



**OFFICE OF THE  
CHIEF FINANCIAL OFFICER**

Coleman A. Young Municipal Center  
2 Woodward Avenue, Suite 1100  
Detroit, Michigan 48226

Phone 313•628•2535  
Fax 313•224•2135  
OCFO@detroitmi.gov  
www.detroitmi.gov

April 16, 2024

Honorable Detroit City Council  
Coleman A. Young Municipal Center  
2 Woodward Avenue  
Detroit, MI 48226

Re: Resolution and Extension Agreement relating to DMC Renaissance Zone Extension

Honorable City Council Members:

Attached please find a Resolution Supporting and Approving an Application of the County of Wayne and an Agreement Related to the Renaissance Zone Extension of the Midtown Hospital Campus Subzone.

This Resolution and accompanying Extension Agreement is related to the recent request by the Detroit Medical Center (“DMC”) for support of its efforts in seeking legislative approval to extend the Renaissance Agreement covering their midtown medical center campus for 15 years. Currently that legislation (HB 5096) has been passed by both the House and Senate and is awaiting House concurrence with Senate amendments before being sent to the Governor for approval. Under the legislation, support from the City is required prior any amendment of the existing Renaissance Zone by the Michigan Strategic Fund (“MSF”).

The attached Resolution would support and approve the extension of the County’s existing Renaissance Zone for the Detroit Medical Center upon execution of an Extension Agreement between the City and the Detroit Medical Center. That Extension Agreement would establish conditions for the City’s approval. Those conditions are essentially the same as the conditions created by the transaction under which DMC was sold in 2014, including the maintenance of the hospital, continuation of emergency services and specific service lines, and the continuation of charity care policies.

For reference purposes, the 2014 Development Agreement between the DMC and MSF is also attached. Certain provisions from that agreement are referenced in the proposed Extension Agreement.

The proposed Resolution and accompanying Extension Agreement has been reviewed and accepted by the DMC.

Sincerely,

Jay B. Rising  
Chief Financial Officer

Attachments

CC: Mayor Michael E. Duggan  
Conrad Mallet, Corporation Counsel  
Tanya Stoudemire, Chief Deputy CFO/Policy & Administration  
Nikhil Patel, Deputy CFO/Treasurer  
Stephanie Washington, Mayor’s Chief of Staff  
Mailk Washington, City Council Liaison

Resolution Supporting and Approving An  
Application of the County of Wayne and an Agreement Related to the Renaissance  
Zone Extension of the Midtown Hospital Campus Subzone

City of Detroit

County of Wayne, State of Michigan

WHEREAS, On May 2, 2000, the State Administrative Board designated a renaissance zone in the County of Wayne (the “Wayne County Renaissance Zone”)

WHEREAS, upon application of the County of Wayne, with the approval of the City, on April 28, 2010 the Michigan Strategic Fund (the “MSF”) designated, by its Resolution 2010-067, the Midtown Hospital Campus Subzone within the Wayne County Renaissance Zone (the “MHC Subzone”) upon the occurrence of certain conditions;

WHEREAS, the terms of approval by the MSF of the MHC Subzone are governed by the terms of the Renaissance Zone Development Agreement; New Subzone (the “Development Agreement”) between the MSF, the Detroit Medical Center (“DMC”), and VHS of Michigan, Inc.;

WHEREAS, under the terms of the Development Agreement, DMC was provided benefits under the Renaissance Zone Act, 1996 P. A. 376, as amended, MCL 125.2681 et. seq., (the “RZA”) for a period of 15 years commencing on December 31, 2010 for property tax purposes and January 1, 2011 for income and Michigan Business Tax purposes;

WHEREAS, since 2023 the tax benefits of the RZA for DMC have started to phase out and DMC is seeking legislative approval of amendments to the RZA to allow for the extension of the MHC Subzone and associated tax benefits;

WHEREAS, under the terms of the proposed legislation the County of Wayne is authorized to apply to the MSF, or its designee, for the extension of the MHC Subzone if the application is supported under a resolution approved by the City; and

WHEREAS, the City desires to establish the terms of such approval as part of an agreement between the City and DMC (the “Extension Agreement”), and to authorize the support for and approval of an application from the County of Wayne to the MSF under the terms of the Extension Agreement.

