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City of Detroit CITY COUNCIL

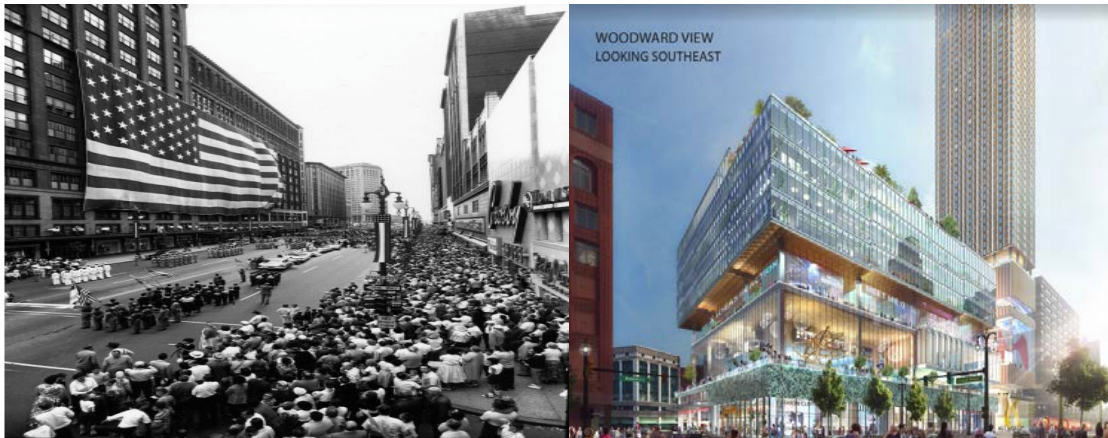
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November 9, 2017

HONORABLE CITY COUNCIL

**RE: Community Benefits Ordinance Report for the Hudson’s Block
Redevelopment Project by Bedrock and affiliate; one (1) site within the
comprehensive Transformational Brownfield Plan**



J.L. Hudson’s Dept. Building; 1960 , Tony Spina Proposed Hudson’s site redevelopment plan, Bedrock

BACKGROUND AND PROPOSAL

Ordinance 35-16, effectuated in November of 2016 as a result of the Proposal B ballot initiative, established the Community Benefits Ordinance (CBO) for the City of Detroit. The expressed purpose of this ordinance is to garner “*outreach and engagement that promotes transparency and accountability and ensures development projects in the City of Detroit benefit and promote economic growth and prosperity for all residents*”¹.

Section 14-12-3, subsection (a) (5) states that, “*the City Council shall appoint a liaison from the Legislative Policy Division to monitor the community engagement process and provide updates to the City Council.*” This report has been prepared by LPD to provide a summary of what

¹ Sec. 14-12-1 of Ordinance No. 35-16, Article XII Community Benefits.

transpired during the CBO process as contemplated by the ordinance. This is the Liaison's report for the recently completed for this Hudson's redevelopment project.

The Community Benefits Ordinance (CBO) provides that a project is identified as a Tier 1 project, having a minimum development cost of \$75,000,000 with public investment in the form of either:

1. Transfer of land which has a cumulative market value of \$1,000,000 or more, has no open bidding process, and is transferred for below market rate value.
2. City tax abatements or other tax breaks that abate more than \$1,000,000 of city taxes over the term of the abatement that inure directly to the developer; but not including the Neighborhood Enterprise Zone tax abatements.

This project qualifies for the CBO process because it will receive tax abatements totaling more than \$1,000,000 from the City.

COMMUNITY BENEFITS ORDINANCE PROJECT DETAILS

Proposed Development and Location: Hudson's Block mixed-use development, Farmer on the east, boundaries: Grand River on the north, Gratiot on the south, and Woodward on the west.

Developer: Bedrock Detroit, LLC; Steve Ogden and Allyson McLean Bedrock representatives

Estimated Cost: \$908 million

Census Tract: 5172 and 5207

Impact Area Boundaries: In general, Chrysler Freeway on the north, I-375 on the east, the Detroit River on the south, and John C. Lodge Fwy on the west.

CBO Facilitators: David Walker, Planning and Development Department Michele, P&DD, Vince Keenan, Department of Neighborhoods

Legislative Policy Division (LPD) Liaison: Kimani Jeffrey, LPD

²Neighborhood Advisory Council (NAC):

Taylor Browne- Community elected

Ronald Robinson- Community elected

Eric Henry- Council Member Janee Ayers appointee

Ray Smith- Council Member Castañeda-López appointee

Rogelio Landon- City Council Pres. Brenda Jones appointee

Carroll Kevin-Planning & Development Department (P&DD) Director Cox appointee

William Butler-P&DD Director Cox appointee

Mark Horn-P&DD Director Cox appointee

Kristin Lusn-P&DD Director Cox appointee

Based on the administration's numbers, a mailing was sent to approximately 3,000 residents residing in the subject census tract. This mailing was carried out by the City Clerk's office on September 8th. Council members of the impact area also helped to inform the community of the CBO process.

