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# City of Detroit

## CITY COUNCIL

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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director  
 Legislative Policy Division Staff 

DATE: October 31, 2017

RE: Transformational Brownfield Plan for the **Hudson's Block, Monroe Blocks, One Campus Martius Expansion, and Book Building and Book Tower Redevelopment Projects (Bedrock) Public Acts 46-50 of 2017**  
**\*CORRECTED COPY\***

The following is the Legislative Policy Division's (LPD) Fiscal Section's review of the Transformational Brownfield Redevelopment Plan request of Bedrock Detroit for four (4) Transformational Project sites with the level of investment as indicated by location, and the beginning tax years for the capture and use of tax increment revenues, income tax capture revenues, and withholding tax capture revenues for each site are as follows:

TRANSFORMATIONAL SITE	PROJECT INVESTMENT	% OF TOTAL INVESTMENT	INITIAL YEAR OF TAX CAPTURE
1. Hudson's Site	\$908,980,541	42.4%	2023
2. Monroe Blocks	\$830,091,215	38.7%	2023
3. One Campus Martius Expansion	\$94,782,781	4.4%	2020
4. Book Building and Tower	<u>\$311,444,245</u>	14.5%	2021
<b>GRAND TOTAL</b>	<b>\$2,145,298,782</b>	<b>100%</b>	

### Executive Summary

The new methods that the transformational brownfield legislation will allow Bedrock to recoup a portion of the total cost of the projects it includes in its Transformational Brownfield Plan (TBP)<sup>1</sup> through the following reimbursement mechanisms:

- State income tax generated by residents living in the TBP properties for 20 years (50%)
- State income tax generated by employees working in TBP properties for 20 years (50%)
- State income tax on TBP construction labor
- Exemption from State sales tax on TBP construction materials

<sup>1</sup> More than half of the tax capture of this project will be borne by the state of Michigan.

TRANSFORMATIONAL SITE	PROJECT INVESTMENT	TOTAL GSF	OFFICE GSF	RESIDENTIAL UNITS	# REQ* "AFFORDABLE"	MIN TIF TO DEVELOPER	MAX TIF TO DEVELOPER (+15%)
1. Hudson's Site	\$908,980,541	1,000,000	262,662	330	66	\$164,121,801	\$188,740,071
2. Monroe Blocks	\$830,091,215	1,420,000	814,000	482	96	\$274,895,706	\$316,130,062
3. One Campus Martius Expansion	\$94,782,781	310,200	269,160	0	0	\$63,933,934	\$73,524,024
4. Book Building and Tower	<u>\$311,444,245</u>	<u>592,043</u>	<u>106,400</u>	<u>95</u>	<u>19</u>	<u>\$54,419,837</u>	<u>\$62,582,813</u>
<b>GRAND TOTALS</b>	<b>\$2,145,298,782</b>	<b>3,322,243</b>	<b>1,452,222</b>	<b>907</b>	<b>181</b>	<b>\$557,371,278</b>	<b>\$640,976,970</b>

\*Number of required "Affordable Units". All of the affordable units will be provided within the "Affordable Housing Priority Area", defined as the Downtown, Midtown, New Center, and Corktown areas, where affordable housing needs to be developed and preserved

We provide a detailed listing of the taxing jurisdictions that are impacted by the TBP Tax Increment Financing (TIF)<sup>2</sup> and the taxing jurisdictions that are not impacted by TBP TIF in a subsequent section of this report.

**Hudson's Block Project at a Glance** *(These early estimates are subject to change)<sup>3</sup>*

**RETAIL**

Total Retail Area: 100,000 gsf.

**OFFICE**

Total Office: 240,000 gsf.

**EVENTS**

Total Events Area: 120,000 gsf.

**EXHIBITION + SKYDECK**

Total Exhibition: 90,000 gsf.

**PARKING**

Total Parking: 700+ spaces

**TOTAL AREA\***: 1,000,000+ gsf.

**RESIDENTIAL**

Total Area: 425,000 gsf.

Total Residential: 330 UNITS

\*Excludes Parking

**This new construction** project is anticipated to directly create or support approximately 1,633 new permanent, full-time equivalent jobs in the City.

**GROUNDBREAKING: December 2017**

**Monroe Blocks Project at a Glance**

**OFFICE**

Building A1: 814,000 SF

**Total Office: 814,000 GSF**

**RESIDENTIAL**

Building A2: 136 UNITS

Building B1: 153 UNITS

Building B2: 62 UNITS

Building B3: 131 UNITS

**Total Residential: 482 UNITS**

**RETAIL**

Building A1: 63,700 SF

Building A2: 53,500 SF

Building B1: 38,000 SF

Building B2: 13,800 SF

**Total Retail: 169,000 GSF**

**PARKING**

**Total Parking Spaces: 1,200+ SPACES**

<sup>2</sup> Tax increment financing (TIF) is an effective tool that allows municipalities to promote economic development by earmarking property tax revenue from increases in assessed values within a designated TIF district.

<sup>3</sup> The Detroit Public Library has often appeared to speak against several Brownfield project proposals, which were subject to Council approval. In this instance, the developer will not receive any Library tax capture.

**This new construction** project is anticipated to directly create or support approximately 3,741 new permanent, full-time equivalent jobs in the City. Construction on Phase I is anticipated to commence in spring 2018 and include the below-grade parking and other sub-surface work that will cover the entire Monroe Blocks.

**Construction on Phase II is anticipated to commence in summer 2019**

**One Campus Martius Project at a Glance**

Developer intends to expand the office building at One Campus Martius to provide much needed Class A office space in Detroit’s Central Business District to attract large tenants to downtown Detroit and allow for expansion of existing downtown companies by **adding a 310,000 square foot addition to the building.**

The OCM Expansion is anticipated to directly create or support the creation of approximately 1,155 new permanent, full-time equivalent office jobs in the City as well as 69 new permanent, fulltime equivalent jobs in the auditorium and event uses for a total of 1,224 new, permanent full-time equivalent jobs. **Construction of the OCM Expansion is expected to commence in early Winter (Q1) 2018.**

**Book Tower & Book Building Project at a Glance**

<b>RETAIL</b>	<b>RESIDENTIAL</b>
Total Retail Area: 30,320sf	Total Residential Area:
<b>RETAIL</b>	Total Units: 95
Total Events Area: 49,780sf	143,083sf
<b>OFFICE</b>	<b>PARKING</b>
Total Office Area: 106,400sf	Total Parking Area: 400
<b>BOH</b>	Total Spaces:
Total Mechanical Area: 44,150sf	180,710sf
<b>HOTEL</b>	<b>TOTAL PROJECT AREA: 435,983sf</b>
Total Hotel Area: 106,400sf	<b>*Excludes Public Space, BOH, and Parking</b>
Total Guest Rooms: 200	

The 38-story Book Tower and adjoining 13-story Book Building will undergo a comprehensive renovation of their interiors and exteriors. This project is anticipated to directly create or support the creation of approximately 663 new permanent, full-time equivalent jobs in the City. Early stabilization work on the building and tower has commenced to address safety issues, prevent further deterioration, and prepare for renovation. **The full renovation of the Book Building and Book Tower is anticipated to commence in Winter (Q1) 2019.**

**TIF Capture for the Entire TBP -The Low Estimate**

TOTAL TBP TO BE REIMBURSED WITH TIF	Allocation	Percent of Reimbursement to Developer	Percent of Reimbursement of Overall Capture
New construction	\$502,951,441	90.2%	86.8%
Restoration	\$54,419,837	9.8%	9.4%
<b>Total reimbursement to the Developer</b>	<b>\$557,371,278</b>	<b>100.0%</b>	<b>96.2%</b>
Authority Administrative Costs	\$3,260,261	0.6%	0.6%
State Brownfield Development Fund	\$18,805,333	3.4%	3.2%
Local Brownfield Development Fund	\$0	0.0%	0.0%
<b>TOTAL ESTIMATED COSTS</b>	<b>\$579,436,872</b>	<b>104.0%</b>	<b>100.0%</b>

**TIF Capture for the Entire TBP - Max Estimate with a 15% Contingency to the Developer**

TOTAL TBP TO BE REIMBURSED WITH TIF	Allocation	Percent of Reimbursement to Developer	Percent of Reimbursement of Overall Capture
New construction	\$502,951,441	78.5%	75.9%
Restoration	\$54,419,837	8.5%	8.2%
15% Contingency	\$83,605,692	13.0%	12.6%
<b>Total reimbursement to the Developer</b>	<b>\$640,976,970</b>	<b>100.0%</b>	<b>96.7%</b>
Authority Administrative Costs	\$3,260,261	0.5%	0.5%
State Brownfield Development Fund	\$18,805,333	2.9%	2.8%
Local Brownfield Development Fund	\$0	0.0%	0.0%
<b>TOTAL ESTIMATED COSTS</b>	<b>\$663,042,564</b>	<b>103.4%</b>	<b>100.0%</b>

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**Transformational Brownfield Plan (TBP)**

The Transformational Brownfield legislation, effective since July 24, 2017, operates primarily under the authority of five Michigan public acts:

1. PA 46 Amended the Brownfield Redevelopment Financing Act.<sup>5</sup>
2. PA 47 Amended the Income Tax Act.<sup>6</sup>
3. PA 48 Amended the General Sales Tax Act.<sup>7</sup>
4. PA 49 Amended the Use Tax Act.<sup>8</sup>
5. PA 50 Amended the Michigan Renaissance Zone Act.<sup>9</sup>

By definition, under **Public Act 46 of 2017**, a “Transformational Brownfield Plan” is a brownfield plan designated by the local governing body and the Michigan strategic fund, based on the extent of brownfield redevelopment and growth in population, commercial activity, and employment resulting from the plan, will have a transformational impact on local economic development and community revitalization. The Act also provides that a transformational brownfield plan must be for mixed-use development<sup>10</sup> and must meet a minimum investment threshold, which is set at \$500 million for a city, village or township with a population of at least 600,000 (i.e., Detroit) but is scaled based on population.<sup>11</sup> A Transformational Brownfield Plan (TBP) project at a minimum, must involve a level of capital investment at or above the metrics illustrated below:

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)

<sup>4</sup>In addition to the tax captures (listed above), it is anticipated that the Construction Sales/Use Tax Exemption available for the redevelopment of eligible property included in the TBP, will reduce construction costs by \$60,647,889. 2017 PA 48, MCL 205.54d and 2017 PA 49, MCL 205.91-205.111.

<sup>5</sup> Amends secs. 2, 8a, 11, 13b, 15 & 16 of 1996 PA 381 (MCL 125.2652 et seq.) & adds secs. 13c & 14a.

<sup>6</sup> Amends 1967 PA 281 (MCL 206.1 - 206.713) by adding sec. 51e.

<sup>7</sup> Amends sec. 4d of 1933 PA 167 (MCL 205.54d).

<sup>8</sup> Amends 1937 PA 94(MCL 205.91 - 205.111) by adding sec. 4dd.

<sup>9</sup> Amends sec. 9 of 1996 PA 376 (MCL 125.2689).

<sup>10</sup> **Mixed-use development** is a type of development that blends residential, commercial, cultural, institutional, or industrial uses.

<sup>11</sup> <http://www.michamber.com/sites/michamber.com/files/Trans%20BF%20Section-by-Section%20Summary.pdf>

We provided the Council a comprehensive overview of the Transformational Brownfield legislation in the Legislative Policy Division (LPD) report, “A Review of Public Act 46 of 2017 (Transformational Brownfield Plan)<sup>12</sup>,” dated August 10, 2017.

