Council Member Latisha Johnson
DISTRICT 4

DEGC

DEVELOPER SUMMIT

THE DEGC

David Howell

VP of Investment Services

Kaci Jackson

Sr. Investment Services Manager

Cora Capler

Sr. Brownfield Redevelopment Manager

- EST. 1978
- DETROIT'S LEAD ECONOMIC DEVELOPMENT AGENCY
- SUPPORT REAL ESTATE DEVELOPMENT
  - GAP FINANCING
  - TAX ABATEMENTS
  - BROWNFIELD TAX INCREMENTAL FINANCING
  - HOUSING TAX INCREMENTAL FINANCING

THE NUMBERS

Through utilizing available development tools, developers were able to produce new market-rate and affordable housing, commercial, industrial, and retail development projects outside of Downtown, Midtown, and New Center

The DEGC should be one of your first stops in your development project journey.

2017 - 2024

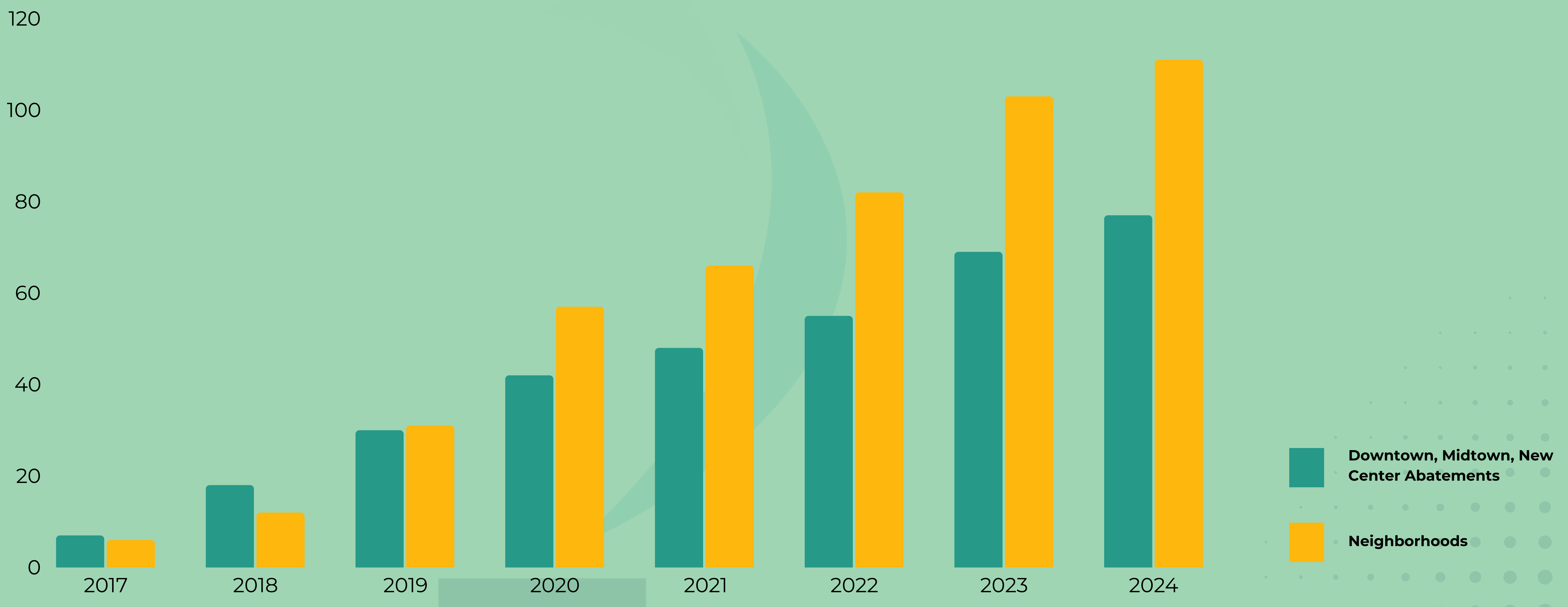
housing units	certificate approvals
3,260	**111**

