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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 9, 2018

RE: Request of Ford Motor Company for a Michigan Strategic Fund (MSF) Renaissance Zone (PA 376); Obsolete Property Exemption (OPRA) (PA 146); Commercial Rehabilitation Exemption (PA 210); and a Neighborhood Enterprise Zone (NEZ) (PA 147) (**Recommend Approval**) PUBLIC HEARINGS

The following is the Legislative Policy Division's (LPD) Fiscal Section's review of the **Ford Corktown Investment Project**. The project will include development of a total of 1.2 million gross square feet of office, retail, parking, and residential space across five sites within the Corktown neighborhood.<sup>1</sup> These properties are projected to provide a workplace for 5,000 workers. The aggregated total investment for this project is estimated at \$738 million. The total value of the Ford Corktown Project incentive structure is as follows:<sup>2</sup>

FINANCIAL CATEGORY	CITY SHARE	OTHER JURISDICTIONS	INCENTIVES TOTAL	CITY % OF TOTAL INCENTIVES
Estimated Gross Benefits before tax abatement	\$640,139,374	\$363,773,631	\$1,003,913,005	
Total Estimated City value of RenZone	(\$71,231,343)	(\$115,204,252)	(\$186,435,595)	38.21%
Total Estimated City value of OPRA	(\$8,552,104)	(\$10,211,573)	(\$18,763,677)	45.58%
Total Estimated City Value of NEZ	(\$1,126,630)	(\$1,807,314)	(\$2,933,944)	38.40%
Total Estimated City Value of PA 210	(\$4,014,699)	(\$4,527,158)	(\$8,541,857)	47.00%
Estimated Corporate Income Tax Exemption	(\$7,209,828)	N/A	(\$7,209,828)	100.00%
Estimated Utility Users Tax Exemption	(\$7,880,257)	N/A	(\$7,880,257)	100.00%
Estimated Personal Property Tax Exemption	(\$3,449,573)	(\$3,821,538)	(\$7,271,111)	47.44%
<b>TOTAL VALUE OF INCENTIVES</b>	<b>(\$103,464,434)</b>	<b>(\$135,571,835)</b>	<b>(\$239,036,269)</b>	<b>43.28%</b>
Less cost of services & utility deductions	(\$165,923,121)	(\$140,476,078)	(\$306,399,199)	
<b>NET BENEFITS</b>	<b>\$370,751,819</b>	<b>\$87,725,718</b>	<b>\$458,477,537</b>	

<sup>1</sup> The 1.2 million square feet includes the Michigan Central Station & Parking deck at 650K sq. ft., DPS Book Depository (2231 Dalzell St.) at 273k sq. ft., The Brass Factory 240K sq. ft., The Factory Building (1907 Michigan Ave.) 50K sq. ft. and the North Michigan Ave. Parking Deck. A map of these sites is included in the report.

<sup>2</sup> Other Jurisdictions include, Wayne County, DPS, State Education, DDA and DIA

Approximately half of the planned 5,000 employees are to be hired as direct Ford employees and half as employees of Ford's supplier firms, utilizing leased or other space in the Ford Corktown buildings.

### The Michigan Renaissance Zone Act (Public Act 376 of 1996)<sup>3</sup>

The largest and most extensive of the four incentives that Ford is seeking is the Michigan Renaissance Zone (PA 376) incentive.<sup>4</sup> Within this Ren Zone request, all property taxes are abated with the exception of debt mills for a 30 year period. In the final 3 years, the abatement phases out in a declining manner to 75%-50%-25%. Additionally, corporate income taxes, utility users taxes, and City income taxes on residents within the Ren Zone are exempted. **However, Ford has agreed to exclude any residential parcels from the Renaissance Zone benefits.**<sup>5</sup> **In addition, Ford has requested to space out the activation of the Renaissance Zone, to coincide with the project's completion.**

Enacted in 1996, this is an Act to encourage commercial, industrial, and residential improvements in economically distressed areas in the State. The Act was designed as an innovative approach to encourage business and residential development in economically depressed neighborhoods.<sup>6</sup> The requested Ren Zone abatement is for 30 years.