## **Traditional Brownfield Plans vs. Transformational Brownfield Plans**

### **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.<sup>13</sup> 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 Plans**

The Michigan Legislature’s stated rationale for the development of the Transformational Brownfield Plan (TBP) legislation was that in Michigan there is an existence of large empty sites that are too costly to redevelop produce no tax revenue for local communities and the state. In order to address this issue the TBP legislation would be used as an economic incentive tool to close the financial gap, in order to make development on a local large empty site, economically feasible for development. Going further, the legislature surmised overall, transformational brownfield plans (TBPs) would increase State revenue over the long-term, assuming that the developments included in TBPs would not have occurred in the absence of the legislation and that development in a TBP did not shift economic activity from other locations in Michigan to the area of the TBP.

The TBP legislation as enacted, allows the board of a brownfield redevelopment authority to implement a transformational brownfield development plan with the approval of the Michigan Strategic Fund (MSF) and the governing of the municipality that created the authority body (The Detroit City Council in this instance). The terms of a TBP would determine the amount of state and local income and property tax revenue allowed to be captured by the TBP. This

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<sup>12</sup>

<http://www.detroitmi.gov/Portals/0/docs/Legislative%20Policy%20Reports/2017/Transformational%20Brownfield%20Plan.pdf?ver=2017-08-10-143822-363>

<sup>13</sup> <http://www.michiganbusiness.org/cm/Files/Brownfields/Act-381-Guidance.pdf>

would be limited for each plan by an underwriting and financial analysis conducted by the MSF, and in some cases, by an independent third party.<sup>14</sup>

TBP developers are eligible to receive a reimbursement for the cost of brownfield remediation through the annual property tax which is paid on the property (property tax increments), for up to 30 years, as with a traditional brownfield project.

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*”<sup>15</sup>.

The three types of revenues from income tax capture<sup>16</sup> 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
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)

Above the sources of tax capture mentioned above, TBP developers are also eligible for a tax exemption from State sales tax on construction materials. Later in this report as we do for other brownfield projects, we will quantify the TIFs, income tax captures and exemptions for each component of the requested Transformational Brownfield Plan (TBP), submitted for Council’s approval.

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.<sup>17</sup>

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.<sup>18</sup> 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

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<sup>14</sup> TRANSFORMATIONAL BROWNFIELD PLAN; Summary of the bill: Senate Fiscal Agency

<sup>15</sup> 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.

<sup>16</sup> 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 *only* circumstance where City income taxes are available for capture.

<sup>17</sup> "TRANSFORMATIONAL" BROWNFIELD REDEVELOPMENT PROJECTS; Legislative analysis, House Fiscal Agency

<sup>18</sup> 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.

are those with a Hardest Hit Fund blight elimination area<sup>19</sup> or an area which was subject to a state emergency declaration issued for drinking water contamination<sup>20</sup> (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.<sup>21</sup> 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.

**Beyond Public Act 46, 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), 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.<sup>22</sup> This provision, to revoke the income exemptions for residents in a Renaissance Zone, overlapped by a TBP, would only apply to the segment of this project on the Hudson’s site, of which, we will discuss in detail in a later section of this report.

## Overview of the Bedrock TBP

### #1. HUDSON’S BLOCK PROJECT

Rosko Development Company LLC, an affiliate of Bedrock Management Services LLC, or another one of its affiliate will be the developer of the project for this component of the Plan which involves the planned redevelopment of the Hudson’s site. The Hudson’s Site includes

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<sup>19</sup> 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.

<sup>20</sup> 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

<sup>21</sup> 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.

<sup>22</sup> 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.”

2.296 acres of land (in addition to below grade easements). The Hudson's Site is the site of the former Hudson's department store, which opened in 1911, closed in 1983, and was demolished by implosion in 1998.



**Controlled demolition of the Hudson's Department store at 5:45 p.m. on Oct. 24, 1998<sup>23</sup>**

In 2000, the Hudson's Site was included as eligible property in the "Brownfield Plan for the Hudson's, Kern, Crowley, and Library Block Redevelopment," adopted in 2000 for the development of what was then known as the Compuware Building ("Compuware Plan"). The Hudson's Site was included in the Compuware Plan to provide parking capacity for the Compuware Building. The Compuware Plan served as the basis for a Single Business Tax - Brownfield Redevelopment Credit ("Brownfield Credit") for the development of the Compuware Building in 2003.

The eligible investment was completed for the Brownfield Credit under the Compuware Plan, and the Brownfield Credit has been claimed in full. All eligible activities identified in the Plan were also completed. Since the capture of tax increment revenues under the Compuware Plan was limited to the capture of school taxes due to the location of the Compuware Building within the boundaries of the DDA, it was determined after adoption of the Compuware Plan that the capture of tax increment revenues would not be pursued under the Compuware Plan. Therefore, no capture of tax increment revenues has occurred or is intended to occur under the Compuware Plan.

As defined in Section 2v of Act 381, the "governing body" for purposes of Act 381 is the City Council of the City of Detroit. Under Section 14(8) (a) of Act 381, "The governing body may abolish a brownfield plan when it finds that the purposes for which the plan was established are accomplished." As the Compuware Building was constructed, the eligible activities were completed, and the Brownfield Credit has been claimed in full, the Compuware Plan has achieved its purposes. Accordingly, the governing body will need to abolish the Compuware Plan prior to the adoption of this Plan.

The eligible property (the "Hudson's Site") consists of two parcels with the common address of 1208 Woodward Avenue, bounded by Grand River Avenue to the north, Farmer Street to the

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<sup>23</sup> Source: "Fourteen Years Ago Today, Detroit Imploded The Hudson's Department Store Building" Curbed Detroit, by Sara Cox, October 24, 2012



east, State Street to the south and Woodward Avenue to the west in Detroit’s Central Business District. The Hudson’s Site is considered “eligible property” as defined by Act 381, Section 2 because (a) the property was previously used for a commercial purpose; (b) it is located within the City of Detroit, a qualified local governmental unit under Act 381; and (c) the Hudson’s Site is determined to be a functionally obsolete or undeveloped property that was eligible property in a previously approved brownfield plan abolished under Section 14(8) of Act 381<sup>24</sup>.

The “eligible activity” that is intended to be carried out at the Hudson’s Site is considered an “eligible activity” as defined by Sec 2 of Act 381, because it includes new construction. The eligible activity and budgeted costs are intended as part of the development of the Hudson’s Site and will be financed solely by the Developer. The City of Detroit Brownfield Redevelopment Authority (the “DBRA”) is not responsible for any costs of the eligible activity and will incur no debt.

The plans calls for the construction of a mixed-use development with extensive public and civic space. This development is anticipated to include the tallest tower in the City at an estimated 800 feet next to a mid-rise podium, which will be separated by landscaped public space. The Hudson’s site is currently in an active Renaissance Zone<sup>25</sup>. The import of this, is that in a Renaissance zone, income taxes for residents are exempt from taxation for the duration of the zone designation. This particular Renaissance zone is set to expire in 2025.

As we stated earlier in this report, a TBP designation on an active Renaissance Zone, would allow for the election to opt-out of the income tax exemption that would otherwise apply, and to instead allow for the capture the taxes as income tax capture revenues for the last three active years until 2025. This would have a nominal impact on City income tax revenue, given the fact that if not for the TBP designation, the residents of the Hudson’s site development, would not have any income tax assessment as residents of an active Renaissance zone. According to the current TBP under consideration, the proposed residential structure is set for new construction. Construction is estimated to begin in the winter of 2017 and be complete within five (5) years of MSF approval (in 2022), thereby leaving three years of the zone’s active years.

The developer is seeking to be reimbursed for the costs of eligible activities. Tax increment revenue generated by the Hudson’s Site will be captured by the DBRA and used to reimburse the cost of the eligible activities completed on eligible property under the Plan after approval of this Plan pursuant to the terms of a Reimbursement Agreement with the DBRA and the MSF (the “Reimbursement Agreement”).

**TIF Capture for the Hudson’s Site -The Low Estimate**

HUDSON'S SITE	Allocation	Percent of Reimbursement to Developer	Percent of Reimbursement of Overall Capture
New construction	\$164,121,801	29.4%	28.3%
<b>Total reimbursement to the Developer</b>	<b>\$164,121,801</b>	<b>29.4%</b>	<b>28.3%</b>
Authority Administrative Costs	\$972,655	0.2%	0.2%
State Brownfield Development Fund	\$6,036,994	1.1%	1.0%
Local Brownfield Development Fund	\$0	0.0%	0.0%
<b>TOTAL ESTIMATED COSTS</b>	<b>\$171,131,450</b>	<b>30.7%</b>	<b>29.5%</b>

\*Based on no contingency as recorded on Bedrock’s TBP TIF table spreadsheet.

<sup>24</sup> (a) The governing body may abolish a brownfield plan when it finds that the purposes for... the plan ... are accomplished. This component of the Plan is subject to Council’s abolition of the prior approved inactive brownfield  
<sup>25</sup> “Michigan renaissance zone act”1996, Act 376, Imd. Eff. July 17, 1996, MCL 125.2681 et seq.

**TIF Capture for the Hudson’s Site – Max Estimate with a 15% Contingency to the Developer**

HUDSON'S SITE	Allocation	Percent of Reimbursement to Developer	Percent of Reimbursement of Overall Capture
New construction	\$164,121,801	25.6%	24.8%
15% Contingency	\$24,618,270	3.8%	3.7%
<b>Total reimbursement to the Developer</b>	<b>\$188,740,071</b>	<b>29.4%</b>	<b>28.5%</b>
Authority Administrative Costs	\$972,655	0.2%	0.1%
State Brownfield Development Fund	\$6,036,994	0.9%	0.9%
Local Brownfield Development Fund	\$0	0.0%	0.0%
<b>TOTAL ESTIMATED COSTS</b>	<b>\$195,749,720</b>	<b>30.5%</b>	<b>29.5%</b>

\*\*Based on a 15% contingency to the developer as recorded on Bedrock’s TBP “E” attachments.

The total **Reimbursement to the Developer** for the entire Transformational Brownfield Plan (TBP) is estimated in a range of \$557,371,278\* to \$640,976,970\*\* (which includes a 15% contingency)

With a **total capture of all estimated costs** for the entire Transformational Brownfield Plan (TBP) (including the DBRA Authority and the State) is: \$579,436,872\* to \$663,042,564\*\* (which also includes a 15% contingency to the developer).

In addition to the tax captures the actual cost of those eligible activities encompassed by this component of the Plan that will qualify for reimbursement from tax increment revenues of the DBRA from the Hudson’s Site shall be governed by the terms of the Reimbursement Agreement. The Developer is also seeking additional incentives through a Renaissance Zone, a Commercial Rehabilitation Act (CRA) abatement, and a Neighborhood Enterprise Zone (NEZ). We will analyze and report on these respective incentives and the project’s accompanying Community Benefits Ordinance (CBO) agreement, under separate covers.

The Hudson’s Site currently consists of a vacant ground-level site above a four-story underground parking garage.<sup>26</sup> The Hudson’s Site was previously converted into a condominium, Unit 1 of which consists of the subterranean parking garage currently owned by the City; and Unit 2 of which consists of air rights<sup>27</sup> currently owned by the City of Detroit Downtown Development Authority (“DDA”). The Hudson’s Site condominium will be dissolved and the tax parcels will be consolidated after acquisition of the Hudson’s Site by an affiliate of Bedrock. It is anticipated that the process of dissolving the condominium will be completed after the Detroit City Council (hereinafter referred to as the “governing body”) considers this Plan but before the anticipated time of action by the Michigan Strategic Fund (“MSF”).

Rosko Development Company LLC (“Rosko”), an affiliate of Bedrock, or another one of its affiliates will be the project developer. Rosko has entered into a development agreement with the DDA whereby Rosko or another one of its affiliates will become the owner of the Hudson’s Site upon closing under the development agreement.