² Sec. 14-12-3 subsection (6)(b) of the Community Benefits Ordinance describes the Neighborhood Advisory Council (NAC) as residents from the Impact Area.



Census tract and project location map from Bedrock CBO presentation

The project before this Honorable Body, for consideration, is one (1) of four (4) sites that are a part of the Transformational Brownfield Redevelopment Plan request of Bedrock Detroit. This project seeks to adhere to the provisions of Public Acts 46-50 of 2017.

³Public Act 46 of 2017, defines a “Transformational Brownfield Plan” (TBP) as 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 PA 46 of 2017 mandates that the TBP must be for mixed-use development and must meet a minimum investment threshold of \$500 million for a city, village or township with a population of at least 600,000 but varies based on population. According to the TBP legislation, an eligible project has to be reviewed and put forward by the Brownfield Redevelopment Authority (BRA) with approval of the Michigan Strategic Fund (MSF) and agreement from the State Treasurer as well as approval from the local governing body in order to have granted the benefit of the legislation.

The TBP legislation creates a mechanism for developers to be eligible to receive a reimbursement for the cost of Brownfield remediation through the annual property tax paid on

³ A comprehensive report regarding the four (4) Transformational Brownfield sites proposed by Bedrock Detroit can be found at <http://www.detroitmi.gov/How-Do-I/View-City-of-Detroit-Reports/Legislative-Policy-Division-Reports> dated October 31, 2017 and entitled 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.

the subject property for a maximum of 30 years, which is customary with a traditional Brownfield (PA 381) project.

Where TBP goes beyond a traditional Brownfield is in that it gives provision for three (3) additional tax captures for an eligible project, based on *eligible activities* which are as follows:

1. Construction Period Tax Capture Revenues: Income Tax from individuals domiciled within the eligible property
2. Income Tax Capture Revenues: Income tax from individuals domiciled within the eligible property (50% of the State withholding tax revenues)
3. Withholding Tax Capture Revenues: Income tax withheld from individuals employed within the eligible property (50% of the State withholding tax revenues)

Additionally, developers qualifying for a TBP project are also eligible to receive a tax exemption from State sales tax on construction materials.

The transformational project currently referred to as the Hudson's redevelopment site is the former location of the tallest department store in the world as of 1961 and was second only to Macy's, as the largest department store in the world, before its closure in January of 1983 and subsequent demolition in October of 1998.

The project has a total investment of ⁴\$908,980,541 and is projected to create directly and indirectly, approximately 1,633 permanent, full-time equivalent jobs in the city. Currently, the project developer is the company affiliate, Rosko Development Company LLC on behalf of Bedrock Management Services LLC. The subject site consists of 2.296 acres of land and is estimated to entail the following:

Retail=100,000 gsf.

Office space= 240,000 gsf

Event space= 120,000 gsf.

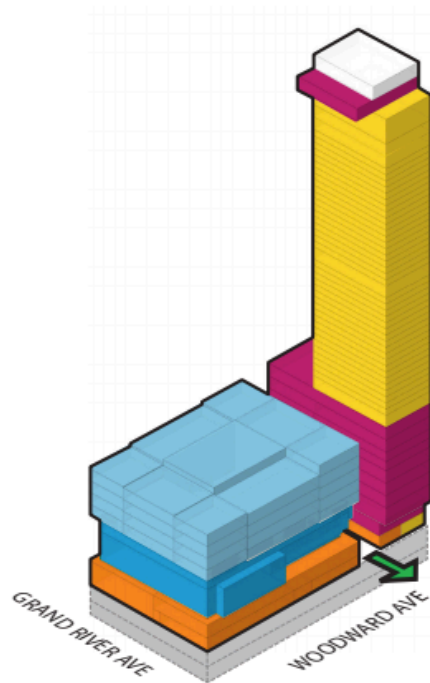
Exhibition + Public skydeck space = 90,000 gsf.

Parking= 700+spaces 1,000,000+ gsf

Residential = 330 units within an 800 ft tower 425,000 gsf. (not including parking)

⁴ It should be noted that the total project investment for the Hudson's site is only 42.4% of the projected total investment for the four (4) projects in the Bedrock Detroit, Transformational Brownfield plan. The total amount for the Hudson's project plus the Monroe Blocks, One Campus Martius Expansion and Book Building and Tower projects comes out to be roughly \$2,145,298,782. See comprehensive report on the LPD website dated October 31, 2017 in regard to the Bedrock TBP plan.