In its *Renaissance Zone application*, Ford was asked to and answered several questions which are of note to City Council. Several of the application's key **questions** and *answers* are the following:

<b>MICHIGAN RENAISSANCE ZONE PROGRAM</b>	
<b>MSF Designated Renaissance Zone</b>	
<b>Part 2 – Description of the Project</b>	
<b>A. Describe in detail the history and background of the company.</b>	Ford Motor Company is a 115-year old global company based in Dearborn, Michigan. The company designs, manufactures, markets and services a full line of Ford cars, trucks, SUVs, electrified vehicles and Lincoln luxury vehicles, provides financial services through Ford Motor Credit Company and is pursuing leadership positions in electrification, autonomous vehicles and mobility solutions. Ford and its affiliates employ approximately 201,000 people worldwide.

<sup>3</sup> The Michigan Renaissance Zone Act (Public Act 376 of 1996) MCL 125.2681 et al

<sup>4</sup> The total estimated City value of Ren Zone: \$89,771,001

<sup>5</sup> The exclusion of any residential parcels from the Ren Zone benefits is codified in Section 3 (e) of the Ren Zone Development Agreement attached to Planning and Development Department's (PDD's) Ren Zone request dated September 24, 2018 recently submitted to City Council for consideration.

<sup>6</sup> A City, Village or Township that contains an eligible distressed area and as defined in Sec. 11, of the State Housing Development Authority Act of 1966, 1966 PA 346, MCL 125.1411

B. Is the Company who is obligating itself to the investment and/or job creation, registered with Michigan's Department of Licensing & Regulatory Affairs (DLARA), to conduct business in the State of Michigan? (If not, the Company will need to be registered in order for consideration of the Renaissance Zone). Please make sure all representation of the Company is exactly as the registration with DLARA, including correct punctuation, etc.

No  or Yes

C. Describe the Project, equipment to be purchased, type of building to be constructed or purchased and any necessary infrastructure improvements, etc.

Michigan Central Station ("MCS") and today sits vacant and rapidly deteriorating. Ford's plans include its investment in MCS as well as a number of buildings or vacant parcels in the Corktown neighborhood. The completed project will include rehabilitation of the historic MCS, the adjacent DPS Book Depository/Post Office building, as well as construction of new parking decks and additional office/laboratory space to support its mobility initiatives, including its autonomous and electrified vehicle development efforts. The overall development is expected to support 5,000 permanent jobs; approximately half of which would be direct Ford employees and the other half from associated Ford supplier firms as well as local retail and restaurant opportunities and jobs within the Ford buildings. Estimated city income taxes from the increased Corktown employment, upon completion of the project, are in excess of \$7.5 million/year. Ford Motor Company, through its wholly-owned real estate development subsidiary (Ford Land) will acquire, rehabilitate and/or construct the Project facilities over the course of the next 5 years.

The Renaissance Zone development project would include rehabilitation of obsolete buildings that sit vacant and rapidly deteriorating due to weather and other conditions. The project would require renovation of the exterior of the structure in keeping with standards for historic structures as well as modernization and improvement to the building's mechanical, structural, plumbing and electrical functional and infrastructure components. Demolition and rehabilitation of unsafe or non-historically correct masonry, concrete and roof structures is required. In addition, demolition of structures and remediation of existing Lincoln Brass Works factory site will be completed and a new commercial office/laboratory facility structure will be constructed on the site. Ford's newly-acquired site, "The Factory" at the corner of Rosa Parks Blvd. and Michigan Ave. is included in the overall development plan in the requested Renaissance Zone area, along with construction of parking decks to support the employment in the office facilities. Further, it is contemplated that the Project will be a catalyst for additional renovation and development of adjacent or nearby properties that are currently under-utilized or obsolete. The requested Renaissance Zone should encompass the Corktown areas described in the attached map to support further development not already contemplated in this \$738 million Ford investment project.

D. Identify the types of activities that will occur in the proposed MSF Designated Renaissance Zone.

The Ford development would add a total of 1.2 million square feet of rehabilitated or new commercial office/laboratory space with retail and public spaces to Corktown by 2022. Upon completion, the MCS property will be utilized as a commercial office building, with publicly-accessible retail in the Grand Hall on the main floor, offices in the tower, with a small amount of residential property being assessed for the top floors of the tower.