<sup>26</sup> Bedrock Detroit received the “air rights” over the site as part of a 2007 deal with the City of Detroit to attract Quicken Loans headquarters to downtown Detroit. Source: <http://michiganradio.org/post/former-hudsons-site-downtown-detroit-slated-high-rise-development>

<sup>27</sup> **Air rights** Right to control, occupy, or use the vertical space (air space) above a property, subject to necessary and reasonable use by neighbor(s) and others (such as aircraft). One of the three distinct interests in a property, air rights can be bought, leased, sold, and transferred like the other two (mineral and surface) rights. [www.businessdictionary.com/definition/air-rights.html](http://www.businessdictionary.com/definition/air-rights.html)

The City has entered into a Land Transfer Agreement (“LTA”) whereby the City will convey Unit 1 (the garage) to the DDA contemporaneously with the closing, which the DDA will then convey to Rosko or another one of its affiliates together with Unit 2 (the air rights) for redevelopment pursuant to the terms of the development agreement.

**Parcel Information:**

**Hudson’s Site**

Address	Tax ID	Current Owner
1208 Woodward Avenue	01004110-4	City of Detroit
1208 Woodward Avenue	01004115-9	City of Detroit DDA

*Source: Detroit Brownfield Redevelopment Authority*

**Parcel Legal Description and Basis of Eligibility**

**Hudson’s Site**

Address	Legal Description	Tax ID	Basis for Eligibility
1208 Woodward Avenue	Land in the City of Detroit, County of Wayne, State of Michigan, described as:  Unit 1 of the Campus Martius Condominium, the Master Deed of which is recorded in Liber 30861, Page 557, Wayne County Records, being Wayne County Condominium Subdivision Plan No. 537	01004110-4	Functionally obsolete
1208 Woodward Avenue	Land in the City of Detroit, County of Wayne, State of Michigan, described as:  Unit 2 of the Campus Martius Condominium, the Master Deed of which is recorded in Liber 30861, Page 557, Wayne County Records, being Wayne County Condominium Subdivision Plan No. 537	01004115-9	Undeveloped property from an abolished plan

**Eligible Activities:**

Construction

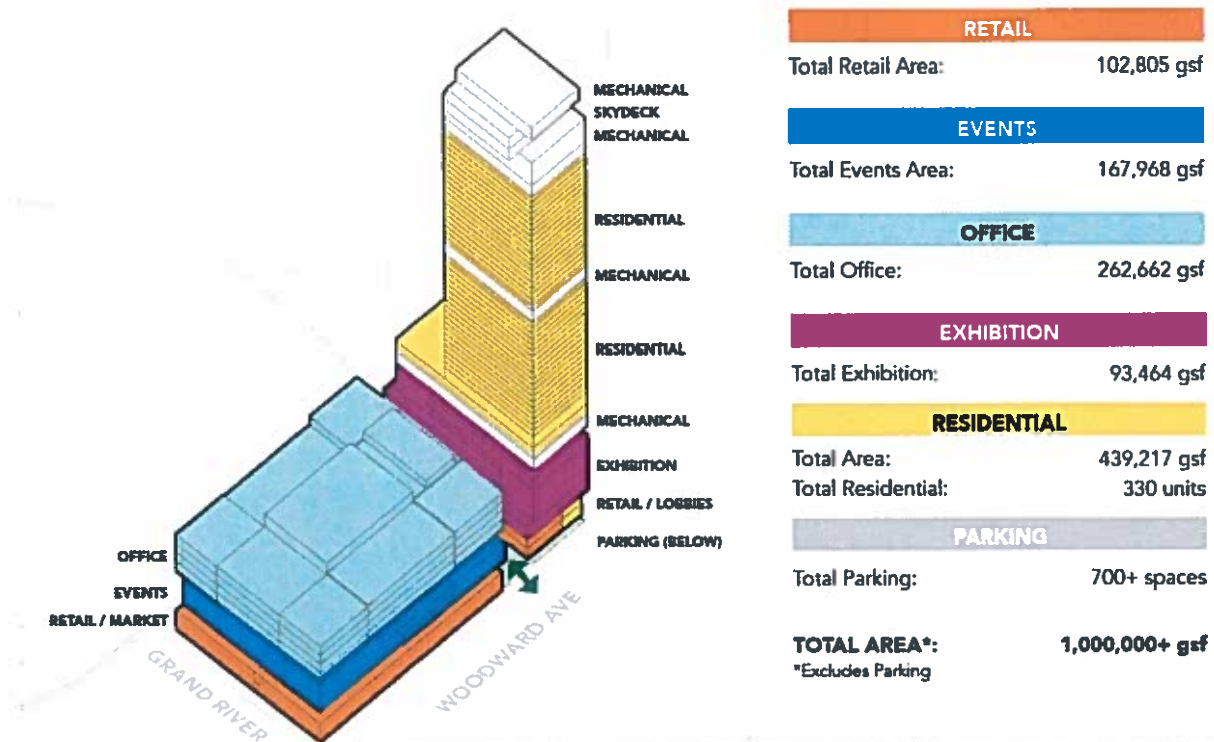
**Years to Complete Payback:** 30 Years (Tax Increment Revenue)  
 20 Years (Income Tax Capture Revenue, Withholding Tax Capture Revenue)

**Base TV/New ITV Estimate:** \$0.00 Base TV  
 \$66,232,530 ITV (Year 1)

**Other Anticipated Incentives:** Renaissance Zone  
 Neighborhood Enterprise Zone designation  
 Commercial Rehabilitation Act designation

Source: Detroit Brownfield Redevelopment Authority

**HUDSON'S SITE DEVELOPMENT  
 PROGRAM SUMMARY (GROSS AREAS)**



Source: DBRA, via Bedrock's TBP

The Hudson's Site is anticipated to include the tallest tower in the City that will rise an estimated 800 feet<sup>28</sup> next to a mid-rise podium, which will be separated by landscaped public space. The developer plans for the Hudson's Site to be a landmark destination and visitor attraction. The project, a mixed-use development will be approximately 1 million gross square feet ("GSF"), excluding parking, and is anticipated to consist of approximately 102,805 GSF of retail and food and beverage space on the first and second stories of the tower and podium, including a street level market; 167,968 GSF of event and conference space in the middle stories of the podium; and 262,662 GSF of office space on the top four floors of the podium.

<sup>28</sup> The Detroit Marriott at the Renaissance Center is currently the tallest structure in Detroit at 727 feet.  
<http://www.freep.com/picture-gallery/news/local/michigan/detroit/2016/11/30/downtown-detroits-20-tallest-buildings/94676164/>

The Hudson's Site development is also planned to include approximately 93,464 GSF of programmed exhibit space above the first floor retail and lobby space in the tower; approximately **330 residential units** occupying 439,217 GSF on the upper stories of the tower; and a public sky deck atop the tower. The planned redevelopment of the Hudson's Site also includes modernized below-grade parking with at least 700 spaces.

The construction budget for this project is projected at \$909 million. The Hudson's Site is anticipated to directly create or support the creation of 1,007 new permanent, full-time equivalent office jobs in the City at a projected annual wage of \$85,000 as well as 626 new permanent, full-time equivalent jobs in the City in the retail, restaurant, event, and exhibition uses. The related impact from visitors are expected to create another 900 jobs.



Rendering for the Hudson's Site - Source: DBRA, via Bedrock's TBP

## **#2. MONROE BLOCKS**

The properties at the addresses commonly known as 32 Monroe Avenue and 725 Bates Street were included in the "Brownfield Plan for the Monroe Block Redevelopment" adopted in September 2013 ("Initial Monroe Block Plan"). In accordance with Section 14(8) of Act 381, the Initial Monroe Block Plan will be terminated as "the project for which eligible activities were identified in the brownfield plan...fail[ed] to occur for at least 2 years following the date of the resolution approving the brownfield plan or plan amendment." The initial Monroe Block Plan will need to be terminated before approval of this Plan in accordance with the requirements of Section 14(8)(i) and (ii) of Act 381.

In addition to the foregoing, the eligible property comprising the Monroe Blocks includes:

- a) All internal rights of way which are located within the Monroe Blocks, including Farmer Street, are proposed to be vacated and transferred to the ownership of the owner of the Monroe Blocks.
- b) Approximately 1.205 acres of land beneath the adjoining public plaza known as Cadillac Square (“Cadillac Square Parcel”), which bounds the redevelopment area to the south, is anticipated to be developed into underground parking for the project. The Monroe Blocks, which fronts Campus Martius Park consists primarily of a surface parking lot surrounded by unoccupied structures and other vacant parcels of which previous structures have been demolished. The DDA owns the parcels comprising the surface parking lot at 32 Monroe Avenue and 725 Bates Street as well as the vacant parcel at 126 Monroe Avenue (the former Bates Garage). The City owns the structure at 118 Monroe Ave. (the former National Theater) and the adjacent vacant lot at 100 Monroe Ave. 1000 Farmer Street LLC, an affiliate of Bedrock, owns the unoccupied commercial property at 1000 Farmer Street and 815 Bates Street.

It is anticipated that the City will enter into an LTA whereby the City will convey the properties under its ownership within the Monroe Blocks to the DDA contemporaneously with the closing, which the DDA will then convey to Rosko or another one of its affiliates together with the properties under the DDA’s ownership for redevelopment pursuant to the terms of the development agreement.

Rosko is entering into a development agreement with the DDA, where by Rosko, or another one of its affiliates will become the owner of the Monroe Blocks upon closing under the development agreement.

The planned redevelopment of the Monroe Blocks will create a new mixed-use development in two phases totaling an anticipated 1.4 million GSF, excluding parking and outdoor public plaza space. The total anticipated budget for the construction of this project is **\$830 million**.

Farmer Street is the diving line between Phase I and Phase II of the redevelopment. **Phase I** of this project, which will occur on the portion of the Transformational Project Site south of Farmer Street, is anticipated to be anchored by a 35-story, 814,000 GSF office tower fronting Campus Martius, which would be the first high-rise office development constructed in the City since Ally Detroit Center (formerly One Detroit Center) was built in 1993. The office component is intended to position Detroit to be nationally competitive for business and talent attraction. Phase I of this project is also anticipated to include 117,200 GSF of retail space on the first and second stories and an estimated **136 residential units**. The residential units are planned for the Bates Street side of the development (behind Cadillac Tower) and it’s anticipated that it will rise seven to ten stories above the two floors of retail space.

**Phase II** of this project, which will occur on the portion of the Transformational Project Site north of Farmer Street, is anticipated to consist of **346 residential units**. Phase II is anchored by a planned 27-story residential tower at the intersection of Monroe Street and Randolph Street, along with an estimated 51,700 GSF of retail space on the first and second stories. The planned redevelopment of the Monroe Blocks is anticipated to include extensive public plaza space, which will form the centerpiece of each phase. It is anticipated that Farmer Street and other interior rights of way will be vacated and transformed into pedestrian corridors.

While parking plans are being finalized, the redevelopment is anticipated to include three levels of below-grade parking across the entire site and below Cadillac Square, yielding an estimated 1,200 parking spaces, to support the development as well as visitor parking. It is anticipated that all below-grade parking would be constructed as part of Phase I of the redevelopment. This project is anticipated to directly create or support the creation of approximately **3,741 new permanent, full-time equivalent jobs** in the City. Construction on Phase I is anticipated to commence in spring 2018 and include the below-grade parking and other sub-surface work that will cover the entire Monroe Blocks. Construction on Phase II is anticipated to commence in summer 2019. The total anticipated budget for the construction of this segment of the project (Monroe Blocks) is **\$830 million**.

The Monroe Blocks is the only Transformational Project Site included in this Plan on the basis of being a facility. The eligible properties commonly known as 32 Monroe Street and 725 Bates Street are large parcels and facilities as defined under Act 381. Developer will conduct due care activities on these parcels.

The developer is seeking to be reimbursed for the costs of eligible activities.