approved brownfield plans	total neighborhood investment
43	**$2,577, 019,831**

**Numbers reflecttotal investment produced outside of Downtown, Midtown, and New Center.*

THE FACTS

CUMMULATIVE INCENTIVE APPROVALS BY LOCATION

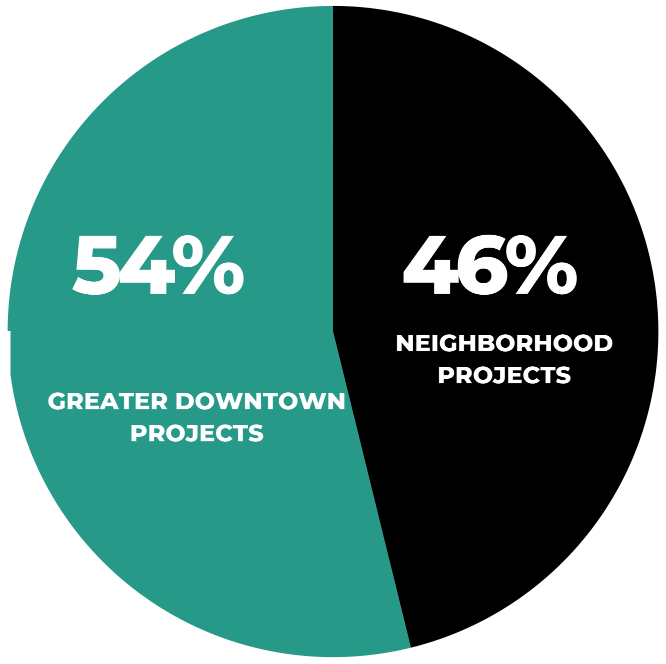


NEIGHBORHOOD DEVELOPMENT PROJECT GROWTH

2017

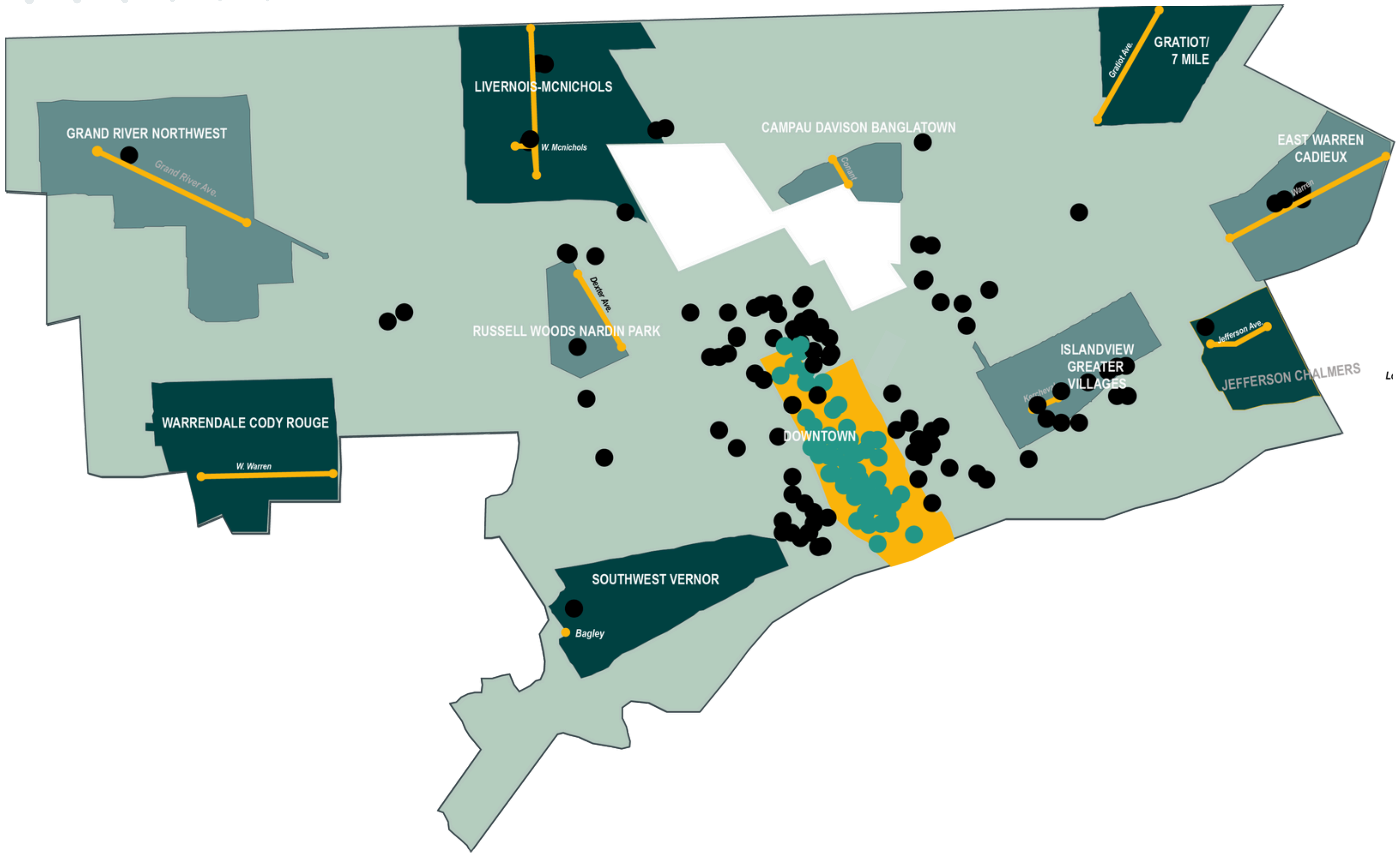
6 NEIGHBORHOOD PROJECTS

7 GREATER DOWNTOWN PROJECTS



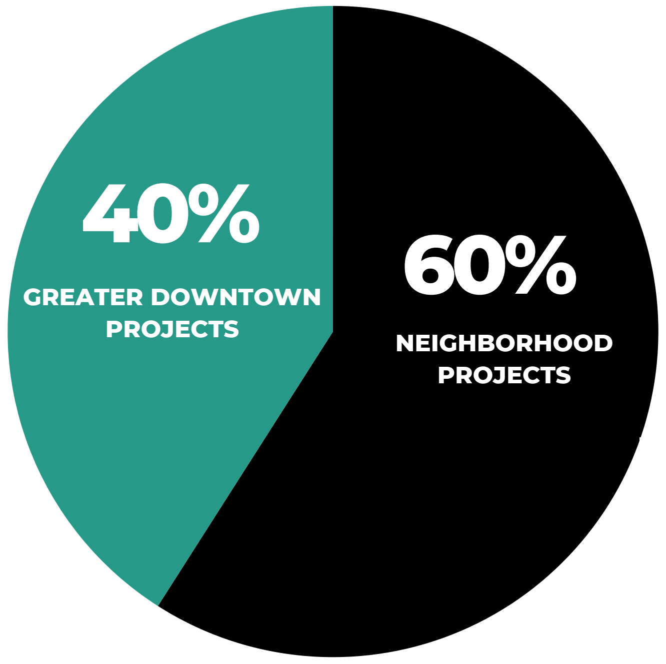
NEIGHBORHOOD DEVELOPMENT PROJECT GROWTH

2017-2024



111 NEIGHBORHOOD PROJECTS

77 DOWNTOWN/ MIDTOWN/NEW CENTER PROJECTS



THE ANATOMY OF A DEAL

Bringing a development project from concept to completion involves assembling the right team and securing the resources for success.

First, identify and align a strong development team with expertise in planning, design, and execution. Next, select a qualified Construction Manager/General Contractor to oversee day-to-day operations and ensure quality. Hiring a specialized consultant can streamline regulatory compliance and technical decisions. Finally, secure financing by exploring various funding options, building a robust financial model, and showcasing the project's viability to potential lenders or investors.

- ASSEMBLING A DEVELOPMENT TEAM
- HIRING A CONTRACTOR/CONSTRUCTION MANAGER
- FINANCING + TAX INCENTIVES
- NEIGHBORHOOD PROJECT EXAMPLE

ASSEMBLING A DEVELOPMENT TEAM

Each of these roles fit into the larger development process, from conceptualization and financing to design, construction, environmental clean up and operational management. Effective coordination and communication among all team members is key to a successful project.