E. What is the expected total private dollar investment? (building and equipment, etc.)

\$738,000,000

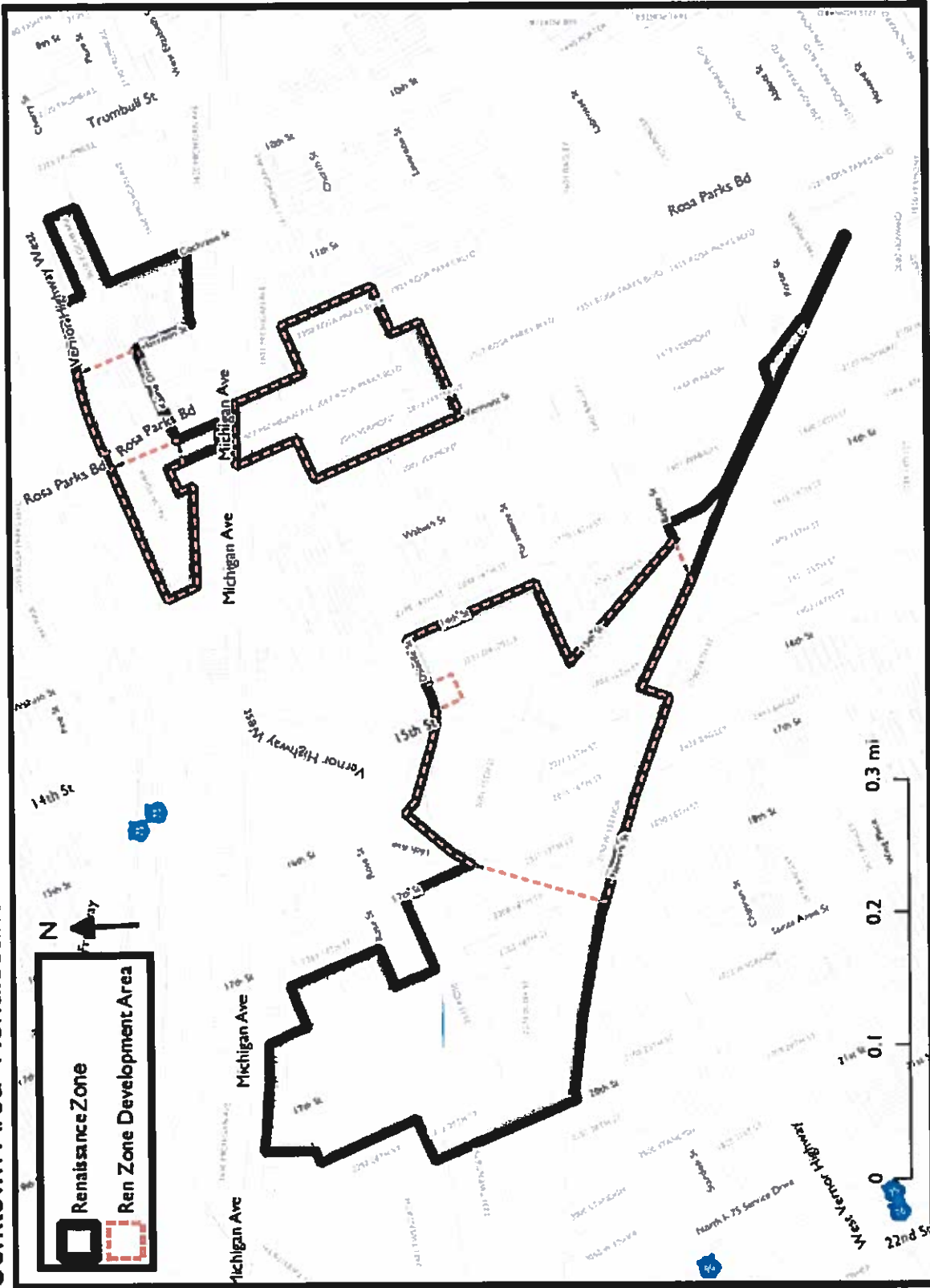
F. When will investment for this project be completed?

12/31/2022

*Investment Per Year*

	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> Year	4 <sup>th</sup> Year	5 <sup>th</sup> Year
Real - New Construction	\$	\$	\$	\$	\$200,000,000
Real - Bldg Improvements	\$	\$	\$	\$	\$425,000,000
New Personal Property	\$	\$	\$	\$	\$113,000,000
TOTAL	\$	\$	\$	\$	\$738,000,000

# Corktown Area Renaissance Zone



Ford Project Ren Zone<sup>7</sup>

<sup>7</sup> Source: DEGC

## Neighborhood Enterprise Zone Act (Public Act 147 of 1992)

The second of the four incentives Ford is seeking is a NEZ incentive.<sup>8</sup> The Neighborhood Enterprise Zone Act, PA 147 of 1992, as amended, provides for the development and rehabilitation of residential housing located within eligible distressed communities.