**TIF Capture for the Monroe Blocks -The Low Estimate**

MONROE BLOCKS	Allocation	Percent of Reimbursement to Developer	Percent of Reimbursement of Overall Capture
New construction	\$274,895,706	49.3%	47.4%
<b>Total reimbursement to the Developer</b>	<b>\$274,895,706</b>	<b>49.3%</b>	<b>47.4%</b>
Authority Administrative Costs	\$800,000	0.1%	0.1%
State Brownfield Development Fund	\$9,067,227	1.6%	1.6%
Local Brownfield Development Fund	\$0	0.0%	0.0%
<b>TOTAL ESTIMATED COSTS</b>	<b>\$284,762,933</b>	<b>51.1%</b>	<b>49.1%</b>

\*Based on no contingency as recorded on Bedrock's TBP TIF table spreadsheet.

**TIF Capture for the Monroe Blocks – Max Estimate with a 15% Contingency to the Developer**

MONROE BLOCKS	Allocation	Percent of Reimbursement to Developer	Percent of Reimbursement of Overall Capture
New construction	\$274,895,706	42.9%	41.5%
15% Contingency	\$41,234,356	6.4%	6.2%
<b>Total reimbursement to the Developer</b>	<b>\$316,130,062</b>	<b>49.3%</b>	<b>47.7%</b>
Authority Administrative Costs	\$800,000	0.1%	0.1%
State Brownfield Development Fund	\$9,067,227	1.4%	1.4%
Local Brownfield Development Fund	\$0	0.0%	0.0%
<b>TOTAL ESTIMATED COSTS</b>	<b>\$325,997,289</b>	<b>50.9%</b>	<b>49.2%</b>

\*\*Based on a 15% contingency to the developer as recorded on Bedrock's TBP "E" attachments.

The total **Reimbursement to the Developer** for the entire Transformational Brownfield Plan (TBP) is estimated in a range of \$557,371,278\* to \$640,976,970\*\* (which includes a 15% contingency)

With a **total capture of all estimated costs** for the entire Transformational Brownfield Plan (TBP) (including the DBRA Authority and the State) is: \$579,436,872\* to \$663,042,564\*\* (which also includes a 15% contingency to the developer).

**Parcel Information:**

**Monroe Blocks**

Address	Tax ID	Current Owner
32 Monroe	01000170-86	City of Detroit DDA
725 Bates	01003963-83	City of Detroit DDA
100 Monroe	01000167-9	City of Detroit
118 Monroe	01000166	City of Detroit
126 Monroe	01000162-5	City of Detroit DDA
815 Bates	01003958-61	1000 Farmer Street LLC. an affiliate of Bedrock
1000 Farmer	01003962	1000 Farmer Street LLC. an affiliate of Bedrock
Cadillac Square Parcel	No current tax identification number <sup>1</sup>	City of Detroit
Interior rights of way	No current tax identification number <sup>1</sup>	City of Detroit

**Parcel Legal Description and Basis of Eligibility**

**Monroe Blocks**

Address	Legal Description	Tax ID	Basis for Eligibility
32 Monroe	S MONROE 30 THRU 47 PLAT OF SEC 6 GOVERNOR & JUDGES PLAN L34 P545 DEEDS, W C R 1 5 3 THRU 1 PLAT OF LOTS 45 & 46 SEC 6 GOVERNOR & JUDGES PLAN L1 P68 PLATS, W C R 1 17 44 & 43 W 19 FT 42 PLAT OF SEC 6 GOVERNOR & JUDGES PLAN L34 P545 DEEDS, W C R 1 5 1 --- 58,070 SQ FT	01000170-86	Facility
725 Bates	W BATES 5 THRU 1 AND VAC ALLEY ADJ E C NOBLES SUB L5 P61 PLATS, W C R 1 134 78 THRU 80 AND VAC ALLEY ADJ	01003963-83	Facility



	PLAT OF SEC 6 - GOV & JUDGES PLAN L34 P545 DEEDS. W C R 1/51/--- 24.185 SQ FT		
100 Monroe	S MONROE W 5 FT OF 52 51 PLAT OF SEC 6 GOVERNOR & JUDGES PLAN L34 P545 DEEDS. W C R L34 P545 DEEDS. W C R 1/5 66 X 100	01000167-9	Adjacent and Contiguous
118 Monroe	S MONROE E 60 FT 52 PLAT OF SEC 6 GOVERNOR & JUDGES PLAN L34 P545 DEEDS. W C R 1/5 60 X 100	01000166	Functionally Obsolete
126 Monroe	S MONROE 53 THRU 56 E 16.5 FT 82 83 & VAC LIBRARY AVE & VAC ALLEYS ADJ EXC RANDOLPH ST AS WD PLAT OF SEC 6 GOVERNOR & JUDGES PLAN L34 P545 DEEDS. W C R 1/5 216.31 IRREG	01000162-5	Adjacent and Contiguous
815 Bates	N BATES W 1/2 OF 82 PLAT OF SEC 6 GOVERNOR & JUDGES PLAN L34 P545 DEEDS. W C R 1/5 32.50 X 100	01003958-61	Functionally Obsolete
1000 Farmer	N BATES 81 PLAT OF SEC 6 GOVERNOR & JUDGES PLAN L34 P545 DEEDS. W C R 1/5 61 X 100	01003962	Functionally Obsolete
Land beneath Cadillac Square. no current address <sup>1</sup>	LAND BENEATH PART OF CADILLAC SQUARE (200 FEET WIDE). CITY OF DETROIT. WAYNE COUNTY. MICHIGAN. BEING MORE PARTICULARLY DESCRIBED AS:  BEGINNING AT THE INTERSECTION OF THE NORTH LINE OF CADILLAC SQUARE (200 FEET WIDE) WITH THE EAST LINE OF WOODWARD AVENUE (VARIABLE WIDTH). SAID POINT ALSO BEING THE	No parcel number	Adjacent and Contiguous

	<p>SOUTHWEST CORNER OF LOT 2 OF THE PLAT OF LOTS 45 &amp; 46. SECTON 6 OF GOVERNOR &amp; JUDGES PLAN. L1. P68: THENCE ALONG SAID NORTH LINE. N89°48'29"E. 367.18 FEET TO A POINT ON THE WEST LINE OF BATES STREET: THENCE ALONG SAID WEST LINE. S00°06'36"e. 143.00 FEET: THENCE S89°48'29"W. 366.98 FEET TO THE EAST LINE OF WOODWARD AVENUE: THECE ALONG SAID EAST LINE. N00°11'31"W. 143.00 FEET TO THE POINT OF BEGINNING. AND CONTAINING 1.205 ACRES OR 52.492 SQUARE FEET.</p>		
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**Type of Eligible Property:** A mixture of facility parcels (32 Monroe Avenue and 725 Bates Street), a functionally obsolete parcel (118 Monroe Avenue), and adjacent and contiguous parcels (100 and 126 Monroe, 815 Bates Street, and 1000 Farmer Street). 815 Bates Street and 1000 Farmer Street are also functionally obsolete parcels.

**Total Project Investment:** \$830,091,215

**Eligible Activities:** Construction

**Reimbursable Costs:**

\$316,130,062	(Estimated Eligible Activities)
\$800,000	(Estimated BRA Administrative Fees)
\$9,067,227	(Estimated State Redevelopment Fund)
\$0	(Estimated Local Revolving Fund)

**Total:** \$325,997,289

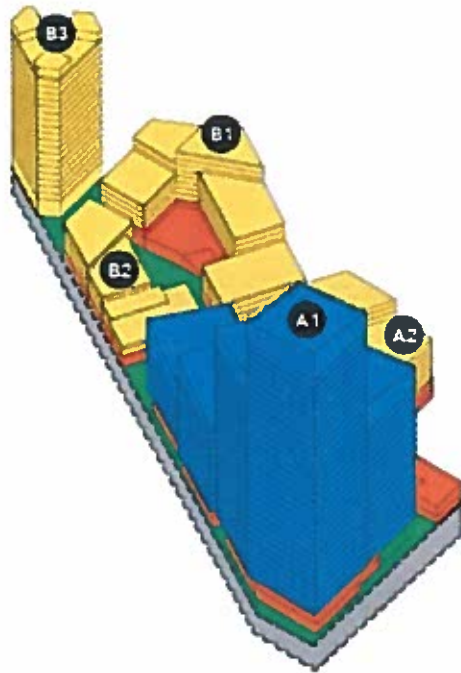
**Years to Complete Payback:** 30 Years (Tax Increment Revenue)  
20 Years (Income Tax Capture Revenue, Withholding Tax Capture Revenue)

**Base TV/New ITV Estimate:**

\$567,831	Base TV
\$94,736,237	ITV (Year 1)

**Other Anticipated Incentives:** Neighborhood Enterprise Zone designation  
Commercial Rehabilitation Act designation

# MONROE BLOCKS PROGRAMMING SUMMARY

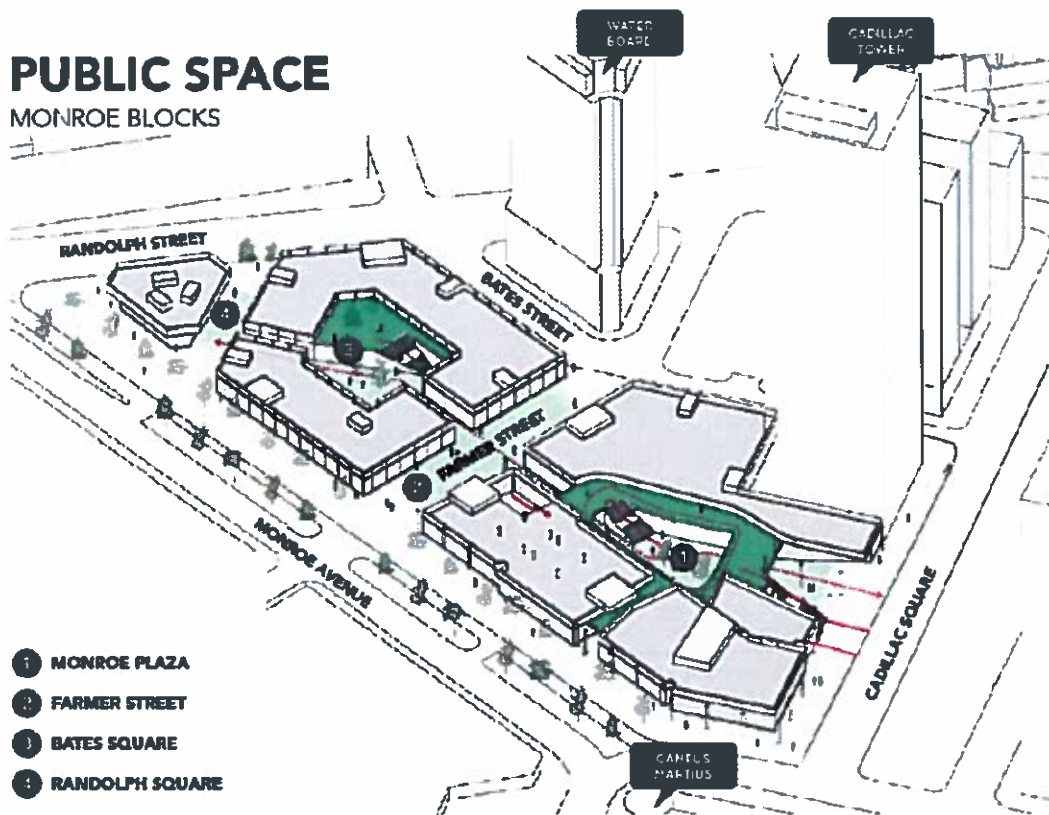


RETAIL	
Building A1:	63,700 gsf
Building A2:	53,500 gsf
Building B1:	38,000 gsf
Building B2:	13,800 gsf
<b>Total Retail:</b>	<b>169,000 gsf</b>
OFFICE	
Building A1:	814,000 gsf
<b>Total Office:</b>	<b>814,000 gsf</b>
RESIDENTIAL	
Building A2:	136 units
Building B1:	153 units
Building B2:	62 units
Building B3:	131 units
<b>Total Residential:</b>	<b>482 units</b>
<b>Total Area:</b>	<b>433,000 gsf</b>
PUBLIC SPACE	
<b>Total Public Space Area:</b>	<b>1.5 acres</b>
PARKING	
<b>Total Spaces:</b>	<b>1,261 spaces</b>
<b>TOTAL FLOOR AREA*:</b>	<b>1,420,000 gsf</b>

