-	-	-	-
MSU Capital Contribution	$392.6	-	-	-	-
HFH Capital Contribution	$2,075.1	$2,017.4	$1,744.5	$203.3	$69.6
LIHTC Equity Bridge Loan	$42.3	-	-	-	-
FHTC Equity Bridge Loan	$20.7	-	-	-	-
State/City Gap Resource	$4.1	-	-	-	-
TBP Construction Exemption	$8.2	-	-	-	-
Construction Bank Loan	$160.6	-	-	-	-
LIHTC Upfront Equity	$4.1	-	-	-	-
FHTC Upfront Equity	$2.9	-	-	-	-
Total Sources	**$2,790.9**	**$2,017.4**	**$1,744.5**	**$203.3**	**$69.6**
Permanent Sources (in 000s)					
Detroit PistonsCapital Contribution	$67.3	-	-	-	-
MSU Capital Contribution	$392.6	-	-	-	-
HFH Capital Contribution	$2,075.1	$2,017.4	$1,744.5	$203.3	$69.6
State/City Gap Resource	$4.1	-	-	-	-
TBP Construction Exemption	$8.2	-	-	-	-
HUD 223(f)	$173.6	-	-	-	-
LIHTC Equity	$41.2	-	-	-	-
FHTC Equity	$28.8	-	-	-	-
Total Sources	**$2,790.9**	**$2,017.4**	**$1,744.5**	**$203.3**	**$69.6**
Uses (in 000s)					
Acquisition Costs	$7.3	-	-	-	-
Hard Cost	$1,776.2	$1,260.3	$1,072.9	$129.9	$57.6
Infrastructure Cost	$55.0	$30.2	$26.4	$2.6	$1.2
Soft Cost	$952.3	$726.8	$645.2	$70.7	$10.9
Total Uses	**$2,790.9**	**$2,017.4**	**$1,744.5**	**$203.3**	**$69.6**

Sources & Uses Excludes Utility Projects Expected To Be Built/Owned by 3rd Parties

	Total	East Campus	Research Center	East Garage	One Ford Place - 6005 Second Ave	R2 - 725 Amsterdam	R3 - 625 Amsterdam
Construction Sources (in 000s)							
Detroit Pistons Capital Contribution	$80.3	$80.3	-	-	$42.4	$22.1	$15.9
MSU Capital Contribution	$392.6	$392.6	$392.6	-	-	-	-
HFH Capital Contribution	$2,075.1	$57.7	-	$57.7	-	-	-
LIHTC Equity Bridge Loan	$42.3	$42.3	-	-	$25.9	$12.1	$4.2
FHTC Equity Bridge Loan	$20.7	$20.7	-	-	$20.7	-	-
State/City Gap Resource	$4.1	$4.1	-	-	-	-	$4.1
TBP Construction Exemption	$8.2	$8.2	-	-	$4.7	$2.1	$1.4
Construction Bank Loan	$160.6	$160.6	-	-	$91.0	$41.6	$28.0
LIHTC Upfront Equity	$4.1	$4.1	-	-	$2.3	$1.3	$0.5
FHTC Upfront Equity	$2.9	$2.9	-	-	$2.9	-	-
Total Sources	**$2,790.9**	**$773.5**	**$392.6**	**$57.7**	**$189.9**	**$79.3**	**$54.0**
Permanent Sources (in 000s)							
Detroit PistonsCapital Contribution	$67.3	$67.3	-	-	$36.5	$17.1	$13.6
MSU Capital Contribution	$392.6	$392.6	$392.6	-	-	-	-
HFH Capital Contribution	$2,075.1	$57.7	-	$57.7	-	-	-
State/City Gap Resource	$4.1	$4.1	-	-	-	-	$4.1
TBP Construction Exemption	$8.2	$8.2	-	-	$4.7	$2.1	$1.4
HUD 223(f)	$173.6	$173.6	-	-	$96.8	$46.6	$30.3
LIHTC Equity	$41.2	$41.2	-	-	$23.0	$13.5	$4.7
FHTC Equity	$28.8	$28.8	-	-	$28.8	-	-
Total Sources	**$2,790.9**	**$773.5**	**$392.6**	**$57.7**	**$189.9**	**$79.3**	**$54.0**
Uses (in 000s)							
Acquisition Costs	$7.3	$7.3	-	-	$7.3	-	-
Hard Cost	$1,776.2	$515.9	$257.7	$31.9	$129.8	$57.5	$38.9
Infrastructure Cost	$55.0	$24.8	-	$15.6	$5.2	$2.1	$1.9
Soft Cost	$952.3	$225.5	$134.8	$10.3	$47.5	$19.7	$13.2
Total Uses	**$2,790.9**	**$773.5**	**$392.6**	**$57.7**	**$189.9**	**$79.3**	**$54.0**

5. The returns on the Future of Health project would be -6 percent without incentives; with incentives, they are 4.5 percent. DEGC has previously indicated that in 2021, the average returns on major projects were 4.3%, but a 7.1% average returns in 2022. Why would the Future of Health developers settle for a 4.5% return?

The 4.5% return is specifically for the residential projects, which is a low rate of return for residential development. The returns are heavily impacted by the recent historic levels of inflation and interest rates increases that has occurred in the last 12-24 months, as well as a significant off-site infrastructure burden that is being borne by the projects. Henry Ford Health, Michigan State University and the Detroit Pistons are three mission-focused partners making a community-driven investment and working together on a development project that will deliver the most advanced healthcare and medical research while improving the vibrancy, walkability, and density of the New Center neighborhood. The additive development brings enhanced value to existing investments made in the area by all 3 partners.

6. Is the City contributing to any infrastructure improvements for the FOH project, if so, what are they, at what cost and what are the sources of funding for these improvements? If no, why?

It is not currently contemplated for the City to contribute to any of the infrastructure improvements that are required by the project. The developers are currently planning to provide on-site and adjacent infrastructure improvements, including rights-of-way and utility improvements, roadway improvements, improved crosswalks, road resurfacing, streetscape improvements and landscaping, as such improvements are required in connection with the construction of the project. The developers continue to work with the City, utility providers, and State agencies to identify opportunities for partnership on these infrastructure improvements.

7. Mr. Headd and Irv Corley would greatly appreciate the opportunity to meet directly with the requisite DEGC team (and the developer's consultants) to gain a clearer understanding of the project underwriting that took place, including:
    a. Looking at project pro formas
    b. Reviewing project financing
    c. Reviewing developer financials, if available
    d. Reviewing how project initially expected a -6% return
    e. Reviewing how project, with the TBP tax incentives, and with the incentives offered by the City of Detroit, the project expects a 4.5% 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. Please provide a project underwriting Power Point with major assumptions to hold in confidence by Mr. Headd and Mr. Corley.
    i. This review would allow Mr. Headd and Mr. Corley to gain a greater comfort on the financial, economic, and fiscal details of the Future of Health project, so we may convey this in our report on the project to Council.
    j. After the review of this 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."

8. 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 Future of Health project to be economically feasible. Questions:

   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 $773 million Future of Health project determined?

   The Future of Health development partners engaged various reputable construction management/general contractor firms to produce cost estimates for the TBP projects. Below is a breakdown of the projects and each firm engaged to produce cost estimates:

Project	**GC/CM Firm**
Research Center	Barton Malow
East Campus Parking Garage	Rich & Associates
Residential Projects (OFP, R2, R3)	Sachse Construction

   b. Please provide present value calculation of the $773 million project in 2023 dollars based on 35 years.