NOW, THEREFORE, BE IT RESOLVED, that the City supports and approves the application by the County of Wayne for the extension of the term of the MHC Subzone upon execution and delivery of an Extension Agreement in substantially the form as is attached hereto as Attachment I;

BE IT FURTHER RESOLVED. that the Chief Financial Officer is authorized to execute and deliver the Extension Agreement upon receipt of a request from the County of Wayne for approval by the City of their application for the extension of the term of the MHC Subzone if such application conforms to the requirements of the Extension Agreement; and

BE IT FURTHER RESOLVED, that if the MSF or its designee fails to approve the extension of the MHC Subzone prior to December 31, 2024 or approves the MHC Subzone under terms substantially different than the Extension Agreement, the City's approval of the application by the County of Wayne for the extension of the term of the MHC Subzone is revoked and this Resolution is rendered null and void without further action required of the City.

## Attachment I

### Agreement for the Support and Approval of the Renaissance Zone Extension for Midtown Hospital Campus Subzone within the Wayne County Renaissance Zone

This Agreement for the Support and Approval of the Renaissance Zone Extension for Midtown Hospital Campus Subzone within the Wayne County Renaissance Zone (the “Extension Agreement”), dated as of \_\_\_\_\_, 2024, is by and among the City of Detroit (the “City”) and VHS of Michigan, Inc. d/b/a Detroit Medical Center (“DMC” or the “Company”) Collectively, the City and DMC are referred to in this Agreement as the “Parties.”

- A. The Renaissance Zone Act (RZA) authorized by 1996 P. A. 376, as amended, MCL 125.2681 et. seq., is designed to foster economic development, job creation, and job retention through a tax incentive program developed and approved through the collaborative efforts of the City, the County of Wayne and the State of Michigan;
- B. On May 2, 2000, the State Administrative Board designated a renaissance zone in the County of Wayne (the “Wayne County Renaissance Zone”);
- C. Upon application of the County of Wayne, with the approval of the City, on April 28, 2010 the Michigan Strategic Fund designated, by its Resolution 2010-067, the Midtown Hospital Campus Subzone within the Wayne County Renaissance Zone, as such may be modified consistent with the terms of this Extension Agreement, (the “MHC Subzone”) upon the occurrence of certain conditions;
- D. As part of the Michigan Strategic Fund designation of the MHC Subzone, the Renaissance Zone Development Agreement; New Subzone (the “Development Agreement”), effective April 28, 2010, upon compliance with certain conditions which was subsequently met, was executed to govern the terms of the designation of the MHC Subzone;
- E. The RZA has recently been amended by 2024 PA \_\_\_ to allow the County of Wayne, with the support and approval of the City, to apply to the Michigan

Strategic Fund to extend the duration of the MHC Subzone for up to an additional 15 years and for the Michigan Strategic Fund to grant the extension retroactively within certain limits established by the RZA;

F. The Detroit Medical Center is a major private sector City of Detroit employer with several thousand employees, and is affiliated with Wayne State University Medical School, the largest single campus medical school in the United States; and

G. DMC recognizes that an extension of the term for the MHC Subzone will require a continued commitment to provide certain health care services within the City and for City residents, and that this commitment, as detailed in this Extension Agreement, serves as the rationale underlying the basis for fostering economic development within the City that is a prerequisite for this Extension Agreement.

In consideration of the premises, agreements, representations, warranties set forth herein, the receipt and adequacy of which is forever acknowledged by the Parties, intending to be legally bound, the Parties agree as follows:

1. Approval of MHC Subzone Extension/Term of the Extension. In exchange for the covenants, representation and warranties of the Company contained in this Extension Agreement and the agreement by the Company with the terms of this Extension Agreement, the City approves an application by the County of Wayne to the Michigan Strategic Fund for the extension of the term of the MHC Subzone, subject to the following conditions:

a. All properties within the MHC Subzone are eligible for inclusion under the RZA, and the site comprising the MHC Subzone does not include properties that were not within the MHC Subzone as approved by Resolution 2010-067 of the Michigan Strategic Fund and the Development Agreement.

b. Subject to the terms of the approval of an extension of the MHC Subzone by the Michigan Strategic Fund, the benefits available shall be available under the RZA only within the MHC Subzone and shall be available only for a term of the extension which shall not commence before nor extend beyond the following dates for purposes of the following benefits provided under the RZA as of the date of this Extension Agreement:

- i. For purposes of the City Income Tax, for tax years commencing on or after January 1, 2024, nor extend beyond tax years commencing after December 31, 2038.
- ii. For purposes of any tax identified under section 9(2) of the RZA, the extension shall not commence until December 31, 2023 for levies imposed thereafter, nor extend beyond December 30, 2038 for any levy after that date.
- iii. For purposes of the City Utility Users Tax, the extension shall not commence for levies imposed as of the 1<sup>st</sup> of the month after approval of the Michigan Strategic Fund of an extension of the term of the MHC Subzone and shall not extend beyond the month preceding that month in 2039.