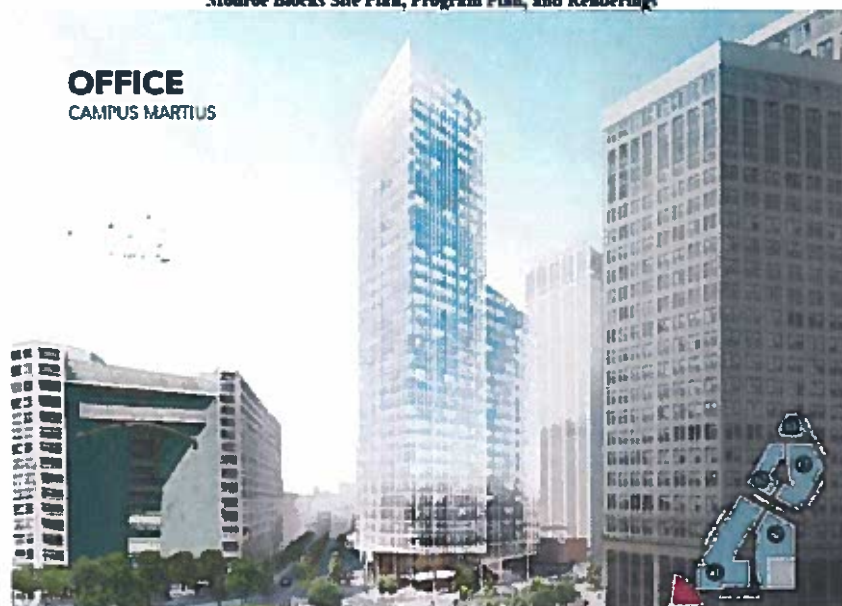
\*Excludes Public Space and Parking

Monroe Blocks Site Plan and Renderings

## PUBLIC SPACE MONROE BLOCKS



Source: DBRA, via Bedrock's TBP



Source: DBRA, via Bedrock's TBP

### **#3. CAMPUS MARTIUS<sup>29</sup>**

One Campus Martius (“OCM”), the former headquarters of Compuware Corporation, opened in 2003 and is currently the headquarters of Quicken Loans Inc. and Meridian Health Plan. The building consists of fourteen (14) stories and a penthouse on land fronting Woodward Avenue and Monroe Avenue and three (3) stories in the rear area bounded by Gratiot Avenue and Farmer Street. In addition to the foregoing, OCM includes a parking structure bounded by Farmer Street, Monroe Street, Randolph Street, and Gratiot Avenue and two levels of sub-grade parking. OCM was constructed to allow for an 11-story expansion in this rear area as depicted in Attachment C-4. The expansion was intended as Phase II of the Compuware project but was never developed. OCM is currently a single tax parcel but will be converted into a condominium in conjunction with the expansion. The currently undeveloped portion of OCM will be established as Unit 2 of the One Campus Martius Condominium, which will be the eligible property subject to this Plan.

The Compuware Plan of 2003, detailed earlier, will need to be abolished pursuant to Section 14(8) of Act 381 prior to adoption of this Plan. The proposed Unit Two of the One Campus Martius Condominium is adjacent and contiguous to the Hudson’s Site and is estimated to increase the captured taxable value of that property. Accordingly, the proposed Unit Two of the One Campus Martius Condominium is “eligible property” for inclusion in this Plan.

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<sup>29</sup> **Campus Martius** (Latin for the “Field of Mars”, Italian Campo Marzio) (which can be loosely translated as “military ground” from the original Latin”), was a publicly owned area of ancient Rome about 2 square kilometres (490 acres) in extent. In the Middle Ages, it was the most populous area of Rome. After a fire destroyed the City of Detroit in 1805, Judge Augustus Woodward was determined to remake the city on a plan similar to Washington, D.C. He recruited surveyors from Canada to help plot the new city’s streets, parks and lots. They set up their surveying equipment in the middle of present-day Campus Martius, and the Woodward plan for the city began from this “Point of Origin.” Today, this point lies at the junction of Woodward and Monroe, and is marked with a plaque. The mile roads that lie north of the park and into the suburbs draw their distance from this marker. In other words, 8 Mile Road lies exactly 8 miles north of Campus Martius.

The planned expansion of OCM is expected to result in the construction of approximately 310,000 GSF of additional office space over 13 stories, including auditorium space. The total anticipated budget for the construction of the project is **\$94.8 million**.

The project is intended to continue and accelerate the trend of job growth in the City of Detroit. The OCM Expansion is anticipated to directly create or support **1,155 new permanent, full-time equivalent office jobs** in the City at a projected wage of \$85,000 as well as 69 new permanent, full-time equivalent jobs in the auditorium and event uses. Construction on the OCM Expansion is anticipated to commence in Winter (Q1) 2018.

The developer is seeking to be reimbursed for the costs of eligible activities.

**TIF Capture for Campus Martius -The Low Estimate**

ONE CAMPUS MARTIUS	Allocation	Percent of Reimbursement to Developer	Percent of Reimbursement of Overall Capture
New construction	\$63,933,934	11.5%	11.0%
<b>Total reimbursement to the Developer</b>	<b>\$63,933,934</b>	<b>11.5%</b>	<b>11.0%</b>
Authority Administrative Costs	\$914,341	0.2%	0.2%
State Brownfield Development Fund	\$1,341,751	0.2%	0.2%
Local Brownfield Development Fund	\$0	0.0%	0.0%
<b>TOTAL ESTIMATED COSTS</b>	<b>\$68,446,118</b>	<b>12.3%</b>	<b>11.8%</b>

\*Based on no contingency as recorded on Bedrock's TBP TIF table spreadsheet.

**TIF Capture for Campus Martius - Max Estimate with a 15% Contingency to the Developer**

ONE CAMPUS MARTIUS	Allocation	Percent of Reimbursement to Developer	Percent of Reimbursement of Overall Capture
New construction	\$63,933,934	10.0%	9.6%
15% Contingency	\$9,590,090	1.5%	1.4%
<b>Total reimbursement to the Developer</b>	<b>\$73,524,024</b>	<b>11.5%</b>	<b>11.1%</b>
Authority Administrative Costs	\$914,341	0.1%	0.1%
State Brownfield Development Fund	\$1,341,751	0.2%	0.2%
Local Brownfield Development Fund	\$0	0.0%	0.0%
<b>TOTAL ESTIMATED COSTS</b>	<b>\$78,036,208</b>	<b>12.2%</b>	<b>11.8%</b>

The total **Reimbursement to the Developer** for the entire Transformational Brownfield Plan (TBP) is estimated in a range of \$557,371,278\* to \$640,976,970\*\* (which includes a 15% contingency)

With a **total capture of all estimated costs** for the entire Transformational Brownfield Plan (TBP) (including the DBRA Authority and the State) is: \$579,436,872\* to \$663,042,564\*\* (which also includes a 15% contingency to the developer).

**Parcel Information:**

**One Campus Martius Expansion**

Address	Tax ID	Current Owner
1000 Woodward Avenue	01004106-9 (current): property to be converted to condominium with separate unit and tax	1000 Webward LLC. an affiliate of Bedrock
	identification number for the expansion. <sup>2</sup>	

Source: DBRA, via Bedrock's TBP

**Parcel Legal Description and Basis of Eligibility**

**One Campus Martius Expansion**

<b>Address</b>	<b>Legal Description</b>	<b>Tax ID</b>	<b>Basis for Eligibility</b>
1000 Woodward Avenue	<p>PROPOSED UNIT 2 "ONE CAMPUS MARTIUS CONDOMINIUM"                      LAND IN THE CITY OF DETROIT, WAYNE COUNTY, MICHIGAN:                      A PART OF "SECTION NO. 7 GOVENOR AND JUDGES PLAN OF THE CITY OF DETROIT". AS RECORDED IN LIBER 34, PAGE 544 OF DEEDS AND LIBER 1, PAGE 199 OF PLATS, WAYNE COUNTY RECORDS; ALSO, A PART OF "SUBDIVISION OF LOT 80 SECTION NO. 7 GOVENOR AND JUDGES PLAN OF THE CITY OF DETROIT". AS RECORDED IN LIBER 1, PAGE 271 OF PLATS, WAYNE COUNTY RECORDS AND BEING</p>	01004106-9 (current): property to be converted to condominium with separate unit and tax parcel for the expansion. <sup>2</sup>	Adjacent and contiguous

*Source: Detroit Brownfield Redevelopment Authority*

MORE PARTICULARLY DESCRIBED AS:  
HORIZONTAL LOCATION  
 A PART OF LOTS 79 AND 81 OF SAID "SECTION NO. 7 GOVENOR AND JUDGES PLAN OF THE CITY OF DETROIT". AND A PART OF LOTS 1 AND 2. AND ALL OF LOTS 3. 4 AND 5 OF SAID "SUBDIVISION OF LOT 80 SECTION NO. 7 GOVENOR AND JUDGES PLAN OF THE CITY OF DETROIT". AND ALL OF THE VACATED ALLEYS LYING WITHIN THE FOLLOWING DESCRIBED BOUNDS:  
 COMMENCING AT THE INTERSECTION OF THE SOUTHEASTERLY LINE OF GRATIOT AVENUE (60 FEET WIDE) AND THE EASTERLY LINE OF WOODWARD AVENUE (120 FEET WIDE): THENCE S 70° 56' 53" E. 15.51 FEET TO A POINT ON AN EXISITING FACE OF A 15 STORY OFFICE BUILDING: THENCE N 58° 51' 14" E. 87.63 FEET ALONG SAID BUILDING FACE TO THE POINT OF BEGINNING: THENCE THE FOLLOWING 6 COURSES ALONG THE APPROXIMATE FACE OF SAID EXISTING OFFICE BUILDING. (1) N 58° 47' 56" E. 177.49 FEET AND. (2) S 61° 01' 36" E. 152.73 FEET AND. (3) S 28° 47' 15" W. 104.08 FEET AND (4). N 61° 53' 58" W. 91.95 FEET AND. (5) S 59° 29' 50"W. 115.95 FEET AND. (6) N 31° 26' 36" W. 104.08 FEET TO THE POINT OF BEGINNING.  
LOWER VERTICAL LIMIT  
 THE LOWER VERTICAL LIMIT OF THE THREE-DIMENSIONAL LEGAL DESCRIPTION SHALL

	BE AN ELEVATION OF 169.5 FEET. CITY OF DETROIT DATUM. 47.9 FEET ABOVE STREET LEVEL. <u>UPPER VERTICAL LIMIT</u> THE UPPER VERTICAL LIMIT OF THE THREE-DIMENSIONAL LEGAL DESCRIPTION SHALL BE AN ELEVATION OF 353.9 FEET. CITY OF DETROIT DATUM. 232.3 FEET ABOVE STREET LEVEL.		
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**Project Name:** One Campus Martius Expansion

**Project Location:** Proposed Unit Two of the "One Campus Martius Condominium." 1000 Woodward Avenue. Detroit. MI 48226

**Type of Eligible Property:** Undeveloped Property That Was Eligible Property in Abolished Plan

**Total Project Investment:** \$94,782,781

**Eligible Activities:** Construction and alteration

**Reimbursable Costs:**

\$73,524,024	(Estimated Eligible Activities)
\$914,341	(Estimated BRA Administrative Fees)
\$1,341,752	(Estimated State Redevelopment Fund)
<u>\$0</u>	<u>(Estimated Local Revolving Fund)</u>