Item	$ Total	$ NPV @ 6% Discount
Total Investment	$773 Million	$773 Million
TBP Incentives	$232 Million	$82 Million
Tax Abatements	$55 Million	$27 Million

   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 looking at construction indexes for RS Means and Engineering News Records, Detroit ranks in the middle of the top-20 metropolitan statistical areas for construction costs. This paired with Detroit's relatively low rents makes the City one of the least viable places for real estate development:

MSA	ENR - Construction Cost Index Aug 2023
1 New York City	$ 22,544.88
2 Chicago	$ 19,894.00
3 boston	$ 17,711.92
4 Philadelphia	$ 15,991.19
5 San Francisco	$ 15,404.94
6 Los Angeles	$ 15,179.26
7 Seattle	$ 15,171.86
8 Cleveland	$ 14,490.69
9 Minneapolis	$ 14,418.92
10 Kansas City	$ 14,139.50
11 **Detroit**	**$ 13,726.72**
12 St. Louis	$ 13,690.74
13 Pittsburgh	$ 12,851.57
14 Cincinnati	$ 12,629.61
15 Baltimore	$ 10,343.52
16 Denver	$ 9,367.75
17 Birmingham	$ 8,618.60
18 Atlanta	$ 8,068.48
19 New Orleans	$ 7,701.54
20 Dallas	$ 7,504.96

MSA	RSMeans Cost/Foot 2022 Estimate
1 San Francisco	$ 321.67
2 New York City	$ 312.81
3 Chicago	$ 290.57
4 Boston	$ 288.54
5 Los Angeles	$ 285.05
6 Philadelphia	$ 283.26
7 Minneapolis	$ 270.87
8 Seattle	$ 266.01
9 Pittsburgh	$ 250.50
10 **Detroit**	**$ 247.11**
11 St. Louis	$ 245.94
12 Kansas City	$ 243.31
13 Cleveland	$ 234.52
14 Denver	$ 232.38
15 Baltimore	$ 232.01
16 Cincinnati	$ 218.36
17 Birmingham	$ 216.05
18 Atlanta	$ 215.02
19 Dallas	$ 213.91
20 New Orleans	$ 213.83

d. What is the average cost per sq. ft for residential market rate rents and the current rent for Class A office space in the City of Detroit? What is the average cost per sq. ft for market rate rents and the rent for Class A office space for office markets across the United States?

When looking at rent data from CoStar, Detroit ranks in the bottom half of the top-20 metropolitan statistical areas for residential and office rental rates. This paired with Detroit's relatively low rents makes the City one of the least viable places for real estate development:

MSA	CoStar - Monthly Blended Bedroom Rent	Monthly Rent Per Sq Ft
1 New York City	$ 3,606	$ 4.27
2 San Francisco	$ 3,332	$ 4.24
3 Boston	$ 3,029	$ 3.32
4 Los Angeles	$ 2,829	$ 3.25
5 Seattle	$ 2,168	$ 2.67
6 Chicago	$ 2,049	$ 2.40
7 Denver	$ 1,974	$ 2.23
8 Philadelphia	$ 1,890	$ 2.09
9 Baltimore	$ 1,813	$ 1.93
10 Atlanta	$ 1,730	$ 1.69
11 Minneapolis	$ 1,684	$ 1.85
12 Dallas	$ 1,624	$ 1.80
13 **Detroit**	**$ 1,499**	**$ 1.49**
14 Pittsburgh	$ 1,493	$ 1.69
15 New Orleans	$ 1,437	$ 1.53
16 Cleveland	$ 1,408	$ 1.50
17 Cincinnati	$ 1,404	$ 1.45
18 Kansas City	$ 1,379	$ 1.44
19 St. Louis	$ 1,366	$ 1.48
20 Birmingham	$ 1,336	$ 1.33

MSA	Rent-to-ENR Cost Index
1 Dallas	216.40
2 San Francisco	216.32
3 Atlanta	214.40
4 Denver	210.73
5 New Orleans	186.56
6 Los Angeles	186.36
7 Baltimore	175.24
8 Boston	171.03
9 New York City	159.97
10 Birmingham	154.98
11 Seattle	142.87
12 Philadelphia	118.21
13 Minneapolis	116.78
14 Pittsburgh	116.17
15 Cincinnati	111.16
16 **Detroit**	**109.20**
17 Chicago	103.02
18 St. Louis	99.76
19 Kansas City	97.54
20 Cleveland	97.20

MSA	Rent/SF-to-RSMeans Cost Index
1 New York City	115.29
2 Boston	104.98
3 San Francisco	103.60
4 Los Angeles	99.24
5 Denver	84.95
6 Seattle	81.49
7 Atlanta	80.45
8 Baltimore	78.13
9 Dallas	75.92
10 Chicago	70.53
11 New Orleans	67.19
12 Philadelphia	66.74
13 Cincinnati	64.29
14 Minneapolis	62.16
15 Birmingham	61.82
16 **Detroit**	60.66
17 Cleveland	60.06
18 Pittsburgh	59.60
19 Kansas City	56.68
20 St. Louis	55.53

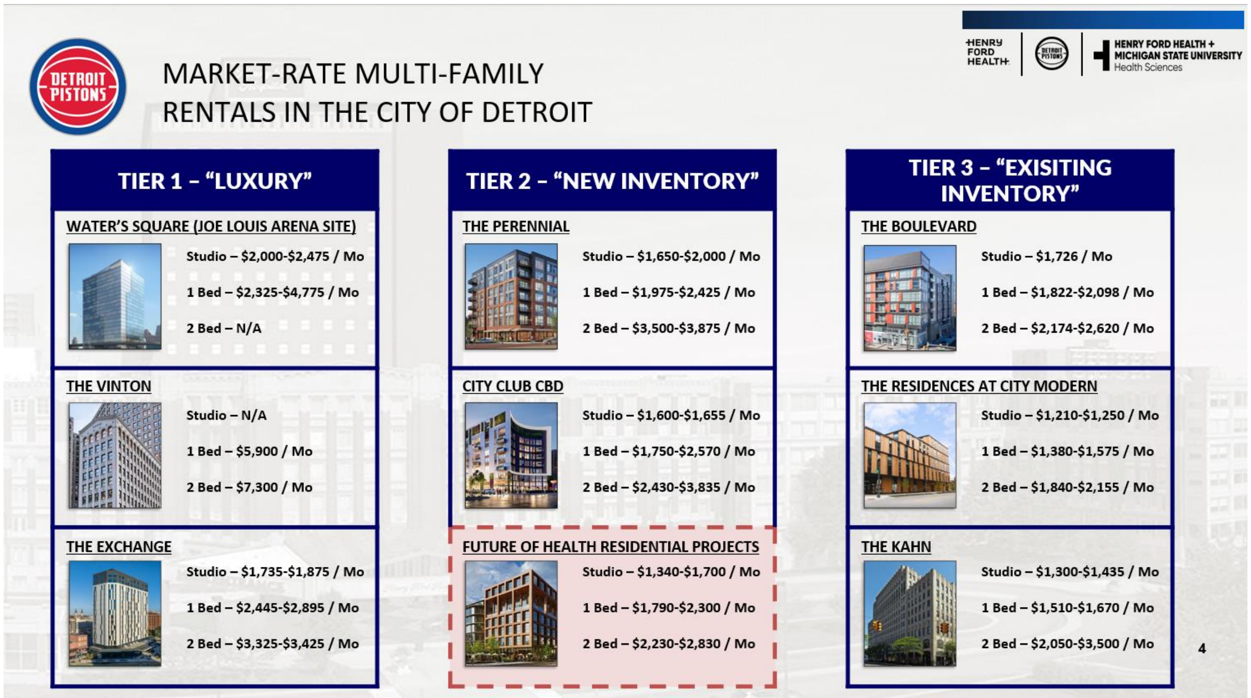
MSA	CoStar - Office Monthly Rent/Foot Q2 2023
1 New York City	$ 59.38
2 San Francisco	$ 58.74
3 Boston	$ 44.28
4 Los Angeles	$ 43.33
5 Seattle	$ 39.30
6 Chicago	$ 31.22
7 Dallas	$ 30.76
8 Denver	$ 29.81
9 Atlanta	$ 29.49
10 Philadelphia	$ 28.99
11 Minneapolis	$ 27.51
12 Baltimore	$ 25.30
13 Pittsburgh	$ 23.81
14 Birmingham	$ 23.29
15 Kansas City	$ 22.55
16 **Detroit**	**$ 22.51**
17 St. Louis	$ 22.28
18 Cincinnati	$ 21.81
19 New Orleans	$ 21.75
20 Cleveland	$ 20.32