HUDSON'S SITE PROGRAM STACK



| | |
|-----------------------------|-----------------------|
| RETAIL | |
| Total Retail Area: | 100,000 gsf |
| EVENTS | |
| Total Events Area: | 120,000 gsf |
| OFFICE | |
| Total Office: | 240,000 gsf |
| EXHIBITION + SKYDECK | |
| Total Exhibition: | 90,000 gsf |
| RESIDENTIAL | |
| Total Area: | 425,000 gsf |
| Total Residential: | 330 units |
| PARKING | |
| Total Parking: | 700+ spaces |
| TOTAL AREA*: | 1,000,000+ gsf |
| *Excludes Parking | |

Breakdown of building programming from Bedrock CBO presentation

The developer is seeking to be reimbursed for the expenses on eligible activities under the Brownfield plan tax increment revenue from the Hudson's project. The revenue would be captured by the Detroit Brownfield Redevelopment Authority over 30 years and would reimburse the developer between ⁵\$164,121,801-\$188,740,071 in tax increment financing capture (TIF) over the course of the plan period.

Other incentives, in addition to the TBP that the developer is applying for regarding this site are other tax abatements, including a ⁶PA 147 Neighborhood Enterprise Zone (NEZ) Abatement and a PA 210 Commercial Rehabilitation abatement. Of the estimated \$83,788,419 net benefit to the City that this one (1) project in the TBP is estimated to see, the City is expected to provide ⁷\$29,628,794 in the form of the aforementioned incentives.

The developer seeks to break ground in December of 2017 with the demolition of the existing below-grade parking structure, while above-grade work is expected in Spring of 2018.

This report will serve the following purposes in regard to the CBO process that took place in October and November of 2017:

⁵ See report dated LPD report regarding this Transformational Brownfield Plan dated October 31, 2017.

⁶ See November 7, LPD report entitled Hudson's Block, Monroe Block Redevelopment Projects (Bedrock) TBP Supplemental Report

⁷ This number for the incentive only reflects city abatements for the Hudson's site. The total amount of City abatements sought over all four (4) Transformational projects is \$74,955,225.

1. Provides the perspective of the legislative staff, which may be considered alongside the mandated P&DD Director's report submitted to your Honorable body for review to complete the initial engagement phase of the CBO requirements.
2. LPD also takes this opportunity to inform this Honorable Body of potential areas of improvement in the CBO process based upon observations and input during CBO proceedings. We also use this space to acknowledge advancements in the CBO process in comparison to previous CBO processes.
3. Lastly, this report suggests provisions of the ordinance that City Council may contemplate exercising their powers, as prescribed in the Detroit City Charter to amend the ordinance twelve months after the date in which it was adopted.⁸

CBO Schedule

The CBO process for the Hudson's site took place over the course over of over a month. In that time frame six (6) meetings were held. All meetings were held in the Coleman A. Young Municipal Center (CAYMC) Auditorium, 2 Woodward Ave. 48226, 13th floor.

Those meeting dates are as follows:

Monday, September 18th- Orientation Meeting

Monday, September 25th - NAC Selection Meeting

Monday, October 2nd- NAC/Developer Discussion Meeting

Monday, October 9th – NAC/Developer Discussion Meeting

Friday, October 20th- NAC Impact Meeting

Monday, October 30th -Developer Impact Mitigation Meeting

CBO FIRST PUBLIC MEETING (Sept. 18, 2017)⁹

There were approximately 20-25 people in the first meeting and it was designated to primarily acclimate the audience to the provisions of the CBO, have the development team give a brief overview of the project and receive questions. Lastly there were nominations taken for those who wanted to be on the NAC from the pool of people within the impact area.

The meeting was led by Dave Walker and Vince Keenan and the purpose of this meeting was to give the public some time to get acquainted with the process and get a snapshot of the project without overwhelming them with an abundance of information concerning project details immediately. The ordinance was discussed and other issues were discussed during and after the

⁸ The Detroit City Charter gives provision to allow for the amendment of a voter-adopted ordinance twelve (12) months after the date of election at which it was adopted⁸. This would allow for the refinement of the ordinance in order to improve its effectiveness if this Honorable Body so chooses.

⁹ The kick-off meeting for the Hudson's site convened from 5:30pm at CAYMC.

presentation. The various comments and concerns from this meeting and others are largely represented in the NAC requests to the developer which is included in this report.