**Total:** \$75,780,117

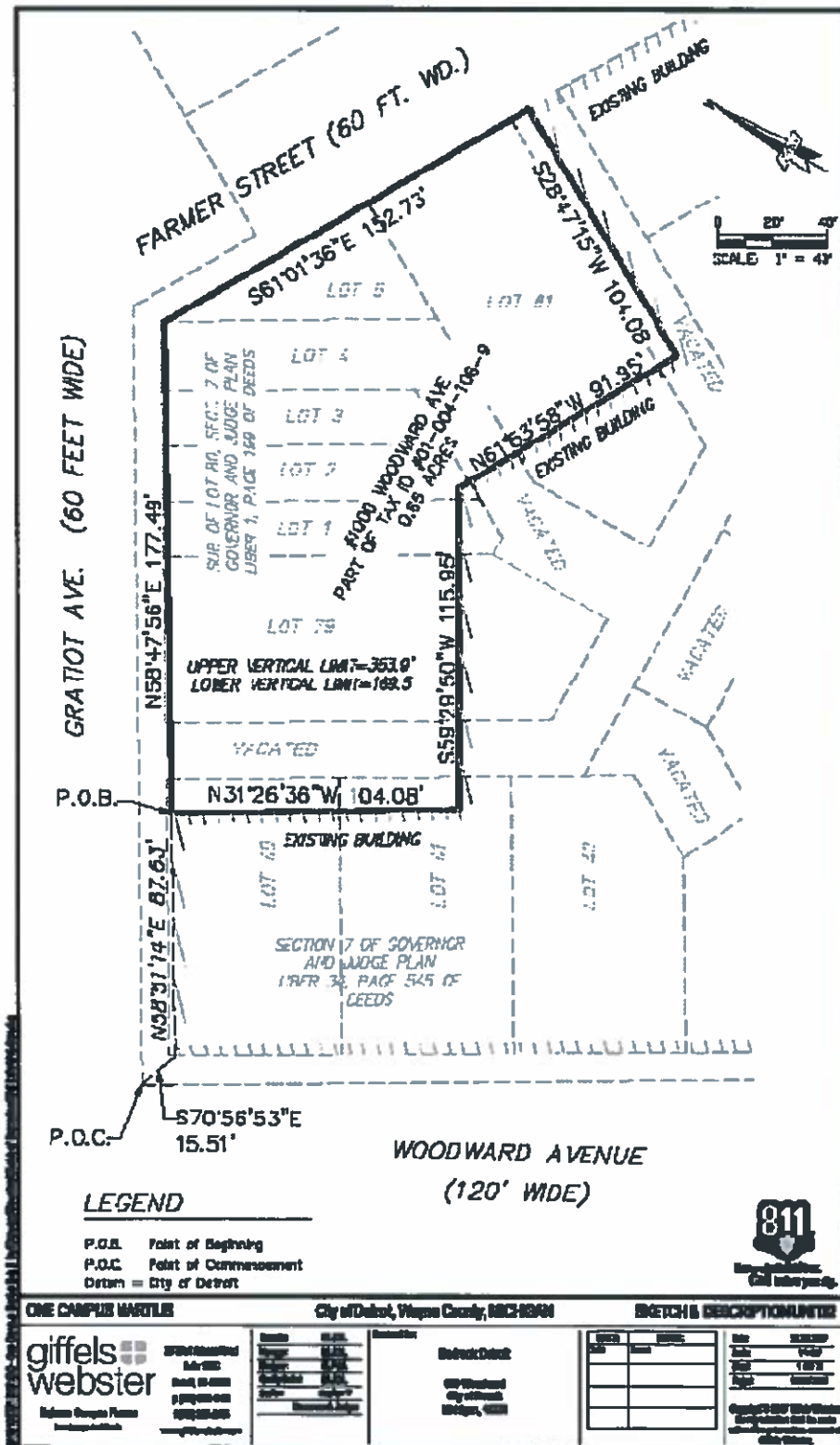
**Years to Complete Payback:** 30 Years (Tax Increment Revenue)  
20 Years (Income Tax Capture Revenue, Withholding Tax Capture Revenue)

**Base TV/New ITV Estimate:** \$0 Base TV  
\$13,716,781 ITV (Year 1)

*Source: Detroit Brownfield Redevelopment Authority*



**Depiction of the Proposed Unit 2, One Campus Martius Condominium  
Commencing on the Third Floor**



Source: DBRA, via Bedrock's TBP

**One Campus Martius – Site Plan and Renderings**

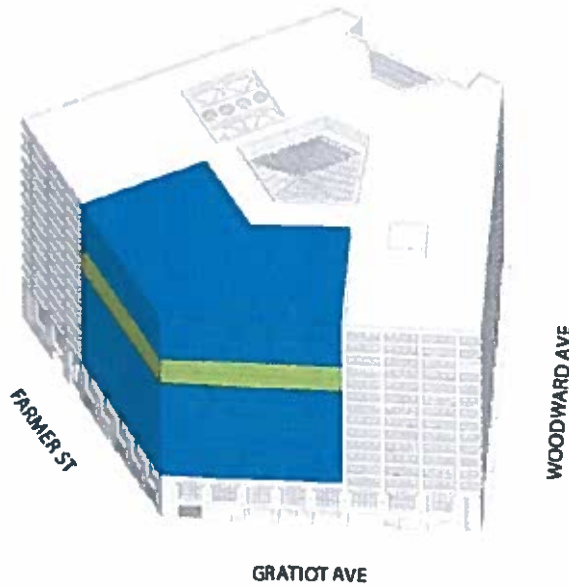


**One Campus Martius – Site Plan and Renderings**



**Source: DBRA, via Bedrock's TBP**

**OCM ADDITION  
PROGRAMMING SUMMARY**



OFFICE	
Total Office Area:	269,160 sf
AUDITORIUM SPACE	
Total Auditorium Area:	41,040 sf
Total Auditorium Capacity:	600 people
<b>TOTAL PROJECT AREA:</b>	<b>310,200 sf</b>

Source: DBRA, via Bedrock’s TBP

**#4. BOOK BUILDING AND BOOK TOWER**

The Book Building and Book Tower project, consists of three tax parcels located at 1201, 1249 and 1265 Washington Boulevard, and the adjacent and contiguous parcel at 1201 Washington Boulevard. This segment of the plan is to restore and convert the 38-story Book Tower and the attached 13-story Book Building, vacant since 2009, into a mixed use development. The historic Book Building, a 13-story building completed in 1917 and Book Tower, a 38 story tower completed in 1926, each respectively is a separate tax parcel. Innovative Acquisitions LLC, an affiliate of Bedrock, owns both parcels.

The redevelopment plan for the Book Building and Book Tower includes the adjoining tax parcel located at 1201 Washington Boulevard, which is adjacent and contiguous to the Book Building and Book Tower and is also owned by Innovative Property Partners LLC. The Book Building and Book Tower is a “historic resource”<sup>30</sup>, as defined under Section 2(w) of Act 381 as a contributing resource to the Washington Boulevard Historic District, which was listed on the National Register on July 15, 1982.

<sup>30</sup> “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:

The Book Building and Book Tower (1249 and 1265 Washington Boulevard) were included in the “Brownfield Plan for the Book Building/Book Tower Redevelopment Project” adopted in September 2006 (“Initial Book Plan”). In accordance with Section 14(8) of Act 381, the Initial Book Plan will be terminated as “the project for which eligible activities were identified in the brownfield plan...fail[ed] to occur for at least 2 years following the date of the resolution approving the brownfield plan or plan amendment.” The termination of the Initial Book Plan will have to occur prior to the approval of this Plan in accordance with the requirements of Section 14(8)(b)(i) and (ii)<sup>31</sup> of Act 381.

The 38-story Book Tower and adjoining 13-story Book Building will undergo a comprehensive renovation of the interior and exterior. The rehabilitation and transformation will include: replacement of all mechanical and electrical systems, plumbing, elevators, life safety systems, and windows; lead and asbestos abatement and hazardous materials removal; and complete restoration of the historic façade and interior build-out. The total anticipated budget for the construction of this project is **\$311 million**.

The Book Building and Book Tower redevelopment project is anticipated to create 28,890 GSF of first floor retail space; 49,780 GSF of conference and event space on floors 2-3; 106,000 GSF of office space on floors 4-8; an estimated 200 hotel rooms also occupying 106,000 GSF on floors 9-13; and **95 residential units** on floors 14-36. The top two floors of the Book Tower will be used for mechanical systems.

Prior to the acquisition of the Book Building and Book Tower by Innovative Acquisitions LLC, the 1,100 space Book Tower Garage, which previously supported the Book Building, Book Tower and surrounding area was demolished. In order to provide the parking necessary for the redevelopment to be viable, a new 400-space parking structure is planned to be constructed to the south of the Book Building on the adjoining parcel at 1201 Washington Boulevard. In order to facilitate the construction of the proposed new parking structure, the demolition of the existing two-story structure on site, known as the Book Arcade, is required. The cost of the parking is covered under the brownfield plan as an “eligible activity,” as an “infrastructure improvement.”<sup>32</sup>

In addition to being necessary for the rehabilitation of the Book Building and Book Tower, the parking structure is needed to support the continued revitalization and restoration of the Capitol Park Historic District and other nearby developments.

The Historic District Commission has given conditional approval, subject to design review, for the demolition of the existing two-story structure in order to allow for the construction of the parking structure. This project is anticipated to directly create or support approximately **663 new permanent, full-time equivalent jobs** in the City. Early stabilization work on the Book Building and Book Tower has commenced to address safety issues, prevent further deterioration, and prepare the Book Building and Book Tower for renovation. The full

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<sup>31</sup> 14(b) The governing body may terminate a brownfield plan or plan amendment for an eligible property if the project for which eligible activities were identified in the brownfield plan or plan amendment fails to occur with respect to the eligible property for at least 2 years following the date of the resolution approving the brownfield plan or plan amendment, provided that the governing body first does both of the following:

(i) Gives 30 days' prior written notice to the developer at its last known address by certified mail or other method that documents proof of delivery attempted.

(ii) Provides the developer an opportunity to be heard at a public meeting.

<sup>32</sup> PA 381, MCL: 125.2652 Sec. 2 (aa) "Infrastructure improvements" means a street, road, sidewalk, parking..."

renovation of the Book Building and Book Tower is anticipated to commence in Winter (Q1) 2019.