MSA	Rent/SF-to-ENR Cost Index
1 Dallas	4.10
2 San Francisco	3.81
3 Atlanta	3.65
4 Denver	3.18
5 Los Angeles	2.85
6 New Orleans	2.82
7 Birmingham	2.70
8 New York City	2.63
9 Seattle	2.59
10 Boston	2.50
11 Baltimore	2.45
12 Minneapolis	1.91
13 Pittsburgh	1.85
14 Philadelphia	1.81
15 Cincinnati	1.73
16 **Detroit**	1.64
17 St. Louis	1.63
18 Kansas City	1.59
19 Chicago	1.57
20 Cleveland	1.40

MSA	Rent/SF-to-RSMeans Cost Index
1 New York City	189.83
2 San Francisco	182.61
3 Boston	153.46
4 Los Angeles	152.01
5 Seattle	147.74
6 Dallas	143.80
7 Atlanta	137.15
8 Denver	128.28
9 Baltimore	109.05
10 Birmingham	107.80
11 Chicago	107.44
12 Philadelphia	102.34
13 New Orleans	101.72
14 Minneapolis	101.56
15 Cincinnati	99.88
16 Pittsburgh	95.05
17 Kansas City	92.68
18 **Detroit**	**91.09**
19 St. Louis	90.59
20 Cleveland	86.65

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

The developments financial models for the project utilize market-rate rental rates in line with new inventory in the City of Detroit, supported by a market study secured from CBRE. See below for a breakdown of rental rates relative to other Detroit multi-family developments:



f. If there are substantial increases from current residential 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

The below scenario analysis places a % premium on underwritten rents and reflects the increase to the developer return associated with those rent increases:

Current Blended Residential Return	**4.5%**
Blended Residential Return w/ 5% Rent Increase	**5.4%**
Blended Residential Return w/ 10% Rent Increase	**6.7%**

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

The proposed medical office development is a build-to-suit biomedical research development being pursued jointly by MSU and HFH as a part of a broader 30-year research partnership.

In determining market conditions for the residential market, a market study was secured from CBRE that demonstrated existing market and comparable occupancy of residential housing in Detroit at 93% and projects an annual demand for new units in the City at 1,000 units/year over the next 6 years. The proposed development contemplates adding 662 new units over the next 5 years, which the market study supports the absorption of these new units based on current demand assumptions. In addition, the market study does not contemplate the impact to demand associated with the 702 net new permanent jobs being added as a part of the other Future of Health developments (e.g. MSU + HFH Research Center, HFH Expansion Hospital), which are anticipated to increase the absorption of the 662 new units being added to the market as a part of this development.

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

The proposed developments are currently contemplating utilizing Low Income Housing Tax Credits and will therefore be subject to the income standards of the Michigan State Housing Development Authority ("MSHDA"). Below are MSHDAs Area Median Income standards for 2023:

Income	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
20%	13,260	15,160	17,060	18,940	20,460	21,980	23,500	25,020
25%	16,575	18,950	21,325	23,675	25,575	27,475	29,375	31,275
30%	19,890	22,740	25,590	28,410	30,690	32,970	35,250	37,530
35%	23,205	26,530	29,855	33,145	35,805	38,465	41,125	43,785
40%	26,520	30,320	34,120	37,880	40,920	43,960	47,000	50,040
45%	29,835	34,110	38,385	42,615	46,035	49,455	52,875	56,295
50%	33,150	37,900	42,650	47,350	51,150	54,950	58,750	62,550
55%	36,465	41,690	46,915	52,085	56,265	60,445	64,625	68,805
60%	39,780	45,480	51,180	56,820	61,380	65,940	70,500	75,060
70%	46,410	53,060	59,710	66,290	71,610	76,930	82,250	87,570
80%	53,040	60,640	68,240	75,760	81,840	87,920	94,000	100,080
100%	66,300	75,800	85,300	94,700	102,300	109,900	117,500	125,100
120%	79,560	90,960	102,360	113,640	122,760	131,880	141,000	150,120
125%	82,875	94,750	106,625	118,375	127,875	137,375	146,875	156,375
140%	92,820	106,120	119,420	132,580	143,220	153,860	164,500	175,140
150%	99,450	113,700	127,950	142,050	153,450	164,850	176,250	187,650

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

Rent By Bedroom	0 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 Bedroom
20%	331	355	426	492	549	606
25%	414	444	533	615	686	758
30%	497	532	639	738	824	909
35%	580	621	746	861	961	1,061
40%	663	710	853	985	1,099	1,213
45%	745	799	959	1,108	1,236	1,364
50%	828	888	1,066	1,231	1,373	1,516
55%	911	976	1,172	1,354	1,511	1,667
60%	994	1,065	1,279	1,477	1,648	1,819
70%	1,160	1,243	1,492	1,723	1,923	2,122
80%	1,326	1,421	1,706	1,970	2,198	2,426
100%	1,657	1,776	2,132	2,462	2,747	3,032
120%	1,989	2,131	2,559	2,955	3,297	3,639
125%	2,071	2,220	2,665	3,078	3,434	3,790
140%	2,320	2,486	2,985	3,447	3,846	4,245
150%	2,486	2,664	3,198	3,693	4,121	4,548

** Please note, rates above are quoted as gross rents before utility allowance. Rents are further reduced by a $81-$125/month utility allowance.

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

See above response in question 8e.

9. According to the FOH TBP, the developer is requesting a Payment-in Lieu of Taxes (PILOT) status for the residential component of the project. What is the rationale for this request and why is it not accounted for in the figures in the TBP?

In response to requests from the City of Detroit as well as community members, the Future of Health residential projects will provide 20% of units in each building as affordable at an average of 50% AMI for a term of at least 30 years. To provide this depth of affordability, the Future of Health residential project underwriting assumes utilizing Low Income Housing Tax Credits (LIHTC), as well as a 35-to-40-year PILOT on the affordable units, which is co-terminus with the anticipated HUD debt financing to be utilized to capitalize the projects. The PILOT program is vital to providing deep affordable housing for the entire 30 year term following construction completion. Traditional tax abatement programs such as NEZ-R and PA 210 typically have terms associated with them of 10-17 years, require 20% of units at 80% AMI, and do not enable long term affordability, with many affordability agreements City-wide set to expire upon the end of abatement terms.

The proposed PILOT is included in all financial projections reflected to date on the project.

a. Why isn't the developer requesting the approval of this PILOT now with the other incentive requests?

   The developer is proposing to utilize the PILOT on the affordable component of the housing developments only. This means that the developer is unable to pursue approval of this PILOT until the projects have completed design and the required condominium documents are completed reflecting the location and structure of the affordable units and component as a whole.

b. When does the Developer plan to request the approval of this PILOT?

   The developer is anticipating requesting approval of the PILOT upon completion of design and formation of the necessary condominium documentation in advance of construction start for each individual project. The first request is anticipated in Q1/Q2 2025.

c. What would be the consequences if the Council chooses not to approve the PILOT?

   The PILOT is integral to the long-term affordability that the project is providing. The choice of council to not approve the PILOT would directly impact the projects underwriting and associated LIHTC approvals, potentially putting the ability to successfully deliver 20% of the units at 50% AMI in jeopardy.

d. Please provide the project's financial projections for the project with and without the PILOT.