CBO SECOND PUBLIC MEETING (Sept. 25, 2017)

The meeting was convened by David Walker, and the CBO ordinance was once again discussed. The developer gave the presentation of the overall project again for the benefit of those who were attending for the first time. Afterward, the meeting facilitators held a selection vote process to choose the community elected NAC members. NAC members that had been nominated at the first meeting were reintroduced (of those who were present) to those who were at the meeting. Cards were given to all in the room and divided based upon who was a resident of the impact area. This was determined by the impact area resident's providing proof of their residence. Those people who were nominated were given an opportunity to explain why they would serve as an adequate NAC member.

The aforementioned NAC members were the result of a vote that was held and tabulated by a group consisting of the Administrative and Legislative staffs combined. After the election, the meeting was directed into a question and answer period.

CBO THIRD PUBLIC MEETING- (October 2nd)

Meeting three (3) in the CBO schedule allowed the development team to give more in depth presentation on their project which was the sole focus of the meeting versus discussing the CBO provisions and holding elections as in the previous meetings.

Again, discussion was held after the presentation between the developer and NAC primarily but also City officials and the general public.

CBO FOURTH PUBLIC MEETING (October 9th)

Meeting four (4) hosted around two (2) dozen people. Bedrock's Affordable Housing Agreement with the City was discussed during this meeting. A presentation was given by, Arthur Jemison, Director of the Housing and Revitalization Department. Steve Ogden also answered questions specific to the development on behalf of Bedrock.

A question and answer portion ensued during and following the presentation.

FIFTH PUBLIC MEETING- (October 20th)

The fifth CBO meeting was held so that the NAC could present their concerns to the developer in an official capacity with the intent to receive a response at the following meeting. The list of concerns was submitted via hard copy and is included in this report.

The presentation was given and followed by more discussion. Individual letters were also submitted by NAC members on this day and were included in the drop box that was created for this CBO's materials.

SIXTH PUBLIC MEETING (October 30th)

The sixth and last CBO meeting was held for the purpose of allowing the developer (Bedrock) to present their official response to the NAC's concerns that were submitted through a memorandum. Bedrock's official response to the NAC concerns is included in this report.

After the developer presented there was much discussion. The dialogue went for some hours and the meeting adjourned after about three to four hours.

NAC REQUESTS AND BEDROCK OFFICIAL RESPONSES

(The following requests from the NAC and responses from Bedrock were taken verbatim from submitted documents. NAC's concerns are in black and developer responses represented in blue)

Neighborhood Concerns: Naming Rights / Branding:

How will this development be marketed to potential tenants?

We are just breaking ground on the Hudson's development and don't anticipate marketing to tenants until we get closer to the completion date. However, when Bedrock is ready to begin marketing we will do so in compliance with federal Fair Housing requirements and other applicable laws.

Has the developer reached a final name for the development?

We have not yet determined the final name for the development.

Has Bedrock put measures in place to avoid future advertisements that are tone deaf or offensive?

Bedrock is committed to creating opportunities for all Detroiters. We've taken a hard look at company processes this year, from recruitment to collateral review, to ensure our company's values are accurately represented in everything we do.

Neighborhood Suggestions:

Can it be something that pays tribute to J.L. Hudson? 1206 JL Hudson Downtown

Primary driver of this concern:

Naming of Little Caesar's Arena

Media and Public commentary indicated that the overall naming was not well received
Neighborhood Concerns: Logistical impacts to the surrounding area

What are the methods for communicating street closures and construction activities to residents?

Bedrock, the DDP, and all downtown stakeholders are aware that multiple construction projects will have an impact on the community over the next several years. The DDP has convened a group of developers and City representatives to work together with the goal of mitigating construction impacts and ensuring that information is communicated to anyone impacted. Bedrock is an active participant in these meetings and we are providing up to date information on construction related activity to inform communication.

Some of the communication channels that we understand are being considered by DDP will include:

Set up a hotline that people can use to call and get information on latest road closures, etc.

Set up an email blast for anyone interested to receive construction related information on a periodic basis; and

Disseminate information from the email blast via hard copy to residential building lobbies downtown and to the City's Department of Neighborhoods to share with citizens. Ultimately, the goal is to work towards a combination of options to meet the communication preferences of all downtown stakeholders. We also understand the DDP is working to identify technology solutions for communication, which may include a website with interactive maps and creation of a mobile app that can be used via mobile phones.

How will Pedestrians be routed around the site?

Please see the attached draft Hudson's traffic logistics plans that have been proposed by Bedrock. These plans are pending approval by the City of Detroit.

How will Traffic be routed around the site?