- ARCHITECT + DESIGN TEAM
- GENERAL CONTRACTOR/CONSTRUCTION MANAGER
- EQUITY INVESTORS/PARTNERS
- DEVELOPMENT CONSULTANT
- ENVIRONMENTAL CONSULTANT
- REAL ESTATE BROKER

HIRING A CONSULTANT

Deciding whether or not to hire a consultant can make a difference between a project materializing or falling apart.

Having an expert who is aware of all of the resources and the development process can take much of the burden off of a developer.

PROJECT SCOPE + COMPLEXITY

BUDGET + COST ANALYSIS

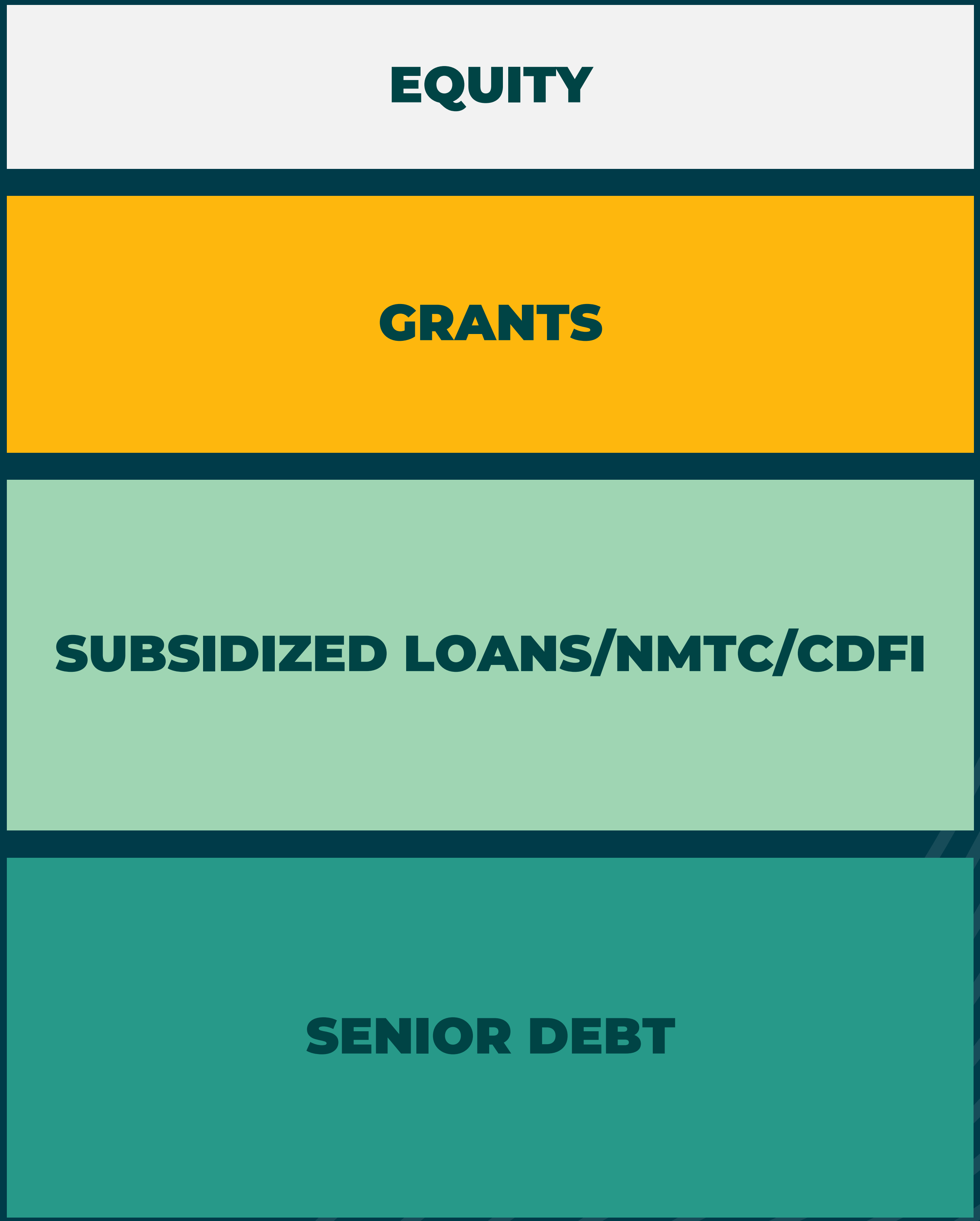
TIME + PROJECT MANAGEMENT

EXPERTISE + EXPERIENCE

FINANCING YOUR PROJECT

Financing neigh'd development projects typically require several sources in order to make the project feasible. The sources that make up project financing is referred to as a *capital stack*.