   Below are projections for the project included and excluding a PILOT:

		Excl. PILOT	Incl. PILOT	Delta
	All Jurisdictions (Over 35 Years)			
A	Gross Taxes	$271.8	$228.4	$43.3
B	Abatement Value	$70.1	$54.9	$15.1
C	Captured Taxes	$149.3	$127.3	$22.0
D = A - B - C	**Net Taxes to Jurisdictions**	**$52.4**	**$46.2**	**$6.2**
E	DBRA Admin Fee	$5.2	$5.2	-
F	State Brownfield Redev Fund	$5.5	$4.7	$0.8
G = C - E - F	**Captured Taxes (After Fees)**	**$138.6**	**$117.4**	**$21.2**
	City Jurisdictions (Over 35 Years)			
	Net Taxes to Jurisidictions	$19.6	$17.3	$2.3

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.

Transformational brownfield tax incentives and other tax abatement programs are performance-based tax incentives, meaning that the developer is unable to secure these incentives but-for the successful completion of the proposed project. Additionally, the tax abatements and tax captures are directly associated with the proposed developments tax production, with no tax dollars coming from any other source other than the taxes produced on-site of the proposed development.

These developments have undergone a net fiscal benefit analysis performed by RCLCO as well as the DEGC that show that after the developers receive the applicable incentives, the City of Detroit will receive $118 Million in net new tax revenues generated over 35 years and the State of Michigan will receive $276 Million in net new tax revenues generated over 35 years as a direct result of this project.

The proposed residential projects are being pursued on properties that are currently tax-exempt and therefore pay no property taxes. These properties will return to the tax rolls as result of this development and produce new tax revenue for the various property taxing jurisdictions that does not exist today.

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

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

    The proposed development assumes a state income tax rate of 4.25%, with the tax rate being further reduced by one exemption, a reduction for K1 earnings.

    Income assumptions range from $29,000/year for retail and property management jobs to $138,000/year for research jobs for the 735 permanent jobs associated with the TBP projects.

    Income tax capture assumptions for the residential projects are rooted in a rent-to-income factor, affordable units assuming residents pay 30% of their gross income in rent (MSHDAs AMI assumption), and market rate units assuming residents pay 20% of their gross income in rent.

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

Yes, 100% of the construction period State income taxes will be captured.

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

Yes, the development will utilize 100% of the State sales/use exemption.

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

100% of the State income tax revenues will be captured by the projects for 20 years, as allowed under the TBP legislation for projects with binding affordable housing agreements with the local municipality.

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

Yes, 50% of the State withholding taxes will be captured for 20 years.

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

MCL 125.2663c(11).

g. Are there any new revisions to the TBP legislation that impact the FOH project? If so, please cite the new provisions in the TBP legislation.

The key revision enacted in 2023 was to increase the overall limits on various captures under the TBPs approved statewide.

12. DEGC's "TBP Tax Overview" table shows estimated non-City property taxes captured by the Future of Health 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 Future of Health project" and "DDA property taxes"?

"Non-City property taxes" is reflective of all taxing jurisdictions excluding City General Operating, City Bond Debt, and the Library millages.

The project is not within the DDA and therefore not subject to DDA millages or captures.

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

Below is a breakdown of the millages utilized to calculate all TIF/tax abatement projections, with the "Other Taxes" being reflective of what is not capturable under current TIF legislation:

Millage Detail				
School Taxes	**Jurisdiction**	**Millage Type**	**Millage Type**	
School Operating	DPS	School Taxes	Summer	17.0430
State Education	State Ed	School Taxes	Summer	6.0000
Total School Taxes				**23.0430**
Local Taxes				
Wayne County Operating - Winter	County	Local Taxes	Winter	0.9829
Wayne County Parks - Winter	County	Local Taxes	Winter	0.2442
Wayne County Jail - Winter	County	Local Taxes	Winter	0.9358
Wayne County RESA	ISD	Local Taxes	Winter	0.0956
Wayne County RESA SP ED	ISD	Local Taxes	Winter	3.3443
Wayne County Special RESA ENH	ISD	Local Taxes	Summer	1.9876
General City Operating	City	Local Taxes	Summer	19.9520
Library	City	Local Taxes	Summer	4.6307
Wayne County Operating - Summer	County	Local Taxes	Summer	5.6099
Huron Clinton Metropolitan Authority (HCMA)	County	Local Taxes	Winter	0.2070
Wayne County Community College	County	Local Taxes	Winter	3.2202
Total Local Taxes				**41.2102**
Other Taxes				
School Debt	DPS	Other Taxes	Summer	13.0000
Bond Debt	City	Other Taxes	Summer	8.0000
DIA Tax	County	Other Taxes	Winter	0.1986
Zoo Tax	County	Other Taxes	Winter	0.0992
Total Other Taxes				**21.2978**
Total				**85.5510**

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

Non-City property taxes will be captured for 30 years under the TBP but with different commencement years based on when each project commences construction.

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

Below is a breakdown of the taxes captured for the various taxing jurisdictions:

<u>Tax Capture Revenue</u>	<u>Captured Taxes</u>	<u>DBRA Admin Costs</u>	<u>State Brownfield Fund</u>	<u>Reimbursement</u>
School Operating	$35,985,787	-	-	$35,985,787
State Education	$12,668,821	-	$4,684,399	$7,984,423
Wayne County Operating - Summer	$10,644,210	$707,861	-	$9,936,348
Wayne County Operating - Winter	$1,864,952	$124,023	-	$1,740,929
Wayne County Parks - Winter	$470,522	$31,188	-	$439,334
Wayne County Jail - Winter	$1,803,089	$119,516	-	$1,683,573
Wayne County RESA	$184,201	$12,210	-	$171,991
Wayne County RESA SP ED	$6,443,760	$427,120	-	$6,016,640
Wayne County Special RESA ENH	$3,829,686	$253,848	-	$3,575,838
Library [1]	$8,922,381	$591,414	-	$8,330,968
General City Operating	$37,856,873	$2,517,558	-	$35,339,315
Huron Clinton Metropolitan Authority (HCMA)	$398,845	$26,437	-	$372,408
Wayne County Community College	$6,204,646	$411,271	-	$5,793,375
Property Tax Subtotal	**$127,277,774**	**$5,222,447**	**$4,684,399**	**$117,370,929**

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

The project is not within the DDA and therefore not subject to DDA millages or captures.

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

Below is a breakdown of the net incremental tax benefit for all taxing jurisdictions over the 35-year TBP plan period:

Property Tax Jurisdiction	**Net Incremental Tax Benefit**
School Operating	$1,136,310
State Education	$400,039
Wayne County Operating - Summer	$328,008
Wayne County Operating - Winter	$57,470
Wayne County Parks - Winter	$14,278
Wayne County Jail - Winter	$54,716
Wayne County RESA	$5,590
Wayne County RESA SP ED	$195,539
Wayne County Special RESA ENH	$116,214
General City Operating	$1,166,583
Huron Clinton Metropolitan Authority (HCMA)	$12,103
Wayne County Community College	$188,283
Library	$270,755
School Debt	$25,808,359
Bond Debt	$15,882,067
DIA Tax	$394,272
Zoo Tax	$196,938
Total	**$46,227,523**

g. Please show how the TBP would able to capture the Detroit Public Library millage if renewed by City of Detroit voters in 2025? What DPL millage assumptions are made in the TBP?

All non-school millages are required to be captured in the same manner unless specifically excluded by Act 381. The library millage exception under the DDA Act is not included in Act 381.

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

All present value calculations are as of 2024 and utilize a 6% discount rate, which is the average annual rate associated with 30-year US treasuries over the last 50 years.