Please see the attached draft Hudson's traffic logistics plans that have been proposed by Bedrock. These plans are pending approval by the City of Detroit.

How will pedestrians be alerted to loading dock activities post construction?

For temporary closures of loading docks during construction, processes will be in place to ensure compliance with City requirements and the safety of all pedestrians, including flag persons and signage during construction loading activities. The persons responsible for flagging traffic will be trained in the DOT's Uniform Traffic Control Measures in order to safely direct traffic including pedestrians.

Parking for current users of the garage, will all monthly passes be given alternative opportunities?

The FOC and City are making arrangements for their team members who currently park at Premier Garage. Monthly pass holders not employed by either group may contact our 3rd party parking operations vendor, Ultimate Parking Management (UPM) who will be happy to discuss parking options in the city with them. If one of UPM's alternate parking locations does not suit an individual's needs or price point, they should be able to suggest other options. Attached is information regarding current parking assets managed by UPM in Detroit.

Primary driver of these concerns:

Strained parking resources in Downtown & Surrounding Area

Disturbances during the early morning hours at existing sites

Street Closures that can snarl traffic due to Detroit's Street Layout

Neighborhood Concerns: Noise and disturbances immediately surrounding the site

How will motorcycles and other vehicles with exceptionally loud exhaust systems be regulated in the area?

Could have a negative impact on the Food Hall if it is open to the outside? Can Bedrock Cameras be used to enforce noise ordinances?

Response to a and b: As the NAC has previously recognized, Bedrock does not control traffic enforcement in the city. However, we are proud to be part of collaborative public-private discussions that include local and state law enforcement, downtown businesses along with non-profit and community stakeholders in the city who work towards a common goal of enhancing the safety for everyone who lives in, works in and visits Detroit.

Specifically, how will Bedrock reduce noise disturbances in the area with this development?

The City of Detroit's noise ordinances and MIOSHA's requirements will be followed as appropriate. Time restraints will be placed on activities known to exceed the acceptable sound pressure level readings and considerations given for alternative methods for certain construction activities will need to be considered (e.g., welding machines with mufflers or containment, enclosures for louder activities, etc.)

Have any studies been done regarding light pollution or a shadow study?

Bedrock will complete light pollution and shadow studies as required by the City for permitting and other City approvals.

What is the time window for Daily Operations?

Current schedule for construction times is based on the City of Detroit ordinance No 02-16, Chapter 36 which allows working hours from 7am-10pm, with the majority of the work being completed by late afternoon. During certain periods of the schedule, we may need to work outside of typical construction hours for work that can't be completed within typical working hours. In those cases, we will work with the city to establish alternate work schedules and communicate to all impacted residents as outlined in the response to question #1 in the logistical impacts in the area section above. As it relates to the potential time window for operations post-construction, we will not know until we have tenants confirmed.

Primary driver of these concerns:

Loud vehicles have been a persistent annoyance to local residents

Noise Disturbances during the early morning hours at existing sites

The height and size of this development and the impact that will have on existing views
Neighborhood Concerns: Hazards and Safety

How will Dust be controlled?

Our plans will comply with applicable city ordinances. Several ways exist to manage fugitive dust and the type of work will determine the methods of control. For example, demolition companies often use large fans with water (dust boss). When earth work is being performed water trucks may be used to knock down the dust. Rubble mats and street sweeping could be used to prevent dirt from leaving the site and, if needed, a truck wheel wash program could be included in the comprehensive plan.

Specifically, how will Silica dust be controlled on the site?

Our plans will comply with applicable city ordinances. The MIOSHA regulations define acceptable engineering controls to meet the new standard. These common measures will be used and will likely include; wet methods for cutting concrete/masonry block; vacuums on saws and grinders, HEPA vacuums for fugitive dusts, sweeping compound, wet methods for sanding products with silica, containment, etc.

Are there any contaminants beyond Silica Dust on the site? Has all lead and asbestos been removed?

At this time, we are not aware of any additional contaminants at levels in violation of law on the portions of the property we anticipate will be disturbed during construction. If we encounter contaminants during construction which impact construction they will be handled using protocols established by MIOSHA and other governmental agencies.

How will the risk of falling objects be mitigated during and after construction?

On the ground we anticipate the use of isolation methods in order to control access in areas where overhead work may present a hazard. These methods may include the use of hard jersey barricades, fencing, rope, guard rails, etc. In addition, personnel may be assigned in the area to control pedestrian and vehicle traffic in order to avoid hazardous conditions. We may also employ various safety systems on the buildings during construction including the installation of horizontal and/or vertical, cantilevered debris netting for the perimeter of building and enclosure systems for engineered scaffolding. Thoughtful and careful design takes falling object risks into account when designing buildings for cold weather climates and therefore should address these issues post construction. The use of building shapes, slope angles, and materials are also taken into account in order to diminish ice formation.