The capital stack for these types of projects are usually comprised of equity, subsidized loans, grants and senior debt. Developing within the neigh'ds is often a challenge because rental rates are limited and rehabilitation costs are high.



PREPARING A FINANCIAL MODEL

Working through a financial model can feel a bit like debugging code—frustrating, tedious, and a little terrifying.

Laying out the numbers early is a huge advantage. It's the roadmap that tells a developer whether they're on track or if they are veering off into the void.

By mapping out our assumptions, revenue streams, and costs, then pressure-testing everything with different scenarios, a developer is essentially squashing the financial bugs before they blow up.

It's important to remember—like any good code, a model isn't set in stone.

- CLEARLY DEFINE ASSUMPTIONS
- MAPS OUT REVENUE STREAM
- DETAILS COSTS + EXPENSES
- SENSITIVITY ANALYSIS + SCENARIO PLAYING
- ITIRATE + REFINE

FINANCING TOOLS

Community Development Financial institution	CDFI lending marries financial viability with community impact. CDFIs serve as a critical funding mechanism for projects that aim to strengthen underserved areas, offering flexible financing terms, technical support, and a commitment to local revitalization goals.
Traditional Lending Financial Institution	Traditional financing can be part of the capital stack for a commercial real estate development in cities like Detroit. Whether or not it is feasible depends on factors like the project's financial strength, developer experience, the lender's risk tolerance, and the availability of additional incentives (e.g., grants, tax credits, or local government support).
New Market Tax Credit Lending	New Markets Tax Credits (NMTCs) are essentially federal tax incentives designed to channel private capital into low-income or underserved areas. If a project qualifies, NMTCs can help close financing gaps and improve the overall return because they effectively lower the cost of capital.
Tax Incentives	Tax incentives help to reduce your overall tax burden in a development project; whether that be property tax or personal property tax.tax incentives can be a powerful tool that reduces costs, improves returns, and aligns your development with the public good. Done right, they can help push a borderline deal into the profitable zone—or let you build something with greater impact than you could have financed otherwise.
Grant Funding	Grant funding for real estate development projects can be available through the State, the City or philanthropic organizations. This funding typically does not have to be paid back but can be more difficult to find and secure.

WHY DO WE USE TAX INCENTIVES?

ENCOURAGE + SUSTAIN HOME OWNERSHIP

ACCELERATE REDEVELOPMENT OF OBSOLETE BUILDINGS + CONTAMINATED PROPERTIES

OFFSET THE HIGH COST OF DEVELOPMENT AND TO ACHIEVE FINANCIALLY FEASIBLE DEVELOPMENT

DRIVE JOBS FOR DETROIT RESIDENTS AND MITIGATE STRUCTURAL DISADVANTAGES

TAX ABATEMENTS

Tax abatements help to reduce a Developer's overall tax burden in a development project; whether that be property tax or personal property tax. Tax incentives can be a powerful tool that reduces costs, improves returns, and aligns a development with the public good.