14. DEGC’s “Tax Abatements by Property” table shows estimated PA 210, PA 255 and NEZ tax abatement amounts by each property under Future of Health project. Questions:

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

    Assumptions for NPV are outlined in question 13. Below is the assumptions for assessed value that were utilized in deriving the TBP/tax abatement projections:

    Residential Comparables:

Comparable Property	The Scott	The Boulevard	Garfield Lofts	Lofts at New Amsterdam	The Corner	Woodward West	Crawford Apartments	
Address	3150 Woodward Ave	2911 W Grand Ave	4612 Woodward Ave	6200 Second St	1620 Michigan Ave	3439 Woodward Ave	2030 Elizabeth St	
Parcel #	01004179-80	04001514-20	01004218-21	02002438	08000590-1	02001818.000	06000474	
Asset Type	Multi-Family	Multi-Family	Multi-Family	Multi-Family	Multi-Family	Multi-Family	Multi-Family	
Building SF	328,284	334,904	69,405	65,140	108,738	190,401	47,524	TV Utilized in Analysis
2023 Building Assessed Value PSF	$63.91	$57.79	$59.93	$63.94	$70.08	$65.62	$85.23	$70.00
2023 Land True Cash Value PSF	$14.20	$3.85	$39.44	$16.45	$16.70	$21.51	$11.03	$20.00

    Parking Comparables:

Comparable Property	Griswold-Larned Parking Garage	Financial District Garage	Cass Garage	New Center Garage	The Assembly Garage	
Address	525 Griswold St	730 Shelby St	6540 Cass Avenue	116 Lothrup St	1701 W Lafeyette	
Parcel #	02002017-8	02000193-5	02002152-3	02001115-21	08000066-8	
Asset Type	Parking Garage	Parking Garage	Parking Garage	Parking Garage	Parking Garage	
Building SF	198,240	282,645	189,750	449,083	134,400	
2023 Building Assessed Value	$4,721,700	$7,742,500	$2,870,000	$7,084,600	$1,673,800	TV Utilized in Analysis
2023 Building Assessed Value PSF	$23.82	$27.39	$15.13	$15.78	$12.45	$30.00

15. On page 17 of 59 of the FOH TBP, a net benefit of $118 Million is projected for the City of Detroit over the 35 years of the plan. The net benefit to Detroit represents total upside for the City. Questions:

    a. For the projected net benefit of $118 million over 35 years to the City of Detroit, please provide assumptions and calculations of the newly projected property taxes, city income taxes, corporate income taxes, utility users tax, and other miscellaneous taxes/fees.
    b. Please provide present value of $118 million gross net benefit, by revenue stream, to the City of Detroit over 35-year period in 2023 dollars, with calculations.
    c. To complete the cost/benefit analysis for the City, please provide the estimated cost of City services and utility deductions by each property.
    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.
    e. Please provide a copy of impact software report the benefits to the City of Detroit.

    DEGC to provide Fiscal Impact Analysis.

16. On page 17 of 59 of the FOH TBP, the net benefit for the State is estimated at $273 million:

a. Please provide assumptions and calculations for the State's estimated net benefit of $273 million. Assuming this is for over a 35-year period, please provide the present value calculations in 2023 dollars.

The State Net Fiscal Benefit is $276 Million after updating the RCLCO analysis for certain reconciliations with are outlined in the attached "FOHD – RCLCO State Fiscal Benefit Reconciliation – 240117_v01.xlsb"

Also see copied "RCLCO – Fiscal & Economic Impact Analysis – 230918.pdf"

17. Please provide assumptions and calculations for the estimated temporary construction-related jobs projection for the Future of Health project. Please provide calculations supporting that the 2,145 direct construction jobs will generate more than $133 million in wages.

DEGC to provide Fiscal Impact Analysis.

18. The Future of Health project anticipates maintaining 735 permanent jobs after construction. Questions:

a. Please provide assumptions and calculations for estimated 735 permanent jobs after construction.

See copied "FOH TBP Assumptions Report – 231018_v02.pdf", Pg 5

b. Please provide the breakdown of this number showing the number of jobs related to the residential, retail, and research associated jobs.

See copied "FOH TBP Assumptions Report – 231018_v02.pdf", Pg 5

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

See copied "FOH TBP Assumptions Report – 231018_v02.pdf", Pg 5

d. Please provide calculations supporting that the 735 permanent jobs will generate more than $4.2 billion in wages over 35 years.

See copied "RCLCO – Fiscal & Economic Impact Analysis – 230918.pdf", Page 11 of 15

e. How many of the 735 permanent jobs are projected NEW jobs?

Of the 735 permanent jobs associated with the TBP, 540 jobs are anticipated to be "net new", with 195 research jobs moving from One Ford Place to the MSU + HFH Research Center.

The Expansion Hospital is also anticipated to add 162 new jobs associated with the addition of the Shirley Ryan Ability Lab, bringing the net new permanent jobs associated with the entire development up to 702 net new permanent jobs.

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 Future of Health project? Does the developer anticipate creating more skilled trade and union jobs for the project?

The development is anticipating compliance with Executive Order 2021-22, with the goal of providing 51% of jobs to a Detroit-based workforce. Additionally, as a part of the Community

Benefits Agreement, the developer shall make reasonable efforts to spend 30% of the total development costs of the project with Detroit-based businesses. The developers have a target to spend at least $100,000,000 on goods and services from disadvantaged businesses and women-owned businesses.

20. Will most jobs created by the Future of Health project offer benefits to its employees?

It anticipated the jobs created by the developers will offer benefits to their employees.

21. Does any of the Future of Health projects fall within a renaissance zone? If so, does the total TBP tax capture incorporate the tax capture from the renaissance zone?

The proposed development does not fall within a renaissance zone.

22. 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.

MCL 125.2664a(3)(e) was amended by PA 138 of 2021 to delete this requirement. See marked SB 671 bill text below:

~~(e) Whether, based on an economic and fiscal impact analysis, the transformational brownfield plan will result in an overall positive fiscal impact to this state.~~

Please share the Future of Health 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.

See copied "RCLCO – Fiscal & Economic Impact Analysis – 230918.pdf"

DEGC to provide analysis Fiscal Impact Analysis.

23. Is there any related development to the $773 million Future of Health project the developer is not requesting tax incentives for? If so, please describe the project and how it is being financed.

No tax incentives are requested for the Hospital Expansion Project. The proposed $773 Million East Campus Portion of the Future of Health Project is seeking tax incentives. The MSU + HFH Research Center is unable to utilize the State sales/use tax exemption and will be property tax-exempt.

24. Is there any development in addition to the $773 million Future of Health project adjacent to the properties included in the Future of Health project that the developer is currently involved in? If so, please describe the project and how it is being financed.

HFH is pursuing the $2.2 billion hospital expansion development that will be 100% financed by HFH. That proposed development is seeking zoning approvals in tandem with the $773 million TBP projects.

25. Please provide the number of jobs the project developers currently have in the City of Detroit, and how many of those jobs represent Detroiters.

HFH Detroit-Based Employees = ~16,100 Employees

Detroit-Resident Employees = ~10,900 Employees

Non-Resident Employees = ~5,200 Employees

Detroit Pistons Detroit-Based Employees = ~330 Employees

Detroit-Resident Employees = ~55 Employees

Non-Resident Employees = ~275 Employees

MSU Detroit-Based Employees = ~97 Employees

Detroit-Resident Employees = ~90 Employees

Non-Resident Employees = ~7 Employees

26. It has been stated that HFH has hundreds of blighted properties surrounding the project area. What are HFH's plans to address this blight?
    a. HFH does not own hundreds of blighted properties.
    b. HFH has purchased properties in their direct vicinity that were blighted and vacant and have stabilized them if possible and maintain them. HFH has removed unsafe structures for those properties that could not be stabilized.
    c. HFH has since sold several properties to those willing to put together responsible development plans and implemented development agreements to ensure appropriate development in the community.
    d. Because of HFH's property stewardship, numerous properties have been rehabbed for business and local ownership. Examples include the Grasso development (Rebel Nell location), individual houses (example - Carlo Liburdi recently sold 6211 Hecla after renovation), Art Block, individual owner side lots and local parks. There are several others that are under development contracts and in the process of preparing for development.
    e. HFH is evaluating all property holdings to ensure all assets are appropriately utilized.

27. In regard to the TBP sources listed, why is there a $13 million difference between the Pistons' construction and permanent contributions?