**TIF Capture for the Book Building and Book Tower -The Low Estimate**

BOOK BUILDING	Allocation	Percent of Reimbursement to Developer	Percent of Reimbursement of Overall Capture
Restoration	\$54,419,837	9.8%	9.4%
<b>Total reimbursement to the Developer</b>	<b>\$54,419,837</b>	<b>9.8%</b>	<b>9.4%</b>
Authority Administrative Costs	\$573,265	0.1%	0.1%
State Brownfield Development Fund	\$2,359,361	0.4%	0.4%
Local Brownfield Development Fund	\$0	0.0%	0.0%
<b>TOTAL ESTIMATED COSTS</b>	<b>\$57,352,463</b>	<b>10.3%</b>	<b>9.9%</b>

\*The numbers above reflect anticipated tax captures without a 15% contingency as reflected in Bedrock's TBP spreadsheets

**TIF Capture for the Book Building and Book Tower - Max Estimate with a 15% Contingency to the Developer**

BOOK BUILDING & TOWER	Allocation	Percent of Reimbursement to Developer	Percent of Reimbursement of Overall Capture
Restoration	\$54,419,837	8.5%	8.2%
15% Contingency	\$8,162,976	1.3%	1.2%
<b>Total reimbursement to the Developer</b>	<b>\$62,582,813</b>	<b>9.8%</b>	<b>9.4%</b>
Authority Administrative Costs	\$573,265	0.1%	0.1%
State Brownfield Development Fund	\$2,359,361	0.4%	0.4%
Local Brownfield Development Fund	\$0	0.0%	0.0%
<b>TOTAL ESTIMATED COSTS</b>	<b>\$65,515,439</b>	<b>10.2%</b>	<b>9.9%</b>

**Parcel Information:**

**Book Building and Book Tower**

Address	Tax ID	Owner
1249 Washington Boulevard	02000299	Innovative Acquisitions LLC, an affiliate of Bedrock
1265 Washington Boulevard	02000298	Innovative Acquisitions LLC, an affiliate of Bedrock
1201 Washington Boulevard	02000300	Innovative Property Partners LLC, an affiliate of Bedrock

## Parcel Legal Description and Basis of Eligibility

### Book Building and Book Tower

Address	Legal Description	Tax ID	Basis for Eligibility
1249 Washington Boulevard	W WASHINGTON BLVD 9 THRU 7 & N 38.77 FT OF E 10 FT OF VAC ALLEY IN REAR OF LOT 7 W 5 FT OF VAC WASHINGTON BLVD ADJ PLAT OF SEC 10 GOVERNOR & JUDGES PLAN L34 P553 DEEDS, W C R 2/2 182.31 IRREG	02000299	Historic Resource
1265 Washington Boulevard	W WASHINGTON BLVD 10 W 5 FT OF VAC WASHINGTON BLVD ADJ PLAT OF SEC 10 GOVERNOR & JUDGES PLAN L34 P553 DEEDS, W C R 2/2 60.77 X 105	02000298	Historic Resource
1201 Washington Boulevard	W WASHINGTON BLVD 6&5 & VAC ALLEY IN REAR W 5 FT OF VAC WASHINGTON BLVD ADJ PLAT OF SEC 10 GOVERNOR & JUDGES PLAN L34 P553 DEEDS, W C R 2/2 121.54 X 125	02000300	Adjacent and Contiguous

**Project Name:** Book Building and Book Tower

**Project Location:** Eligible Property is located at 1201, 1249, and 1265 Washington Boulevard, in the Central Business District of the City of Detroit, Wayne County, MI

**Type of Eligible Property:** Historic Resource (1249 and 1264 Washington);  
Adjacent and Contiguous (1201 Washington)

**Total Project Investment:** \$311,444,245

**Eligible Activities:** Restoration and renovation

**Reimbursable Costs:** \$62,582,813 (Estimated Eligible Activities)  
\$573,265 (Estimated BRA Administrative Fees)  
\$2,359,351 (Estimated State Redevelopment Fund)  
\$0 (Estimated Local Revolving Fund)

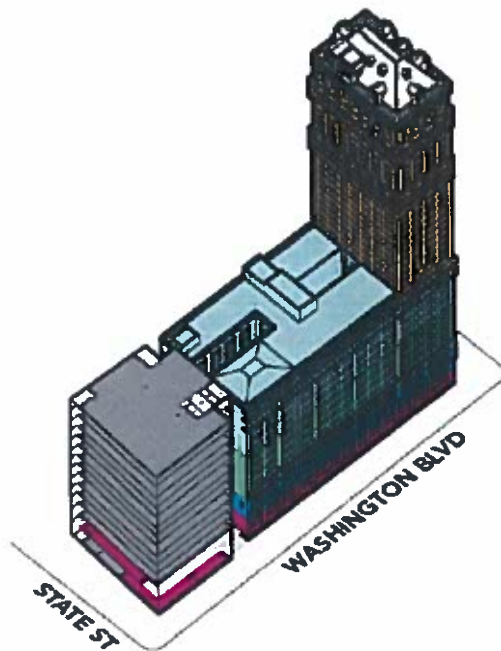
**Total:** \$65,515,429

**Years to Complete Payback:** 30 Years (Tax Increment Revenue)  
20 Years (Income Tax Capture Revenue, Withholding Tax Capture Revenue)

**Base TV/New ITV Estimate:** \$974,739 Base TV  
\$23,584,999 ITV (Year 1)

**Book Building and Book Tower Site Plan and Renderings**

**BOOK TOWER DEVELOPMENT**  
PROGRAM SUMMARY (GROSS AREAS)



RESIDENTIAL	
FLOORS 14-34	143,083 gsf
TOTAL UNITS	95 units
OFFICE	
FLOORS 4-8	104,400 gsf
EVENTS	
FLOORS 2-3	49,780 gsf
HOTEL	
FLOORS 9-13:	104,400 gsf
TOTAL ROOMS:	200
RETAIL	
MAIN FLOOR:	28,090 gsf
PARKING	
FLOORS 1-14:	137,490 gsf
TOTALS	
TOTAL GSF	592,043 gsf
RESIDENTIAL UNITS	95 units
HOTEL ROOMS	200 rooms

Source: DBRA, via Bedrock's TBP

**Evaluation of Bedrock's TBP**

The mechanics and requirements for approving a transformational brownfield plan, include the following:

- The governing body shall make an initial determination as to whether the transformational brownfield plan constitutes a public purpose (MCL 125.2664a(1))
- The governing body may then approve or reject the transformational brownfield plan, or approve it with modification by resolution (MCL 125.2664a (3)).
- The costs and amount of capture are reasonable and necessary (bridge financial gap).
- The plan will result in an overall benefit for the state of Michigan.
- With a TBP as in all Brownfield plans, they require a public hearing and are subject to final approval by the (local) governing body.<sup>33</sup>
- The Michigan strategic fund shall require an independent, third-party underwriting analysis and a third-party fiscal and economic impact analysis<sup>34</sup> for any plan that proposes to use more than \$1.5 million in any year in withholding tax capture revenues.<sup>35</sup>

<sup>33</sup> MCL 125.2664 Sec. 14 (1) Before approving a brownfield plan for an eligible property, the governing body shall hold a public hearing on the brownfield plan. By resolution, the governing body may delegate the public hearing process to the authority or to a subcommittee of the governing body subject to final approval by the governing body.

<sup>34</sup> Council should also receive any independent third party reports on all projects.

<sup>35</sup> MCL 125.2664a Transformational brownfield plan; approval and review by governing body and Michigan strategic fund.

- For **Detroit**, a TBP has a state statutorily required minimum investment of \$500 million for a city with a population over 600,000 for a TBP in the city.

In order to determine if a “Transformational Brownfield Plan” is warranted, by statute, several questions must be addressed.

**A important question that requires an affirmative response: is that there is a financial need for transformational brownfield development incentive that` results from the difference or “gap”<sup>36</sup> between development costs and what market rents in the City can support.** The validation of construction cost estimates and market rents is central to justifying financial need. The TBP included the following response from the developer, as a response to this question:  
**Bedrock’s Response in the TBP:**

- **The costs and challenges generally associated with brownfield conditions and historic rehabilitation**
- **The transformational brownfield redevelopment incentives included in this Plan are necessary as market rents in the City are insufficient to support the cost of complex, large-scale, high-rise construction**
- **Construction costs in the Detroit market are generally comparable to major cities across the United States, and have increased substantially in recent years as demand for construction labor and materials has increased at a faster rate than supply<sup>37</sup>**
- **Current rent for Class A office space in the City, however, averages only \$24 per sq. ft. per year as compared to the average of \$39.83 for downtown office markets<sup>38</sup> across the United States. Of the top 50 downtown markets in the country, the average asking rent in Detroit remains lower than in all but two markets.<sup>39</sup>**
- **In addition to this market value gap, the dedication of extensive space to public and civic uses, while critical to local economic development and overall community benefit, furthers the financial challenge and, in turn, the need for the transformational brownfield redevelopment incentives to make the projects possible and achieve the benefits of this Plan.**

***LPD: These appear to be valid points, however, the TBP does not clearly identify how much the “gap” actually is. The estimates for construction costs and office rents make comparisons to other cities where the economic circumstances on the ground are different than what might exist here in Detroit, but the specific “gap” for this specific plan, is quantified in the proforma<sup>40</sup> for the project and it validated the TBP incentive.***

Bedrock, has further indicated, even with the projected increase in rents and the transformational brownfield redevelopment incentives included in this Plan, the return to the Developer from the

<sup>36</sup> Financing that is required, but for which no provision has been made. The difference in total funding needed for a proposal and the amount of funding already made available.

<sup>37</sup> Per the leading City Construction Cost Index provided by RS Means, the cost index for Detroit is 209.1 as compared to a 207.3 national average index score.

<sup>38</sup> LPD estimates that the difference of sq. footage price of \$15.83, per sq. difference theoretically equates to a construction costs difference of \$15.83 \$57,340,106.69.

<sup>39</sup> All data in this paragraph comes from Jones Lange LaSalle’s Office Outlook for Q2 2017, which is available to the public at <https://spark.adobe.com/page/K8RpF0gmEZp4A/>.

<sup>40</sup> **Pro forma**, a Latin term, literally means “for the sake of form” or “as a matter of form.” In the world of investing, **pro forma refers to a method by which financial results are calculated.** This method of calculation places emphasis on present or projected figures. Pro Forma <http://www.investopedia.com/terms/p/proforma.asp#ixzz4w4IIsBDV>



proposed projects included in this Plan is substantially below the level that is considered a traditional market return.

Section 14a(5) of Act 381, the MSF is separately required, with and through an independent third-party firm, to conduct a financial analysis to determine that the Tax Capture Revenues in this Plan are required for the projects in this Plan to be economically viable. Accordingly, the financial need for the transformational brownfield redevelopment incentives included in this Plan has been, and will continue to be, extensively justified.

**Regarding the required elements of the TBP, Bedrock included the following essential information:**

- The project exceeds the minimum statutory investment threshold of \$500 million, with a \$2.1 billion in capital investment.
- Redeveloping the largest vacant sites in Detroit's CBD (the Hudson's Site and Monroe Blocks), covering three city blocks in total, each of which has been primarily vacant for over 20 years.
- Reintroducing high-rise development to Detroit for the first time in 25 years, bringing a product to the market intended to make Detroit a nationally competitive urban center with respect to the attraction of business, jobs, and talent.
- Redeveloping the largest un-rehabilitated historic structure in downtown Detroit (the Book Building and Book Tower), which has been primarily vacant for approximately 20 years.
- Delivering, in total, more than 3.2 million GSF of new residential, retail, and commercial space into the Detroit market.

**Bedrock reported the following regarding growth in population:**

- Constructing approximately **900 new residential units** to grow the City's population and tax base will result in an estimated **2,122 new Detroit residents**.<sup>41</sup>
- Creating or supporting **15,800 construction jobs**, consisting of 6,000 direct jobs; 5,000 indirect jobs; and 4,800 induced jobs.
- Directly creating or supporting **7,261 new permanent, full-time equivalent jobs** in the City to expand economic opportunity and grow the City's tax base. Supporting an additional 7,000 indirect and induced jobs from the ongoing permanent economic activity.

**Bedrock reported the following regarding growth in commercial activity:**

- Generating \$3 billion in total economic output from construction (including direct, indirect, and induced impacts).
- Supporting \$2.5 billion in annual economic output once the projects are completed, consisting of **\$1.3 billion in new direct annual output in the City**; and \$1.2 billion in additional indirect and induced annual output throughout Wayne County.

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<sup>41</sup> The Parsons Economic Impact Report estimated that 90% of the new residential units would result in net new residential occupancy within the City.