Primary driver of these concerns:

Reports of falling ice from newer buildings that are designed to efficient standard ^[1]_{SEP}

New OSHA Regulations regarding silica dust that are going into effect. (Demolition of parking structure) General dust

Neighborhood Concerns: Community Engagement

What are the opportunities to engage Detroit Public Schools?

We are committed to ensuring that all developments are welcoming spaces that create opportunities for Detroit students as they learn and begin to grow their careers. The Family of Companies is uniquely positioned to offer experiential learning programs that build pathways to careers for Detroiters. We intend to continue to open up our spaces to Detroit students through programs like Day of Innovation, which aims to bring every sixth grade student downtown and provide hands on programming and exposure to our dynamic work environment. As students progress through Detroit Public Schools Community District (DPSCD), we offer workforce development opportunities through mentoring relationships with Quicken Loans team members, intensive STEM programs to understand how STEM skills can translate into a career, summer employment opportunities, and direct investments in DPSCD career technical education programs that will help students grow the skills necessary for the 24,000 new jobs these development sites will create.

Will exhibition space offer opportunities for STEM and programming targeted to DPS Students?

We believe in the power of inspirational, collaborative space to create educational opportunities and offer exposure to real world career opportunities. We plan to showcase these developments through our educational programming, including experiential learning opportunities, such as our QSTEM partnership with Detroit Area Pre-College Engineering Program (DAPCEP) to provide hands-on experiential STEM learning to 6th - 8th graders. We will work closely with DPSCD to provide spaces and partner on programming that supports their curriculum and goals for students and teacher development.

Is there a 51% requirement for Detroiters working on construction of the Hudson's site?

Yes, the initial construction on the Hudson's development is subject to Executive Order 2016-1.

Will fines for non-compliance be directed to workforce training initiatives?

According to the City, they have made a commitment to ensure all fines paid pursuant to Executive Order 2016-1 go to support workforce training initiatives.

What is the strategy to prevent fines?

Bedrock has been and will continue to be committed to working with all of its contractors to ensure as many Detroiters as possible are working on the Hudson's development.

Recognizing the need for ensuring Detroiters have the opportunity to take advantage of careers in the skilled trades, Bedrock is supporting the DPS Randolph School Career Technical programs that aim to provide both high school students and adults with the skills necessary to take advantage of the construction jobs available now, and to build sustainable careers in the skilled trades.

We are equally committed to continuing to create long-term job opportunities for Detroiters, and will continue to look for opportunities to support Detroit based small businesses as well as workforce development programs.

Impact on library and help with programs for library? See answer below. Will the library be

completely blocked? No, it will not.

Are there any agreements in place with the library?

Quicken Loans Community Investment Fund (QLCIF), Bedrock, and the FOC are involved in a Partnership with the Detroit Public Library System, Detroit Public Library Foundation, and the College for Creative Studies aimed at reinvigorating citywide libraries as community places through design and community engagement.

QLCIF has engaged College for Creative Studies Students in sponsored studio projects in which they work with librarians and library patrons to understand the needs of each particular library and develop design solutions based on international best practices and design theory. QLCIF, Bedrock, DPL, DPL Foundation, and CCS are hoping to work with the greater community to implement these designs in libraries across the city.

The Rose and Robert Skillman Branch of the Detroit Public Library was one of the first libraries studied by the CCS Students and Bedrock and QLCIF hope to work with community partners to implement this redesign alongside the development of the Hudson's Site.

Can Law Enforcement use Bedrock's Cameras that will be installed in this development?

We are proud to be part of collaborative public-private discussion that includes local and state law enforcement, downtown businesses along with non-profit and community stakeholders in the city who work towards a common goal of enhancing the safety for everyone who lives in, works in and visits Detroit. As always, Rock Ventures, Bedrock and our other Family of Companies collaborate with the Detroit Police Department, Wayne County Sheriff, Michigan State Police and other law enforcement agencies to share useful information and video feeds in the mission of preventing and reducing crime in the downtown Central Business District and any other area of the city where we are engaged.

Primary driver of these concerns:

Failure of LCA to maintain that 51% of all workers be Detroiters

Desire to see what role the Library on Farmer will play going forward

Neighborhood outreach to DPS Students to involve them in Detroit's Revival

Neighborhood Concerns: Financials

What makes this development Recession Proof?

There is no guarantee that any development is "recession-proof". As an organization, developer, investor, we do our best to study and understand the market and believe that we know the indicators that serve as guideposts for addressing risks. As the developer, we will ultimately be responsible for the viability of the project.