    This difference is associated with the loan sizing requirements for the construction senior debt financing versus the permanent senior debt financing. Construction financing typically has more conservative terms associated with it, appropriately reflective of the completion risk associated with new development. The underwriting reflects an increase in loan proceeds associated with the permanent refinancing that takes place upon stabilization of the assets.

28. Also in regard to sources, please explain what is the source for the $4.1 million " State/City Gap Resource," listed under both the construction and permanent contributions.

    The $4.1 million is reflective of the outstanding gap-in-financing associated with the affordable components of the residential projects. This is an unidentified gap resource, potentially coming in the form of HOME/CDBG or some other City/State resource. The developers also continue to work with the City, utility providers, and State agencies to identify opportunities for partnership on the infrastructure improvements, which is another means by which that gap in financing could be closed.

29. In regard to the Uses, what is included in the $7.3 million in TBP Acquisition costs?

    The $7.3 million in acquisition costs is associated with the Detroit Pistons acquisition of the building/improvements at One Ford Place.

Attachment 2

Q&A REGARDING THE PILOT

LPD: It was stated to us that the PILOT is crucial in order to maintain the affordable units. Please explain this. Also, how will this impact the financial model as proposed today if this is approved (including the amount of savings to the developer and the amount of the overall benefits to the City and impacted taxing units)?

Developer:

1. **The TBP projections assume no capture of any taxes or PILOT for the 20% affordable portions of the three residential buildings, but they do assume the payment of a 4% PILOT. Jake Austermann is refining the PILOT tax estimates but any revisions will not affect the capture or TBP benefits currently shown in the plan because no tax or PILOT is shown as being captured.**
2. **Had the TBP projections included capture of the PILOT pursuant to the 2023 PA 381 amendments that added the ability to capture PILOT, the maximum permitted tax capture would have been greater.**
3. **The tax abatement applications assume there would not be a PILOT and therefore contemplate that the NEZ for One Ford Place (residential 3) would apply to all of the residential units and that the PA 210 abatements for residential 2 and residential 3 would apply to the entire buildings, including the 20% affordable portion of the residential units. In the event that LIHTC is approved for a building or other conditions permit a request for a PILOT for a building, we anticipate returning to the City prior to commencement of construction of that building to request approval of a PILOT and a corresponding amendment of the applicable tax abatement certificate (NEZ or PA 210) to exclude the 20% affordable portion of the residential units from the certificate and then seek STC approval of the amendment.**
4. **In the case of One Ford Place, the approval of a PILOT may increase the tax obligations compared to the tax liability with the requested NEZ certificate. The amount of any increase is a function of the taxable values and resulting tax obligations for the land and building components of that property, neither of which has been determined because the building is currently exempt from property taxes.**
5. **We may request the DBRA to include in the TBP reimbursement agreement the capture of PILOT.**
6. **Property tax savings, whether realized with an NEZ, PA 255, PA 210 or PILOT, greatly assist the developer's ability to construct or repurpose the proposed buildings and deliver both deeply affordable residential units (average 50% AMI with some at 30% AMI) and to be able to justify the soaring development costs both recently realized by other developers and estimated to be incurred for the proposed 662 residential units and retail/commercial in the FOH project.**

Attachment 3

Q&A REGARDING THE FINANCIAL GAP ASSOCIATED WITH FOH PROJECT

1. The MEDC indicated in its preliminary TBP review of the FOH project report that their review did not include an analysis of the project's financing gap related to the future TBP request. When will the MEDC perform its financial gap analysis for the FOH project?
   a. The MEDC is anticipated to complete its underwriting review this week and produce a draft report. That report needs to go through some internal hurdles, they anticipate provide it to public partners in the beginning of March.
2. Please share the MEDC's financial gap analysis for the District Detroit project to get an idea what they focus on in their financial gap analysis. If Maria can drop that off at her earliest convenience, that would be great, and we'll give it back to you this Thursday along with the other documentation you shared with us today.
   a. Copying the redacted version.
3. I glanced through the SB Friedman underwriting report for the District Detroit project and did not see a section in the report regarding their financial gap analysis of the District Detroit project. If SBFriedman is calling their financial gap review something else in their report, please point that out.
   a. The SB Friedman report looks at unlevered financial returns such as yield-to-cost and determines if those returns are reasonable compared to an SB Friedman benchmark return (6.75%-7.75%), which in both cases of the Future of Health and the District Detroit the projects were below that range. Based on this approach, the entire value of the incentives (e.g. tax abatements, TBP, tax credits) is not sufficient to meet or exceed their benchmark return, meaning the gap in financing exceeds the amount of incentives being provided. This is similar to the DEGCs approach in determining if a project needs the requested incentives, however they look at levered metrics such as debt coverage ratio (DSCR) and cash-on-cash returns.
4. Regarding the FOH project, there are two financial gaps that are being covered with the aid of the TBP benefits:
   a. The but for analysis, getting the DSCR without incentives from (0.6x) to DSCR with incentives of 1.2x, and developer's return without incentives from -6.0% to a return of 4.5% with incentives, AND
   b. As articulated under "Project Justification" section of the FOH project on pages 22 through 24 of the FOH TBP, namely, the gap from the high cost of construction and high cost financing experienced in Detroit and elsewhere (page 23 of FOH TBP) versus the lower rents in the Detroit market, with the example given for the market rate rent for a one-bedroom apartment in Detroit being $1,994 per month, thereby requiring the addition of $350 per month from the TBP income tax capture, which would put the unit income at $2,344 per month ($1,994 plus $350), which is nearly in line with new Class A multi-family housing being built in Chicago of $2,571 per month and Washington DC of $2,446 per month (page 24 of FOH TBP, correct? How was the $350 per month from the TBP income tax capture calculated?
      a. See calculation below:

	Item	Amount
A	1 Bed Market-Rate Monthly Rent / Unit	$1,994/mo
B = A * 12	Annual Rent / Unit	$23,928/yr
C	Rent-to-Income Factor	20%
D = B / C	Annual Income / Unit	$119,640/yr
E	Income Tax Rate	4.25%
F	Reduction For Exemptions/K1	82.4%
G = E * F	Effective Tax Rate	3.5%
H	Income Taxes Captured Per TBP	100%

I = D * G * H	Annual Income Tax Capture / Unit	$4,187/yr
J = I / 12	Monthly Income Tax Capture / Unit	$350/mo
K = J + A	Monthly Rent + Tax Capture / Unit	$2,344/mo

c. I know you're getting this question from Maria based our meeting with her today, but we're asking you to explain again (based on my notes) that the original gap financing strategy started out being $17.5 M, but the 9% LITEC helps to reduce the gap to $4.1 M, which is associated with the 3rd residential project, and the $4.1 M gap will be covered by HOME/CDBG or some other state/city resource. If need be, again it would be wonderful if Maria can share with us your analyses on how these gaps were filled that we could get back to you on Thursday. Does getting the gap from $17.5 M to $4.1 M, a difference of $13.4 M, relate to the $350 per month from the TBP income tax capture discussed in question 4.b. above?
   a. The difference in gap from $17.5M to $4.1M was associated with the increase in LIHTC equity from moving from the 4% program (which was assumed in the $17.5M gap scenario) to the 9% program.

Attachment 4

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. [53]
7. **Senate Bill 112 (PA 47)** Amended the Income Tax Act.[54]
8. **Senate Bill 113 (PA 48)** Amended the General Sales Tax Act.[55]
9. **Senate Bill 114 (PA 49)** Amended the Use Tax Act.[56]
10. **Senate Bill 115 (PA 50)** Amended the Michigan Renaissance Zone Act.[57]

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."[58] A Transformational Brownfield Plan (TBP) project at a minimum, must involve a level of capital investment at or above the metrics illustrated below:

[53] Amends secs. 2, 8a, 11, 13b, 15 & 16 of 1996 PA 381 (MCL 125.2652 et seq.) & adds secs. 13c & 14a.
[54] Amends 1967 PA 281 (MCL 206.1 - 206.713) by adding sec. 51e.
[55] Amends sec. 4d of 1933 PA 167 (MCL 205.54d).
[56] Amends 1937 PA 94(MCL 205.91 - 205.111) by adding sec. 4dd.
[57] Amends sec. 9 of 1996 PA 376 (MCL 125.2689).
[58] "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[59]. 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[60]", 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[61].