By statute, every NEZ must contain not less than 10 platted parcels of land which are compact and contiguous. The statute allows for an exception if a NEZ is located in a *downtown revitalization district*. In a downtown revitalization district,<sup>9</sup> a NEZ may contain less than 10 platted parcels if the platted parcels together contain 10 or more facilities.

The duration of the requested NEZ is for 15-year period. In years 1-12, the taxable value is frozen at pre-rehabilitation values and taxed at current total millage rate. The exemption phases out during final 3 years.<sup>10</sup>

**In a letter dated July 23, 2018, in regard to the NEZ application of Ford, the City of Detroit's Finance Department Board of Assessors indicating the project was eligible for a NEZ designation:**

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the request from Ford Motor Company proposed Michigan Central Station Neighborhood Enterprise Zone, generally located between 14<sup>th</sup> Street and Vernor at Dalzelle Street in the Corktown area of Detroit. Ford Motor Company's proposed plan is to rehabilitate the historic Michigan Central Station property to include a commercial office building with public and retail space on the first floor and develop residential property on the top floors of the tower.

The rationale for creating NEZ projects under PA 147 of 1992, as amended, must be based on the anticipation of market value added to the neighborhood upon completion of new construction and/or significant rehabilitation of existing housing stock.

The proposed area consists of the 17 story vacant qualified historic Michigan Central Station office building, built in 1914 with 646,236 square feet of building area. The proposed area also consist of a vacant 3 story storage warehouse, built in 1969 with 204,300 square feet of building area, parking lots and vacant land. The developer plans a comprehensive rehabilitation of the Michigan Central Station building into a mixed-use development to include commercial office building space with public and retail space on the first floor and approximately 40 residential condominium units on the top floors. Renovation will include the exterior façade of the structure according to standards required for historic structures as well as modernization and improvements to the mechanical structural, electrical and functional components. Demolition and rehabilitation of unsafe or non-historically correct masonry, concrete and roof structures is required. The current True Cash Value of the proposed area is \$900,000 and contains approximately 26.752 acres of land. The True Cash Value of this area would be expected to increase due to the rehabilitation and construction.

Upon review, it has been determined that this proposed district located in the Corktown District is eligible for designation as a Neighborhood Enterprise Zone per PA 147 of 1992, as amended.

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<sup>8</sup> The total estimated City value of the NEZ: \$1,126,630

<sup>9</sup> As defined in Section 2 (k) MCL 207.772

<sup>10</sup> Total estimated City value of NEZ abatement: \$1,126,630

**NEZ Parcels <sup>11</sup>**

Parcel Number	Property Address	Owner Name	Current Use	2018 TCV	Taxable Value	Acres
10005873.002L	2001 15 <sup>th</sup> St	New Investment Properties 1 LLC	Vacant 17 Story Office Building	\$465,600	\$180,283	4.997
10005306-9	2231 Dalzelle	New Investment Properties 1 LLC	Vacant 3 Story Storage Warehouse	\$434,400	\$74,147	2.948
10008502.	2270 20 <sup>th</sup> St	City of Detroit P&DD	Parking Lot	\$0	\$0	6.150
10007940-52	2253 18 <sup>th</sup> St	MCRR Railroad Company	Parking Lot	\$0	\$0	1.280
10007192.	2308 18 <sup>th</sup> St	MCRR Railroad Company	Parking Lot	\$0	\$0	1.394
10007086.	2301 17 <sup>th</sup> St	MCRR Railroad Company	Parking Lot	\$0	\$0	1.427
10005873.001	2091 15 <sup>th</sup> St	Penn Cent Trans Co	Parking Lot	\$0	\$0	.432
10006497.	2031 16 <sup>th</sup> St	MCRR Railroad Company	Railroad Land	\$0	\$0	1.269
10006600.	2320 17 <sup>th</sup> St	MCRR Railroad Company	Railroad Land	\$0	\$0	.985
10005966-81	1704 16 <sup>th</sup> St	MCRR Railroad Company	Railroad Land	\$0	\$0	2.697
10000168.	2209 Bagley	City of Detroit P&DD	Vacant Land	\$0	\$0	.038
10004837.	1501 Wabash	Detroit Housing Commission	Vacant Land	\$0	\$0	3.135

**Obsolete Property Rehabilitation Act (OPRA)**

The third and fourth of the four incentives sought by Ford, are the **Obsolete Property Rehabilitation Act (OPRA), PA 146 of 2000** and **Commercial Rehabilitation Act, PA 210 of 2005 abatements**. Under an **OPRA**, current taxes frozen at pre-rehab values and improvements are taxed at 24mills (school operating mills and State Education Tax), local taxes abated; up to 12 years.<sup>12</sup> Properties must meet eligibility requirements including a statement of obsolescence by the local assessor.

