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# City of Detroit

## CITY COUNCIL

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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director <sup>DW</sup>  
Legislative Policy Division Staff

DATE: September 17, 2015

RE: Lafayette Towers Brownfield Redevelopment Plan Public Act 381 of 1996  
**PUBLIC HEARING (Recommend Approval)**

The following is Fiscal's review of Lafayette Towers' Brownfield Redevelopment Plan under Public Act 381.

### **The Brownfield Redevelopment Financing Act 381 of 1996**

The Brownfield Redevelopment Financing Act 381 of 1996 provides tax incentives (i.e. tax increment financing) to develop brownfields properties in an area at or on which there has been a release (or threat of release) or disposal of a hazardous substance.

### **Lafayette Towers**

Jackson Land Holding Company, LLC, the project developer, proposes to rehabilitate the 584 unit, historic Lafayette Towers. The eligible property consists of one parcel with an address of 1301 and 1321 Orleans Street. In addition to the Brownfield, the developer has secured a PA 210 Commercial Rehabilitation tax abatement<sup>1</sup>.

The buildings located on the Property were constructed in 1963 by world-famous architect Mies Van Der Rohe. The Lafayette Park Historic District is part of the Mies Van Der Rohe Residential District listed in the National Register of Historic Places.

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<sup>1</sup> The Commercial Rehabilitation Act, PA 210 of 2005, as amended, affords a tax incentive for the rehabilitation of commercial property for the primary purpose and use of a commercial business or a multi-family residential facility. MCL 207.841 - 207.856. Council approved the abatement on July 12, 2015.

The brownfield redevelopment activities to be completed as a part of the Project include extensive interior demolition of the existing structures, demolition of the pool deck and parking deck, and associated asbestos abatement.

The building currently has 18 full time employees on staff. If approved by Council, the redevelopment will facilitate the staff increasing to 37 total full time employees.

The anticipated total cost of financing for this project is estimated at approximately \$30 million.

For this project, tax increments are projected to be captured and applied to reimbursement of eligible activity costs to the developer, payment of the City of Detroit Brownfield Redevelopment Authority (DBRA) for administrative and operating expenses, which include the following: **Reimbursement to the Developer: \$512,570, which is included in the total estimated cost of eligible activities for the project to \$1,186,841.** An itemized listing of all of the eligible activities illustrated below:

**ESTIMATED COST OF ELIGIBLE ACTIVITIES**

<b>COST TO BE REIMBURSED WITH TIF</b>	<b>Tax Capture</b>
Baseline Environmental Assessment (BEA)	\$23,000
Demolition	\$691,500
Asbestos Abatement	\$820,000
15% Contingency	\$33,000
Brownfield Plan & Act 381 Work Plan	\$20,000
<b>Total Eligible Activity Costs</b>	<b>\$1,587,500</b>
<b>Local portion of the Eligible Activity Costs ( at approximately 32%) which will be reimbursed to the developer</b>	<b>\$512,570</b>
Authority Administrative Cost	\$118,684
Local Site Remediation Revolving Fund	\$555,587
<b>TOTAL ESTIMATED COSTS</b>	<b>\$1,186,841</b>

**Lafayette Towers Economic Impact Analysis**

**15 Year Permanent Fiscal Impacts**

<b>City Income Taxes from 37 Direct Permanent Jobs</b>	<b><u>\$322,560</u><sup>2</sup></b>
<b>City Income Tax Total</b>	<b>\$322,560</b>
<b>Total Projected Fiscal Impact</b>	<b>\$322,560</b>

<sup>2</sup> The increase in 37 Direct Permanent Jobs will increase City collected income tax at a 1.2% rate for non-residents and 2.4% rate for Detroiters. This is estimated at approximately \$\$20,160 more than what is currently collected, if 50% of those employed are Detroit residents. This estimate is based on a conservative average annual salary of \$30,000 for the additional 37 employees that are anticipated, over the 15 year TIF capture period.

## Construction Period Impact

**An estimated 300 construction jobs will be created during the rehabilitation.**

As indicated in the chart, the total projected fiscal impact of this project is estimated to generate the City approximately \$322,560. Given the creation of the 37 permanent jobs, the increase of 300 temporary construction jobs and a \$30 million investment, **LPD recommends approval** of Lafayette Towers, LLC's Brownfield Redevelopment Plan.

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

cc: Auditor General's Office  
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