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*"[62].

The three types of revenues from income tax capture**[63]** 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.

---

[59] MCL 125.2652 (hh) "Mixed-use" means a real estate project with planned integration of some combination of retail, office, residential, or hotel uses.

[60] 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

[61] MCL 125.2652 (i) "… and includes parcels that are adjacent or contiguous..."

[62] 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.

[63] 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 *<u>only</u>* 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[64] (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.[65]

- 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.[66]

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.[67] 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[68] or an area which

---

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

[65] 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.

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

[67] 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.

[68] 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[69] (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.[70] 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.[71]

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 Future of Health 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

[69] 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
[70] 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.
[71] 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.[72] 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.[73]

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".[74] 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

[72] http://mithrivecoalition.com/wp-content/uploads/2017/02/Transformational-Development-infographic8.pdf
[73] "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/
[74] http://mithrivecoalition.com/

for the largest projects. It has "clawbacks"[75] 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.

[75] 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 5

LPD REVIEW OF FOH SOURCES AND USES				
CONSTRUCTION SOURCES SOURCES	**TBP AMOUNT**	**NON-TBP**	**% OF Cap**	**COMBINED Capt Contrib**
Detroit Pistons Capital Contribution	**$80,300,000**		**10%**	
MSU Capital Contribution	**$392,600,000**		**51%**	**68.6%**
HFH Capital Contribution	**$57,700,000**	**$2,017,400,000**	**7%**	
LIHTC Equity Bridge Loan	$42,300,000		5%	
FHTC Equity Bridge Loan	$20,700,000		3%	
State/City Gap Resource	$4,100,000		1%	
TBP Construction Exemption	$8,200,000		1%	
Construction Bank Loan	$160,600,000		21%	
LIHTC Upfront Equity	$4,100,000		1%	
FHTC Upfront Equity	$2,900,000		0%	
TOTALS	**$773,500,000**	**$2,017,400,000**	**100%**	
TBP & SOUTH CAMPUS NON-TBP TOTAL		**$2,790,900,000**		
PERMANENT SOURCES	**TBP AMOUNT**	**NON-TBP**	**% OF Cap**	**COMBINED Capt Contrib**
Detroit Pistons Capital Contribution	**$67,300,000**		**9%**	
MSU Capital Contribution	**$392,600,000**		**51%**	**66.9%**
HFH Capital Contribution	**$57,700,000**	**$2,017,400,000**	**7%**	
State/City Gap Resource	$4,100,000		1%	
TBP Construction Exemption	$8,200,000		1%	
HUD 223(f)	$173,600,000		22%	
LIHTC Equity	$41,200,000		5%	
FHTC Equity	$28,800,000		4%	
TOTALS	**$773,500,000**	**$2,017,400,000**	**100%**	
TBP & SOUTH CAMPUS NON-TBP TOTAL		**$2,790,900,000**		
USES	**TBP AMOUNT**	**NON-TBP**	**% OF USES**	
Acquisition Costs	$7,300,000		1%	
Hard Costs	$515,900,000	$1,260,300,000	67%	
Infrastructure Cost	$24,800,000	$30,200,000	3%	
Softs Cost	$225,500,000	$726,800,000	29%	
TOTALS	**$773,500,000**	**$2,017,300,000**	**100%**	
TBP & SOUTH CAMPUS NON-TBP TOTAL		**$2,790,800,000**		

Attachment 6

TABLE 8

Site Specific Eligible Property Information

Project	Parcel Address/Ownership	Tax ID and Legal Description	Basis of Eligibility/Additional Information
6175 Third Street (Henry Ford + MSU Research Center)	Part of current 6141 Third Street **Current Owner:** Henry Ford Health System	Part of 04001350 See legal description on Figure 2a.	Facility Status
6005 Second Avenue (One Ford Place Adaptive Reuse) (Residential 1)	Part of current 6005 Second Avenue; parcel split pending **Current Owner:** Henry Ford Health System	Part of 04003440.003 See legal description on Figure 2b.	Facility Status Historic Resource (application pending)
725 Amsterdam Street (Mixed-Use, 154 Apartments and Retail/Commercial) (Residential 2)	Part of current 6005 Second Avenue; parcel split pending **Current Owner:** Henry Ford Health System	Part of 04003440.003 See legal description on Figure 2c.	Facility Status
675 Amsterdam Street (Mixed-Use, 105 Apartments and Retail/Commercial) (Residential 3)	Part of current 6005 Second Avenue; parcel split pending **Current Owner:** Henry Ford Health System	Part of 04003440.003 See legal description on Figure 2d.	Facility Status
6205 Third Street (Parking Garage)	Part of current 6141 Third **Current Owner:** Henry Ford Health System	Part of 04001350 See legal description on Figure 2e.	Facility Status

50210644.3

TABLE 9

Site Specific Zoning Information

Project	Existing Zoning	Proposed Zoning
6175 Third Street (Henry Ford + MSU Research Center)	SD2[37]	SD2
6005 Second Avenue (One Ford Place Adaptive Reuse) (Residential 1)	SD2	SD2
725 Amsterdam Street (Mixed-Use, 154 Apartments and Retail/Commercial) (Residential 2)	SD2	SD2
675 Amsterdam Street (Mixed-Use, 105 Apartments and Retail/Commercial (Residential 3)	SD2	SD2
6205 Third Street (Parking Garage)	SD2	SD2

[37] The City of Detroit's zoning ordinance provides an SD2 zoning category "to encourage a complementary mixture of more intensive pedestrian and transit-oriented uses that may be compatible with a neighborhood center or with a location along major or secondary thoroughfares." Sec. 50-11-231 of the 2019 Detroit City Code.

Attachment 7

TABLE 17

Eligible Activities Table

Property Tax and Transformational Brownfield Activities		
Eligible Activities Costs and Schedule		
Eligible Activities	**Cost**	**Completion Season/Year**
New Construction		
6175 Third Street (Henry Ford + MSU Research Center) (Research Center)	$39,580,808	Second Quarter 2027
725 Amsterdam Street (Mixed-Use, 154 Apartments and Retail/Commercial) (Residential 2)	$39,634,717	Second Quarter 2027
675 Amsterdam Street (Mixed-Use, 105 Apartments and Retail/Commercial) (Residential 3)	$27,084,984	Second Quarter 2029
6205 Third Street (Parking Garage)	$16,689,402	Second Quarter 2027
New Construction Sub-Total	**$122,989,911**	
Restoration, Alteration, Renovation, or Improvement of Buildings		
6005 Second Avenue (One Ford Place Adaptive Reuse) (Residential 1)	$108,784,891	Second Quarter 2029
Restoration, Alteration, Renovation, or Improvement of Buildings Sub-Total	**$108,784,891**	
Eligible Activities Total Costs	**$231,774,802**	

50318803.5

Attachment 8

Historic Future of Health Property

Mixed-Use Adaptive Reuse of One Ford Place (Henry Ford Health corporate headquarters), 6005 Second Residential 1

The future Residential 1 building is located on the west side of Second Avenue, south of Amsterdam Street. The building is unique in that it has two histories, both of which are historically significant. The original 1918 building is architecturally and culturally significant as it was designed by esteemed architect Albert Kahn using an innovative reinforced concrete system and it was the factory building for the iconic Burroughs Corporation. The 1968-1970 Brutalist style renovation of the building is also architecturally and culturally significant as it is an excellent example of the Brutalist style, and the renovation was undertaken by the Burroughs Corporation to convert the building to their corporate headquarters. HFH took occupancy of the building in 1992 and has since utilized the building as its corporate headquarters as well as other research and administrative functions. The building is in the process of being proposed for listing on the National Register of Historic Places as well as securing Part 1 Historic Tax Credit Approval. Although not the basis of eligibility under this TBP, the building suffers from functional obsolescence due to its inefficient design based on standards inconsistent with current needs for office and research uses of the building. The historic designation, which is anticipated to be approved in 2024, along with the TBP benefit, will enable this building to live a third life in the City of Detroit, converting functionally obsolete office space into mixed-income multi-family housing.