The approval of this Plan, **requires that the governing body has determined that this Plan** 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” and meets the requirements for designation as a Transformational Brownfield Plan.<sup>42</sup>

The Developer of each Transformational Project Site (each of which is an affiliate of Bedrock) desires to be reimbursed for the costs of eligible activities from tax capture revenues generated by the Transformational Project Sites that will be captured by the DBRA, or as applicable, transmitted by the MSF and/or State Treasurer pursuant to Act 381 and the associated public acts (2017 PA 47, MCL 206.1-206.713 and 2017 PA 50, MCL 125.2689). The eligible activities in Attachment E of the TBP, represent a portion of the total cost of eligible activities and correspond to the amount of tax capture revenues projected to be generated from the Transformational Project Sites, in addition to a 15% contingency on such eligible activities as per the DBRA’s Amended and Restated Guidelines for Brownfield Plan Proposals (“DBRA Guidelines”).

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, by DBRA, Council’s authorized agent in this capacity, on October 5, 2017, for the November 9, 2017.

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<sup>42</sup> Section 2(vv) of Act 381

**Estimated Impact on Revenues of Taxing Jurisdictions**

<u>Tax Capture Revenue</u>	<u>Reimbursements Costs</u>	<u>DBRA Admin. Costs</u>	<u>MSF Admin. Costs</u>	<u>State Brownfield Fund</u>	<u>Local Revolving Fund</u>
School Operating Tax	\$145,907,929	\$0.00	\$0.00	\$0.00	\$0.00
State Education Tax	\$31,325,239	\$0.00	\$0.00	\$18,805,324	\$0.00
County – Operating, Parks, and Jail (Winter)	\$14,831,052	\$924,732	\$0.00	\$0.00	\$0.00
RESA (Winter)	\$37,494,166	\$2,335,530	\$0.00	\$0.00	\$0.00
<b>Total</b>	<b>\$229,558,387</b>	<b>\$3,260,262</b>	<b>\$0.00</b>	<b>\$18,805,324</b>	<b>\$0.00</b>

**In addition, the following property taxes are projected to be generated but shall not be captured under this Plan. With the exception of the millages levied for the DIA and Detroit Zoo, all taxes below are captured by the DDA.**

City Operating	\$136,277,492
Library	\$31,628,919
County Operating (Summer)	\$38,579,398
WCCC (Winter)	\$21,928,630
HMCA (Winter)	\$1,465,775
City Debt	\$64,943,481
School Debt	\$89,188,288
DIA Tax	\$1,366,053
Zoo Tax	\$683,027
<b>Total</b>	<b>\$386,061,063</b>

**Estimated Total Tax Captures (Not including 15% Contingency)<sup>43</sup>**

<b><u>Tax Capture Revenue</u></b>	<b><u>Reimbursements Costs</u></b>	<b><u>DBRA Admin. Costs</u></b>	<b><u>State Brownfield Fund</u></b>	<b><u>Local Revolving Fund</u></b>
Tax Increment Revenues	\$229,558,387	\$3,260,262	\$18,805,324	\$0.00
Construction Income Tax Revenues	\$18,174,854	\$0.00	\$0.00	\$0.00
State Income Tax Capture Revenues	\$51,694,296	\$0.00	\$0.00	\$0.00
Withholding Tax Capture Revenues	\$256,283,297	\$0.00	\$0.00	\$0.00
City Income Tax (Ren. Zone)	\$1,660,444	\$0.00	\$0.00	\$0.00
<b>Total</b>	<b>\$557,371,278</b>	<b>\$3,260,262</b>	<b>\$18,805,324</b>	<b>\$0.00</b>

Also included, **in addition to the tax captures (listed above)**, it is anticipated that the **Construction Sales/Use Tax Exemption** available for the redevelopment of eligible property included in a Transformational Brownfield Plan (TBP), will reduce construction costs by **\$60,647,889**.<sup>44</sup>

<sup>43</sup> Total captured allowed to the developer is \$640,976,970, when including the 15% contingency, per the TBP.

<sup>44</sup> As provided for in 2017 PA 48, MCL 205.54d and 2017 PA 49, MCL 205.91-205.111.

### CITY OF DETROIT & LOCAL SHARE OF TIF

(\*The State must approve \$177,233,168 of the School Operating & State Education Tax included in the Tax Increment Revenues below)

Tax Capture Revenue	Reimbursements Costs	Percentage of Reimbursement Costs to Developer	DBRA Admin. Costs	State Brownfield Fund	Local Revolving Fund
<b>*Tax Increment Revenues</b>	\$229,558,387	41.2%	\$3,260,262	\$18,805,324	\$0
<b>City Income Tax (Ren. Zone)*</b>	<b>\$1,660,444</b>	<b>0.3%</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Local Share of Reimbursement to the Developer</b>	<b>\$231,218,831</b>	<b>41.5%</b>	<b>\$3,260,262</b>	<b>\$18,805,324</b>	<b>\$0</b>

*\* In a Renaissance Zone the residents of the zone are exempt from City Income Tax. The Transformational Brownfield Act provides for the elimination of the exemption and the subsequent capture of the aforementioned tax.*

### STATE OF MICHIGAN SHARE OF TIF

Tax Capture Revenue	Reimbursements Costs	Percentage of Reimbursement Costs to Developer	DBRA Admin. Costs	State Brownfield Fund	Local Revolving Fund
Construction Income Tax Revenues (State)	\$18,174,854	3.3%	\$0	\$0	\$0
State Income Tax Capture Revenues	\$51,694,296	9.3%	\$0	\$0	\$0
Withholding Tax Capture Revenues (State)	\$256,283,297	46.0%	\$0	\$0	\$0
<b>State Share of Reimbursement to the Developer**</b>	<b>\$326,152,447</b>	<b>58.5%</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total of Reimbursement to the Developer</b>	<b><u>\$557,371,278</u></b>				

\*\*If the School Operating Tax of \$145,907,929 & State Education Tax of \$31,325,239, totaling 177,233,168 are considered as part of the State's Share of Reimbursement to the Developer, the State's overall share is 90.3% (= \$503,385,615 of \$557,3710).

### Affordable Housing

Council has expressed an interest in there being an affordable component included with tax incentivized housing projects. In July of this year, the Council approved the Affordable Housing Agreement with Bedrock and the City of Detroit. We provided the Council a comprehensive review of the agreement in the LPD Report, “A Review of the Affordable Housing Agreement with Bedrock,” dated July 19, 2017. In the agreement, Bedrock committed to provide one unit of affordable housing for each unit of housing it develops (20%). Bedrock further committed that at least 20% of the units will be “affordable”, at or below 80% of the Area Median Income<sup>45</sup>

<sup>45</sup> According to HUD, 80% of AMI for the Detroit-Warren-Livonia Metro Area is \$38,450.

(AMI) for 30 years. The project developer (a subsidiary of Bedrock) needs to express how they intend to meet the aforementioned affordable housing commitment in relationship to this project.

**In the agreement, Bedrock committed to meet its 20% affordable threshold two ways:**

1. **New Affordable Units** – Developing new affordable units at the same time new market rate units are being developed.
2. **Preservation Projects** – Preserving existing affordable housing at the end of its affordability period, so that it stays affordable and the do not convert to market rate units and reduce the affordable housing stock. 30-40% AMI households.

All of the affordable units will be provided within the “Affordable Housing Priority Area”, defined as the Downtown, Midtown, New Center, and Corktown areas, where affordable housing needs to be developed and preserved.

According to the TBP, with **900 new residential units**, the developer in this instance would need to produce **180 units (20%)** of affordable housing, in order to comply with the terms of the established Affordable Housing Agreement with Bedrock and the City of Detroit.

**Also a requirement of Council approving the Plan, the TBP meet following declarations of the City Council resolution.** The items mentioned in this report, addresses these declarations:

**Public Purpose-** The City Council can determine that the Plan constitutes a public purpose in accordance with Section 14(5) of Act 381. **LPD: *Justification is in the jobs, increased growth in population, growth in commercial investment, revenue, investment, 180 associated affordable units and the transformative nature of the project.***<sup>46</sup>

**Best Interest of the Public-** The City Council can determine 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: *See answer above.***

**Review Considerations-** As required by Act 381, the City Council in reviewing the Plan, has taken into account the following considerations:

- (a) The Plan meets the requirements of Section 2(vv)<sup>47</sup> of Act 381, 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;
- (b) The Plan meets the requirements set forth in Section 13, 13(b), and 13(c) of Act 381;<sup>48</sup>
- (c) The proposed costs of the Eligible Activities identified in the Plan are reasonable and necessary to carry out the purposes of Act 381;

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<sup>46</sup> 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 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)

<sup>47</sup>Which must include a determination that the transformational brownfield plan is calculated to, and has the reasonable likelihood to, 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 transformational brownfield plan.

<sup>48</sup> (b) A description of the costs of the transformational brownfield plan intended to be paid for with construction period tax capture revenues, withholding tax capture revenues, and income tax capture revenues. (c) An estimate of the amount of construction period tax capture revenues, withholding tax capture revenues, and income tax capture revenues expected to be generated for each year of the transformational brownfield plan from the eligible property.

- (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;<sup>49</sup>
  - (g) The Plan includes the appropriate provisions regarding affordable housing;<sup>50</sup>
  - (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 act as a catalyst for additional revitalization of the area in which it is located.
- LPD: All of the elements are included in the TBP.**

Finally, we have issued several questions to the developer and anticipate answers to those questions to be forthcoming. Subsequent to this report, we will provide those answers and report on the combined impact of all the incentives related to this project with two brief supplemental reports.

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

**Attachment: Map of Bedrock’s Transformational Brownfield <sup>51</sup>**

- cc: Auditor General’s Office  
 Maurice Cox, Planning and Development Department  
 Arthur Jemison, HRD  
 Dinah Bolton, Planning and Development Department  
 Veronica Farley, Planning and Development Department  
 John Saad, Planning and Development Department  
 Stephanie Grimes Washington, Mayor’s Office  
 Jennifer Kanalos, DEGC  
 Brian Vosburg, DEGC  
 Malinda Jensen, DEGC  
 Kenyetta Bridges, DEGC

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<sup>49</sup> (4) Subject to section 88c, the fund shall review all applications for community revitalization incentives. As part of the application, the applicant shall include documentation establishing that the project is located on eligible property and a project description that includes a project pro-forma. The fund shall consider the following criteria to the extent reasonably applicable as reasonably determined by the fund board or its designee to the type of project proposed when approving a community revitalization incentive:

(a) The importance of the project to the community in which it is located. (b) If the project will act as a catalyst for additional revitalization of the community in which it is located. (c) The amount of local community and financial support for the project. (d) The applicant’s financial need for a community revitalization incentive. (e) The extent of reuse of vacant buildings, reuse of historic resources, and redevelopment of blighted property. (f) Creation of jobs. (g) The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits. (h) Whether the project is financially and economically sound. (i) Whether the project increases the density of the area. (j) Whether the project promotes mixed-use development and walkable communities. (k) Whether the project converts abandoned public buildings to private use. (l) Whether the project promotes sustainable development. (m) Whether the project involves the rehabilitation of a historic resource. (n) Whether the project addresses areawide redevelopment. (o) Whether the project addresses underserved markets of commerce. (p) The level and extent of environmental contamination. (q) If the rehabilitation of the historic resource will meet the federal secretary of the interior’s standards for rehabilitation and guidelines for rehabilitating historic buildings, 36 CFR 67, when applied after engaging in discussions with the state historic preservation office. (r) Whether the project will compete with or affect existing Michigan businesses within the same industry. (s) Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter.

<sup>50</sup> Affordable Housing Agreement with Bedrock and the City of Detroit

<sup>51</sup> Source: “BEDROCK TRANSFORMATIONAL BROWNFIELD PLAN” Presented to DBRA- September 2017

**INTRODUCTION  
TRANSFORMATIONAL SITES**

**MIDTOWN**

**EASTERN MARKET**

**CORKTOWN**

**BOOK  
TOWER**

**HUDSON'S  
SITE**

**OCM  
ADDITION**

**MONROE  
BLOCKS**