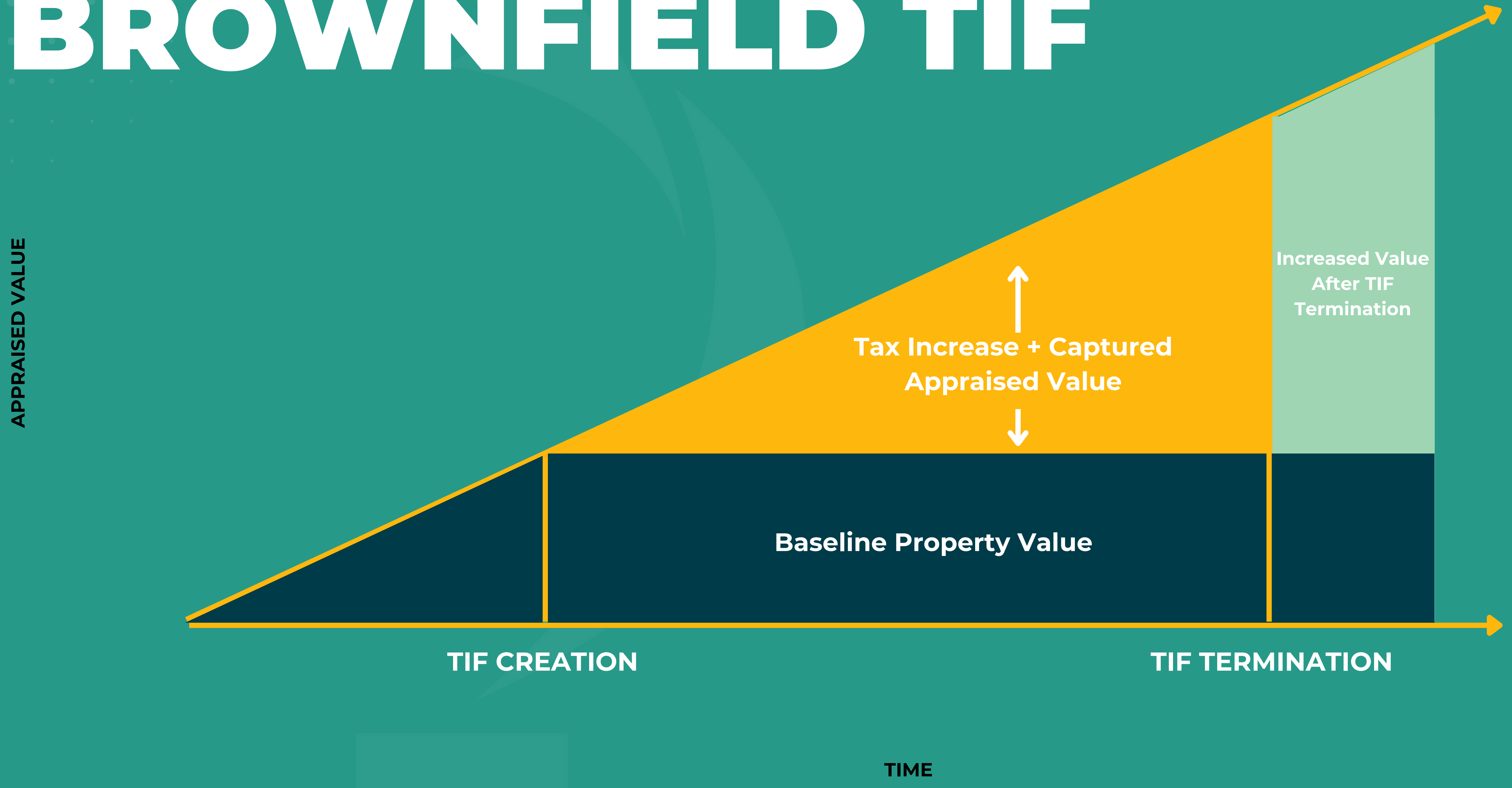
Done right, they can help push a borderline deal into the profitable zone—or let you build something with greater impact than you could have financed otherwise.

They are created under state law and and reduce the number of mills a property's taxable value are levied against for a specific amount of time.