Attachment 9

Future of Health Overview

			Program					
			Investment	Mixed-income Residential Units	Mixed-income Residential Gross SF	Office Gross SF	Retail Gross SF	Parking Gross SF
	Project	Dev. Begin Date	$773M	662	867,204	326,362	31,348	320,000
1	Henry Ford + MSU Medical Research Center, 6175 Third Street – (Research Center)	May 2024	$393M	-	-	326,362	-	-
2	6005 Second Avenue – (Current One Ford Place) (Residential 1)	Apr. 2027	$190M	403	609,893	-	17,060	-
3	725 Amsterdam Street – (Residential 2)	Apr. 2025	$79M	154	151,189	-	8,015	-
4	675 Amsterdam Street – (Residential 3)	Apr. 2027	$54M	105	106,122	-	6,273	-
5	6205 Third Street Parking Garage	Oct. 2025	$58M	-	-	-	-	320,000

6175 THIRD AVENUE – RESEARCH CENTER

[76]

Developers: Henry Ford Health System (HFH) & Michigan State University (MSU)

The new-construction 326,362 square foot building will be the location of advanced health science and medical research to be conducted pursuant to a collaboration agreement between HFH and MSU. The research conducted at the facility will include activities currently conducted at the One Ford Place HFH headquarters as well as advance research in areas including cancer, neurosciences, immunology, hypertension, and dermatology pursuant to programs funded by the National Institutes of Health and other sources. In addition, a portion of the building will be used by the Nick Gilbert Neurofibromatosis Research Institute in partnership with the Gilbert Family Foundation to conduct research into neurofibromatosis.

It is currently estimated that this project will create 1,096 direct onsite construction jobs and 558 direct permanent jobs with an average wage of $66.25 per hour and 3,020 indirect and induced jobs. Three hundred sixty-three (363) of the direct permanent jobs are anticipated to be “net new” to the City and State, with 195 of the permanent jobs relocating from the existing One Ford Place.

Total investment is estimated at $393 million. The Developer is requesting approximately $39.6M in TCR reimbursement for this component of the Plan.

[76] Source of Rendering: HF MSU Research Building.jpg | Powered by Box

One Ford Place

Developer: Palace Sports & Entertainment, LLC (Pistons)

The nearly 627,000-square-foot building dates to 1918 and was designed by architect Albert Kahn as a factory for the Burroughs Corp. It underwent a 1968-1970 Brutalist-style renovation and later was acquired in 1992 by Henry Ford Health. The developers have applied for a spot on the National Register of Historic Places and hope that the building will qualify in 2024.[77]

This component of the Plan entails the planned adaptive reuse and renovation of the historic One Ford Place building located at 6005 Second Avenue, which is currently the HFH corporate headquarters building. The adaptive reuse will convert the building into the mixed-use residential building consisting of approximately 403 mixed-income residential apartments, including 20% (81) units with rents affordable to occupants with average incomes of 50% of AMI and 17,060 GSF of retail/commercial. Current plans indicate the residential portion of the Residential 1 building will include 181 studio apartments each with an average of 565 square feet of interior space, 168 one-bedroom apartments each with an average of 718 square feet of interior space, and 43 two-bedroom apartments each with an average of 1,070 square feet of interior space. The historic designation is anticipated to be approved in 2024.

It is currently estimated that this project will create 539 direct onsite construction jobs. Ongoing economic impacts of the commercial activity following completion of the project are expected to create 11 permanent property management jobs by the owner and 87 permanent jobs by tenants operating businesses which will be identified during and after the building's construction phase. The projected 98 direct permanent jobs are anticipated to earn upon completion an average wage of approximately $17 per hour. Total investment is estimated at $189 million. The Developer is requesting approximately $103.3M in TCR reimbursement for this component of the Plan.[78]

[77] **New details revealed on $3B development set to transform Detroit's New Center** Detroit Free Press, By JC Reindl December 12, 2023
1-bedroom units in New Center Detroit plan would rent for $2K (freep.com)
[78] January 11, 2024, Letter from DBRA

725 AMSTERDAM – RESIDENTIAL 2

Developer: Palace Sports & Entertainment, LLC (Pistons)

This component of the Plan entails the planned new construction of approximately 154 mixed-income apartments in five stories above first floor retail/commercial. The newly constructed mixed-use Residential 2 building is projected to contain approximately 159,204 GSF with 151,189 GSF for 154 apartments, 20% (31) of which will be affordable at an average of 50% AMI, as well as 8,015 GSF for retail/commercial. Current plans indicate the residential portion of the Residential 2 building will include 75 studio apartments each with an average of 514 square feet of interior space, 69 one-bedroom apartments each with an average of 793 square feet of interior space, and 10 two-bedroom apartments each with an average of 1,117 square feet of interior space.

It is currently estimated that this project will create 248 direct onsite construction jobs. Ongoing economic impacts of the commercial activity following completion of the project are expected to create 4 permanent property management jobs by the owner and 41 permanent jobs by tenants operating businesses which will be identified during and after the building's construction phase. The projected 45 direct permanent jobs are anticipated to earn upon completion an average wage of approximately $16 per hour.

Total investment is estimated at $79 million. The Developer is requesting approximately $36.6M in TCR reimbursement for this component of the Plan.

675 AMSTERDAM – RESIDENTIAL 3

Developer: Palace Sports & Entertainment, LLC (Pistons)

This component of the Plan entails the new construction of approximately 105 mixed-income apartments in five stories above first floor retail/commercial. The newly constructed mixed-use Residential 3 building is projected to contain approximately 112,395 GSF with 106,122 GSF for 105 apartments, 20% (21) of which will be affordable at an average of 50% AMI, as well as 6,273 NRSF/GSF of retail/commercial space. Current plans indicate the residential portion of the Residential 3 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.

It is currently estimated that this project will create 158 direct onsite construction jobs. Ongoing economic impacts of the commercial activity following completion of the project are expected to create 3 permanent property management jobs by the owner and 31 permanent jobs by tenants operating businesses which will be identified during and after the building's construction phase.

The projected 34 direct permanent jobs are anticipated to earn upon completion an average wage of approximately $17 per hour. Total investment is estimated at $54 million. The Developer is requesting approximately $25.7M in TCR reimbursement for this component of the Plan.

6205 THIRD STREET – PARKING GARAGE

This component of the Plan entails the new construction of an 804-space, six story parking garage to provide parking for the Research Center and the Residential 1, Residential 2 and Residential 3, mixed-use buildings.

It is currently estimated that this project will create 104 direct onsite construction jobs. No permanent jobs are expected to be created by the Parking Garage.

Total investment is estimated at $58 million. The Developer is requesting approximately $14.4M in TCR reimbursement for this component of the Plan.

Attachment 10

EXHIBIT E

RESOLUTION APPROVING TRANSFORMATIONAL BROWNFIELD PLAN OF THE CITY OF DETROIT BROWNFIELD REDEVELOPMENT AUTHORITY FOR THE FUTURE OF HEALTH 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 Future of Health 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 December 13, 2023 and a public hearing was conducted by the Authority on January 4, 2024 to solicit comments on the proposed Plan; and

WHEREAS, the Community Advisory Committee recommended approval of the Plan on December 13, 2023; and

WHEREAS, the Authority approved the Plan on January 10, 2024 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 February 8, 2024.

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[1], 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;

[1] 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).

(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.

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 ____________, 2024, 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