**In a letter dated September 10, 2018, in regard to the application of Ford for two OPRA certificates, the City of Detroit’s Finance Department Board of Assessors indicating the project was eligible for the OPRA certificates:**

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the two proposed Obsolete Property Rehabilitation certificate applications for the properties located at **2201 15<sup>th</sup> Street** and **2231 Dalzelle Street** in the City of Detroit.

**Ford Motor Company** plans to rehabilitate the 17 story vacant qualified historic Michigan Central Station office building at 2001 15<sup>th</sup> Street built in 1914 with 646,236 square feet of building area on 4.997 acres of land and to rehabilitate the 3 story vacant storage warehouse formerly a Post Office / Book Depository Building at 2231 Dalzelle Street built in 1969 with 204,300 square feet of building area on .432 acres of land. The developer plans a comprehensive rehabilitation of the Michigan Central Station building at 2201 15<sup>th</sup> Street into a mixed-use development to include commercial office building space with public and retail space on the first floor 89% of the building and approximately 40 proposed neighborhood enterprise zone residential condominium units on the top floors, 11% of the building. Ford also plans to rehabilitate the former Post Office / Book Depository Building at 2231 Dalzelle Street to be used for a commercial office building.

<sup>11</sup> Finance Department Board of Assessors, letter dated July 23, 2018

<sup>12</sup> Total estimated City value of OPRA abatement: \$8,552,104

This property meets the criteria set forth under PA 146 of 2000, as amended. It applies to blighted, functionally obsolete and contaminated properties. "Rehabilitation," meaning that changes to qualified facilities that are required to restore or modify the property, together with all appurtenances, to an economically efficient condition.

Renovation will include the exterior façade of the structure according to standards required for historic structures as well as modernization and improvements to the mechanical structural, electrical and functional components. Demolition and rehabilitation of unsafe or non-historically correct masonry, concrete and roof structures is required. The finished project will result in new permanent jobs to the City as well as local retail and restaurant opportunities and jobs within the Ford buildings in the Corktown District.

The 2018 values are as follows:

Parcel #	Address	Building Assessed Value (\$EV)	Building Taxable Value	Land Assessed Value (\$EV)	Land Taxable Value
10005873.002L	2001 15th St	\$ 48,400	\$ 38,317	\$ 154,300	\$ 122,134
10005308-9	2231 Dalzelle	\$ 114,500	\$ 39,088	\$ 102,700	\$ 35,059

### Commercial Rehabilitation Act, PA 210 of 2005

Conversely, under the Commercial Rehabilitation Act, PA 210 of 2005, current taxes frozen at pre-rehab values and improvements are taxed at 24mills (school), local taxes abated; up to 10 years.<sup>13</sup> The property must be located within an established Commercial Rehabilitation District.<sup>14</sup>

In a letter dated September 24, 2018, in regard to the application of Ford for a Commercial Rehabilitation Act district, the City of Detroit's Finance Department Board of Assessors indicating the project was eligible for a Commercial Rehabilitation Act district:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed Commercial Rehabilitation District with a general boundary by I-75 Freeway, John C. Lodge Freeway, Michigan Avenue, Rosa Parks Boulevard and Bagley Street in the Corktown neighborhood in the City of Detroit.