TAX INCENTIVES FOR NEIGH'D DEVELOPMENT

Commercial Rehabilitation Act PA 210	Up to 10 Years	Used to encourage the development of commercial properties. Typically used by businesses, multi-family, and retail food establishments.
Obsolete Property Rehabilitation Act PA 146	Up to 12 Years	Used for existing structures that are functionally obsolete and blighted commercial residential, multi-family and industrial properties.
Neighborhood Enterprise Zone Act PA 147	Up to 15 Years	Used for new development and rehabilitation of residential structures.
Commercial Facilities Exemption PA 255	Up to 12 Years	Incentive for mixed-use commercial redevelopment in a qualified downtown revitalization district
MSHDA Housing TIF	Up to 30 Years	Redevelopment tool that helps incentivize the development of affordable housing units, both for rent and for sale, by using the incremental increase in property tax revenue generated by a project. These funds are then used to reimburse housing development costs.
Brownfield TIF	Upt to 30 Years	Redevelopment tool that helps revitalize contaminated, blighted, or functionally obsolete properties. Local gov't can capture the incremental increase in property tax revenue generated by a project. These funds are then used to reimburse eligible cleanup and redevelopment costs.

MSHDA TIF + BROWNFIELD TIF



TIF ELIGIBLE PROPERTIES

TRADITIONAL BROWNFIELD PLANS	HOUSING PROPERTY
FACILITY *(CONTAMINATED)*	RENTAL: RESIDENTIAL HOUSEHOLDS EARNING NO MORE THAN 120% AMI
FUNCTIONALLY OBSOLETE	FOR SALE: RESIDENTIAL HOUSEHOLDS EARNING NO MORE THAN 120% AMI
BLIGHTED	
HISTORIC	

TIF ELIGIBLE ACTIVITIES

REHABILITATION OF EXISTING HOUSING	REHABILITATION OF NON-HOUSING STRUCTURE	NEW CONSTRUCTION
• Infrastructure + Safety Improvements	• Infrastructure + Safety Improvements	• Infrastructure + Safety Improvements
• Site Preparation	• Site Preparation	• Site Preparation
• Financing Gap	• Financing Gap	• Financing Gap
• Demolition + Renovation	• Demolition + Renovation	• Demolition
• Temporary Household Relocation		
• Acquisition Costs of Blighted or Functionally Obsolete Properties		

ALIGNING YOUR PROJECT WITH CITY'S GOALS

Each project that requests assistance from the City in the form of an abatement, grant funding or financing will be evaluated to determine if it aligns with the overall planning goals of the city.

As you think through your project, you will want to keep these four elements in mind; maintaining affordability, offering accessibility, having a plan for parking and engaging the community throughout the development process.

While it may be difficult to find solutions for all of the elements covered, it should be your goal. Considering these factors early on will allow for proper planning and budgeting.

- AFFORDABILITY
- ACCESSIBILITY
- PARKING
- COMMUNITY ENGAGEMENT

PROJECT CASE STUDY

ARTHUR MURRAY

79% of the capital stack is made up of subsidized loans + grants.

CASE STUDY
ARTHUR MURRAY

Arthur Murray project is a $15.8M mixed-use development in the E. Warren commercial corridor. The project will feature 32 residential units of which 19 of the units will be offered between 60% to 80% AMI. For a single person up to a family of 2, this equates to an income of $40,320 to $60,440. The renovated building will offer just under 18,000 sf of commercial retail space.

For this project to be feasible the developer used two tax abatements; a PA 210, an NEZ and the MSHDA Housing TIF. The project also received RAP, MEDC and new market tax credit funding.

Equity for the project consisted of Strategic Neighborhood Fund Equity, Owner Equity and New Market Tax Credit Equity.

DEFERRED DEVELOPER FEES	$240,000	2%
OWNER EQUITY	$251,500	2%
SNF EQUITY	$3,500,000	22%
NEW MARKET TAX CREDIT EQUITY	$3,175,585	20%
SUPPORTING EQUITABLE ECONOMIC DEVELOPMENT GRANT	$947,525	6%
REVITALIZATION + PLACEMAKING GRANT	$2,240,000	14%
COMMUNITY REVITALIZATION PROGRAM LOAN	$2,248,000	15%
SENIOR DEBT	$3,000,000	19%
TOTAL DEVELOPMENT COSTS	**$15,782,610**	**100%**

DEVELOPER'S CHECKLIST

- Do Your Homework on Market & Location
- Do Build a Great Team & Network
- Do Plan for Realistic Timelines & Budgets

- Don't Skimp on Due Diligence
- Don't Ignore Local Regulations & Community Concerns
- Don't Neglect a Contingency Plan

THANK YOU

QUESTIONS?