2. Covenants, Representations and Warranties of the Company. As a condition for the approval of the City, the Company covenants, represents and warrants that:

- a. The Company shall continue to comply with the obligations imposed under Section 3(c)(i), (ii), (vii), (viii), and (ix) of the Development Agreement.
- b. The Company will maintain its regional headquarters in the City for purposes of operating the hospital and other medical facilities within the MHC Subzone.
- c. To the extent required to create the MHC Subzone as a distinct geographic area for which the term of the extension will apply, any lease or easement is in effect as of the date of this Extension Agreement under terms that provide of its continuous effectiveness for the term of the extension.
- d. The Company shall maintain and fully support DMC's historic education mission for undergraduate and graduate medical education, nursing education and allied health services education.

- e. The Company shall maintain, and enhance the DMC's health and wellness initiatives, community outreach and prevention programs and quality improvement programs.
- f. The Company shall maintain and support the DMC's supplier diversity program designed to provide opportunities for minority, women and Detroit based businesses to provide goods and services.
- g. To the extent there are new or different conditions request by the County of Wayne and/or the Michigan Strategic Fund for the approval of the extension of the MHC Subzone which are agreed upon by the Company, and to the extent of any requirement of the RZA for the benefits provided to the Company during the term of the extension, the Company shall comply with such conditions during the term of the extension.

3. Commitment to Maintain the Hospitals and Provide Core Services.

- a. The Hospitals (as described in Exhibit A), in each case, as such Hospitals may be expanded or replaced from time to time, shall be maintained as general acute care hospitals licensed in the State of Michigan, or as a rehabilitation hospital licensed in the State of Michigan in the case of Rehabilitation Institute of Michigan. The Parties acknowledge that the Hospitals provide a large share of the State of Michigan's graduate medical education and care to beneficiaries of the Medicaid program and to the uninsured.
  - i. Subject to continued compliance with Section 3(c)(ix) of the Development Agreement related to the assumption of all statutory and contractual obligations under the 1980 transaction by which DMC acquired Detroit Receiving Hospital, the consolidation of the licenses under state law for Detroit Receiving Hospital and Harper-Hutzel Hospital shall be not considered a failure to maintain such hospitals.
- b. Subject to the following, the Company shall provide at each Hospital, at a minimum, those Core Services described in Exhibit B for such Hospital:

- i. If a casualty has occurred after the date of this Extension Agreement that prevents the Company from providing a Core Service, the Company shall not be obligated to provide such Core Service until such time as the Company has repaired the casualty that prevents the Company from providing such Core Service. The Company shall use efforts that are customary and reasonable in nature and amount to repair any casualty as soon as reasonably practicable.
- ii. Subject to continued compliance with Section 3(c)(ix) of the Development Agreement related to the assumption of all statutory and contractual obligations under the 1980 transaction by which DMC acquired Detroit Receiving Hospital, the consolidation of Detroit Receiving Hospital and Harper-Hutzel Hospital emergency departments shall not be considered a reduction in Core Services so long as Detroit Receiving Hospital maintains a level 1 trauma designated emergency department.
- iii. The shared operation or consolidation of Childrens' Hospital of Michigan Hospital and Harper-Hutzel Hospital Neonatal Intensive Care Units shall not be considered a reduction in Core Services.

#### 4. Reports.

- a. All reports and materials required by the County of Wayne, the State of Michigan, and the Michigan Strategic Fund shall be submitted to the City. In addition, prior to taking any action authorized under Section 3.a.i or 3.b.i, ii, or iii, or an action that would result in an event of default under this Extension Agreement or any agreement with the County of Wayne or the Michigan Strategic Fund, the Company shall provide the City with not less than 30 days written notice of the intended action.
- b. The Company shall for fifteen (15) years from the effective date of this Extension Agreement, commencing first on or before 60 days after the date of this Extension Agreement, deliver to the City of Detroit's Office of the Chief Finance Officer (OCFO) and the Law department a written



report that describes in reasonable detail and demonstrates the Company's performance under and compliance with all of this Extension Agreement.

5. Event of Default. In the event the DMC or Company fails to materially comply with any other terms or conditions of the Extension Agreement or with any covenant, representation or warranty made under this Extension Agreement. Prior to taking any action to enforce the Extension Agreement, the City shall provide written notice to the Company upon finding that the Company had experienced an event of default. The Company shall have 90 days from its receipt of such notice to cure the noncompliance to the City's satisfaction. However, if the Company has failed to provide the notice required in Section 4, the Company waives all rights to cure the default before action to enforce this Extension Agreement may be taken by the City.