Would like a breakdown of any Gap Financing used?

As discussed during our CBO meetings, the new MIthrive legislation builds on the existing local Brownfield Tax Increment financing program by allowing developers to submit Transformational Brownfield Plans (TBP) which allow for them to receive additional state support needed to make the most significant development opportunities, like Hudson's, financially possible. The Transformational Brownfield Plans (TBP) allows for projects to keep a portion of the new state tax revenue they generate to help close the gap between high redevelopment costs and what market rents can support. For Hudson's, we are anticipating the gap to be somewhere in the neighborhood of roughly \$100M.

What are the details of the Private Financing used?

Bedrock does not release details regarding private investments in our projects.

That are some of the major financial metrics for success on this project?

The most important metric for Bedrock will be the number of visitors that come from Michigan, across the Country and from all over the world to visit the Hudson's project. These visitors will help support the local economy and help generate tax revenue for the City and the State.

Can we get a breakdown of project cost?

As a matter of practice, Bedrock does not publicly release information regarding the breakdown of the costs of our development projects. As part of the process for this project to be approved as part of our Transformational MIthrive plan, economic development officials that are part of the City of Detroit and Michigan Strategic Fund will review and underwrite all information related to the project's financials to ensure they are reasonable. The total project cost is approximately \$900M.

Additional clarification on why TiF Bonds need to be used, if Detroit is in revival mode are we even eligible for TIF Bonds?

While there has been much progress, there continues to be a gap in Detroit between the cost of large-scale high-rise construction and what market rents can support. The MIthrive legislation is meant to close that gap, so that Detroit and other cities across Michigan can realize the job creating benefits of transformational development. In addition to the market value gap, the dedication of extensive space for public and civic uses, while critical to local economic development and overall community benefit, furthers the financial challenges and in turn, the need for the transformational brownfield redevelopment incentives to make the projects possible. Providing incentives like this for development occurs all over the country, and allows cities to attract new businesses, like Amazon HQ2, in order to create jobs and economic growth.

To provide further clarification, the City of Detroit will not be issuing bonds for this project.

How is this a brownfield if the Hudson's Building Demolition cleaned up the site? Is the \$188 mil brownfield tax credit necessary to clean up the site?

Under long standing Michigan law, brownfield credits are not only for environmental cleanup but also include former commercial properties that are functionally obsolete, meaning they can

no longer be used for their intended purposes. While the Hudson's building was demolished, the underground structure is over 100 years old in parts and is unable to support the new development. As a result, Bedrock has to remove all of the columns, remove sections of the foundation, and structurally reinforce other sections, in to ensure it can support the development above. The Brownfield tax credits offset those unique redevelopment costs and close the remaining gap between development costs and what the market rates can support.

Primary driver of these concerns:

Large amounts of Public Financing that have been used to spur development

Desire to see the project succeed

We are 7 years into a bull market, at least a small recession is overdue
Neighborhood Concerns:
Rent Impact

How do you plan to reach \$4 per sq ft?

We agree there is little support in the current market for rents of \$4.00 per square foot. ^[L]_{SEP}The Hudson's project will not be available for 4 years, and will be among the only new construction, high-rise residential in the Central Business District. Our projection of rental rates is based on the best information available, given our knowledge of the existing market, demand, product offerings and understanding of residential markets in similar cities. ^[L]_{SEP}The quality of fit and finish of the project's residential units, the convenience of on-site amenities, as well as the growing desire to live/work/play in Detroit's urban core have all been considered in projecting the residential rental rates.

How is this project expected to impact existing rent?

Due to the uniqueness of the offering and the absence of a true comparable residential product, the project is not expected to adversely impact existing rents in the area.

Methods for communicating to the community on current Affordable Housing Opportunities?

As mentioned earlier, we are just breaking ground on the Hudson's development and don't anticipate marketing to tenants until we get closer to the completion date. However, when Bedrock is ready to begin marketing we will do so in compliance with federal Fair Housing regulations and other applicable laws.

Do Bedrock residents get a parking discount?

No. Bedrock residents receive no discount, and are directed to contact UPM for parking accommodations as described above in the "Logistical Impacts" section.

Can this project get its own zip code to mitigate the effect of rent increases in 48226?

Bedrock will research whether having a unique zip code for Hudson's is a reasonable and viable

plan. However, unique zip codes are used to manage mail delivery and will not impact the rents charged by landlords or the calculation of the Area Median Income (AMI) which determines affordable housing rent levels.

Primary driver of these concerns

Increasing rents in the Downtown and surrounding areas

Limited communication on Affordable Housing opportunities

Primary Recommendations • Communication

Smartphone App for notifications regarding:

Street Closures

Construction Activities Signage posted around the site notifying the community of:

- Street Closures, major issues
- Pedestrian Detours
- Disturbances

Specific time window of 8am to 8pm for noisy construction activities

Developer support for Ordinance against loud vehicles

- Community Engagement

New requirement that Bedrock invest several million in workforce training to have the 51% requirement removed

51% of post occupancy jobs should go to Detroiters

ANALYSIS

Many things did improve related to process in these CBO proceedings as City Departments worked together to create a better process. One of the things that was noticeably different was the length of meetings. During this process there was much more time for dialogue because the timeframe was lengthened. From staff's opinion, the number of meetings held gave the NAC an opportunity to fully understand their charge by having time to digest all that was presented and expected of them. It can be argued whether this was sufficient time or not, but given City resources contributed to the effort, it was a vast improvement from past processes. This Honorable Body along with the Administration may want to determine if the timeline used in the Hudson's site process is an adequate model.

As stated in previous reports, staff suggests items for improvement and transparency in the process. As the CBO legislation has just arrived at its one (1) year mark, Your Honorable Body

now has the opportunity to revisit the Community Benefits Ordinance for possible amendments. Staff would recommend to also review past CBO reports for our recommendations and at your request can submit a comprehensive report outlining all of those.

As it concerns the Hudson's site, staff has provided some recommendations. Those suggestions and comments are as follows:

1. Provide All Pertinent Information Related to Development Immediately

The NAC drop box (the chosen medium to share documents from the City and Developer to the NAC) should be setup from day one with all pertinent materials available at that time, already included for the NAC's review once it is seated as a body.

Another issue in this process, because the NAC, to staff's knowledge had received no information regarding the financial components of the project. The only information that they may have received from our understanding was verbal and primarily came from the developer, which seems as though it is a conflict. LPD staff did eventually provide reports to the NAC's drop box online giving a detailed analysis of the project. Staff would hope that the administration would provide more detail in this regard in the future, as it became a major point of contention in the discussions that could have been avoided. Staff points out that there was however an official notice of the DRBA public hearing provided in the drop box so that NAC members could attend (in which some did attend according to staff's knowledge).

2. Refine the process

A standard set of memorialized procedures or check list of sorts, that is agreed upon by parties involved will serve to streamline and preserve continuity for this process. This is a major key to future success in staff's opinion. This would help to cement the process and insure that there is consistency from one CBO process to another as there are varying facilitators for each project and staff personalities change throughout the course of time. This also adds transparency, as all involved are aware of what steps come at what time in the process.

3. Provide Adequate Funding for Mandated Activities

As expressed in previous CBO initiatives, staff believes that in order to effectively execute all of the mandates of the ordinance in a meaningful way, there should be dollars specifically for the CBO processes.

CONCLUSION

Prior to a recent communication with Bedrock regarding their community benefit outputs in respect to the Hudson's site, as well as the other Transformational Brownfield CBO projects, staff would have had a similar conclusion for this project as was stated for the Former Free Press Rehabilitation CBO report. In the conclusion for that Bedrock CBO project it was respectfully questioned, whether the CBO process had been of any effect to garner outputs that go beyond what is already required by law currently. A glance at the results of this and other CBO processes, would quickly reveal that all agreed upon items are essentially required by law

already, marking the simple need for enforcement of current regulations to achieve what strenuous time in the CBO process has.

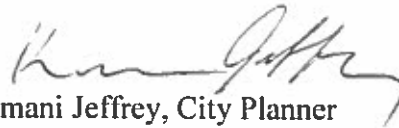
However, after the CBO processes had concluded, staff has learned that Bedrock will be releasing an announcement for a comprehensive citywide Community Benefits package that has a scope which is said to exceed the CBO provisions. The package is expected to be introduced to the public as a legally binding document between the developer and the City, the week of Monday, November 13th and will be ready for discussion at the subsequent Planning and Economic Development Committee meeting.

Staff will provide a subsequent supplemental report regarding the expected community benefits package by Bedrock once more information is released.

Sincerely,



David Whitaker, Esq., Director,
Legislative Policy Division



Kimani Jeffrey, City Planner

Attachments: Photo and Map

cc: Maurice Cox, Director, PDD
David Walker, West Design Director, PDD
Michele Flournoy, PDD
Arthur Jemison, Director, HRD
David Bell, Director, BSEED
Melvin Hollowell, Corp. Counsel, Law Department
David Williams, JET
Hon. Mike Duggan, Mayor's Office