6. Enforcement of Extension Agreement/Strict Performance.

a. The Parties acknowledge the substantial benefits being conferred by the City's approval of an application by the County of Wayne to the Michigan Strategic Fund for the extension of the term of the MHC Subzone. The Parties agree that, in addition to the creation and retention of jobs at DMC this Extension Agreement will foster, the benefits in health care services from DMC will improve the physical, behavior and economic conditions to the City and its residents, thereby promoting an increased work force in the City and the employability of City residents. Those benefits are of a character that cannot be fully replaced with remedies that rely solely of the termination, retroactively and/or prospectively, of the extension of the MHC Subzone.

b. The Parties agree that irreparable damage will occur in the event that any of the provisions of the Extension Agreement is not performed in accordance with its specific terms or is otherwise breached. It is accordingly agreed that each Party shall be entitled to an injunction or injunctions to prevent breaches of this Extension Agreement and to enforce specifically ay term of provision hereof in any court of competent jurisdiction, this being in addition to any other remedy to which it is entitled at law or equity.



Detroit, Michigan 48201-2403  
Attention:

Any Party may change their designee at any time in writing in conformity with this Section.

11. Transferred of Renaissance Zone Status.

a. Transfers by the DMC. Except as provided in the next sentence, a transfer or assignment by the Company of any of the respective real property within the MHC Subzone during the term of the extension shall require notice to the City 10 days prior to the closing of any such transaction, and the transferee or assignee of the real property shall not be entitled to any benefits referenced in the RZA or this Extension Agreement unless the transferee or assignee is approved by the City and such party assumes all obligations of the Company under this Agreement, or the Company affirmatively agrees to retain those obligations not assumed. Notwithstanding the foregoing, so long as the Company remains liable under this Extension Agreement, the requirements of the foregoing sentence shall not apply and any transferee or assignee of DMCs or the Company's respective real property in the MHC Subzone shall be eligible for benefits referenced in the RZA and in this Extension Agreement pursuant to their terms, with respect to:

- i. Transfers or assignments required by federal law;
- ii. Transfers or assignments due to the foreclosure or enforcement of a mortgage or other security interest on the Company's real property in the Subzone; or
- iii. Transfers or assignments for development and/or financing purposes (including, without limit, sale-leaseback transaction, ground leases, options, rights of first refusals, or outright conveyances) so long as the Company continues to either (x) have a direct or indirect ownership interest in the applicable

property, or (y) leases (or will lease upon completion of a building) at least 25% of the rentable square footage of any building located on (or to be constructed upon) such property.

- b. Transfers by non-DMC Owners. A transfer or assignment by the Owners others than the Company of any real property within the MHC Subzone during the Term of this Agreement to a subsequent entity other than DMC that is required to pay any of the taxes identified in Section 9(1) and (2) of the RZA, MCL 125.2689(1)and (2), shall not result in a transfers of the enjoyment of the benefits under the RZA or this Extension Agreement to such subsequent owner unless:
- i. Such subsequent owner executes an assignment and assumption agreement satisfactory to the City;
  - ii. Such subsequent owner specifically agrees to be subject to the provisions of Section 6; and
  - iii. The transfer of such benefits is approved by the City.

12. Counterparts. This Extension Agreement may be executed in one or more counterparts and by facsimile or email, each of which shall constitute an original, and all of which together shall constitute one and the same instrument.

City of Detroit

VHS of Michigan, Inc.

\_\_\_\_\_

\_\_\_\_\_

Approved as to form:

\_\_\_\_\_

**EXHIBIT A**

**HOSPITALS TO BE MAINTAINED**

Harper-Hutzel Hospital (comprising Harper University Hospital, Hutzel Hospital, and the CardioVascular Institute)

Detroit Receiving Hospital and University Health Center

Children's Hospital of Michigan

Rehabilitation Hospital of Michigan

Sinai Grace Hospital of Greater Detroit

**EXHIBIT B**  
**CORE SERVICES**

1. Emergency department services, including a level 1 trauma designated emergency department at Detroit Receiving Hospital and Childrens' Hospital of Michigan, and a level 2 trauma designated emergency department at Sinai Grace Hospital.
2. General medical services and intensive care services and units at all acute care hospitals.
3. Inpatient and outpatient surgical services at all acute care hospitals.
4. Inpatient and outpatient rehabilitation services at the Rehabilitation Institute of Michigan.
5. Obstetric services of Harper-Hutzel Hospital and Childrens' Hospital of Michigan.
6. Neonatology intensive care units and services at Harper-Hutzel Hospital and Childrens' Hospital of Michigan, which services may be run as a shared operation or consolidated in one of these hospitals.
7. Comprehensive cardiology services at Harper-Hutzel Hospital, Sinai Grace Hospital, and Childrens' Hospital of Michigan.