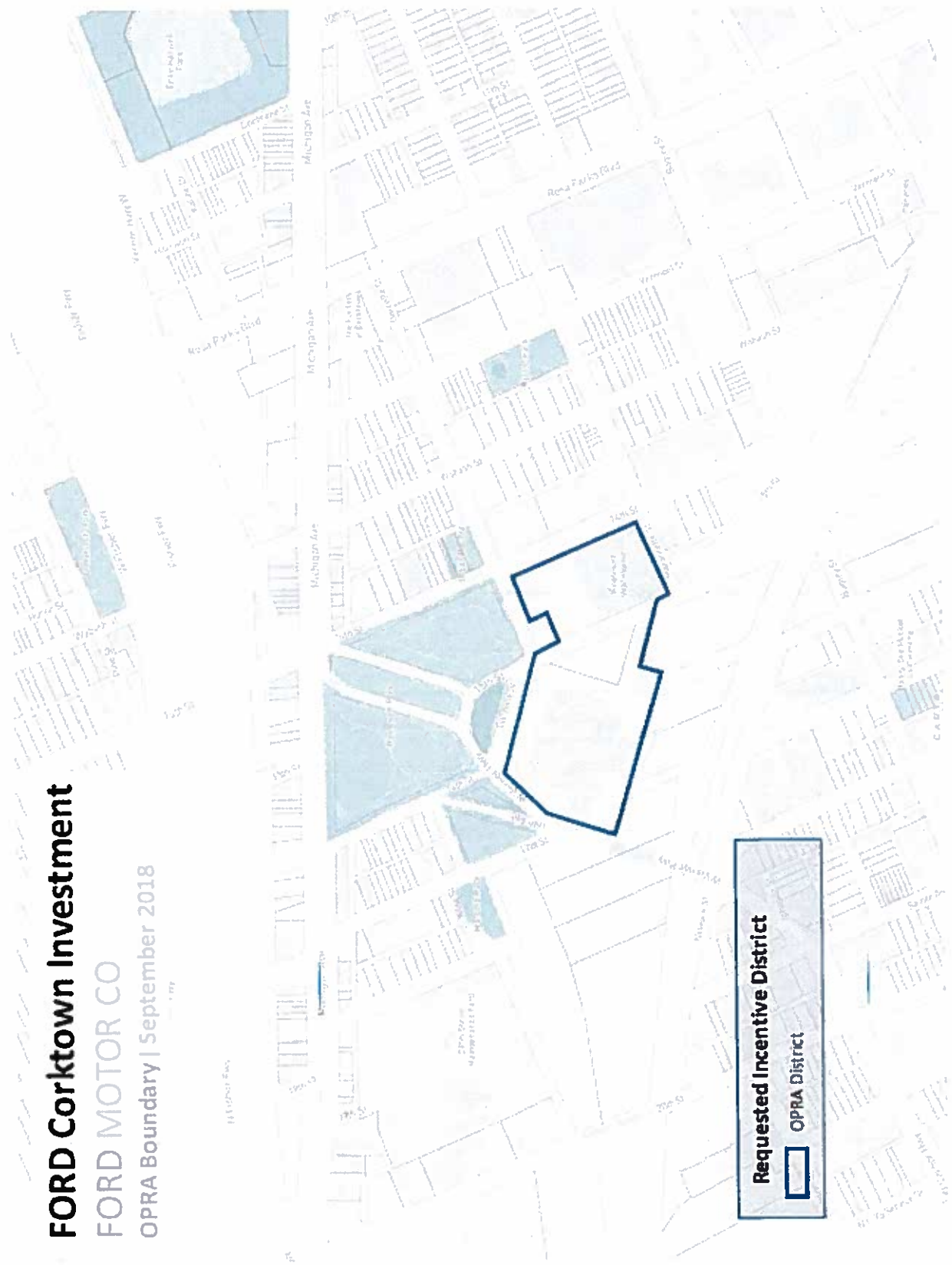
This area meets the criteria set forth under PA 210 of 2005, as amended. It applies to blighted, functionally obsolete and contaminated properties. "Commercial rehabilitation district" or "district" means an area not less than 3 acres in size of a qualified local governmental unit established as provided in section 3. However, if the commercial rehabilitation district is located in a downtown or business area or contains a qualified retail food establishment as determined by the legislative body of the qualified local governmental unit, the district may be less than 3 acres in size. The local government unit may establish by resolution a district that contains 1 or more parcels or tracts of land if at the time the resolution is adopted the parcel or tract of land or portion of a parcel or tract of land within the district is a qualified facility.

A field investigation and application review indicated that the proposed Commercial Rehabilitation District located in the Corktown neighborhood in the City of Detroit is eligible as it pertains to the Commercial Rehabilitation Act under P.A. 210 of 2005, as amended.

<sup>13</sup> Total estimated City value of PA 210: \$4,014,699

<sup>14</sup> MCL 207.842 Section 2 (h) "Qualified facility" means a qualified retail food establishment or a building or group of contiguous buildings of commercial property that is 15 years old or older ... also includes a building or a group of contiguous buildings, a portion of a building or group of contiguous buildings previously used for commercial or industrial purposes, obsolete industrial property, and vacant property which, within the immediately preceding 15 years.

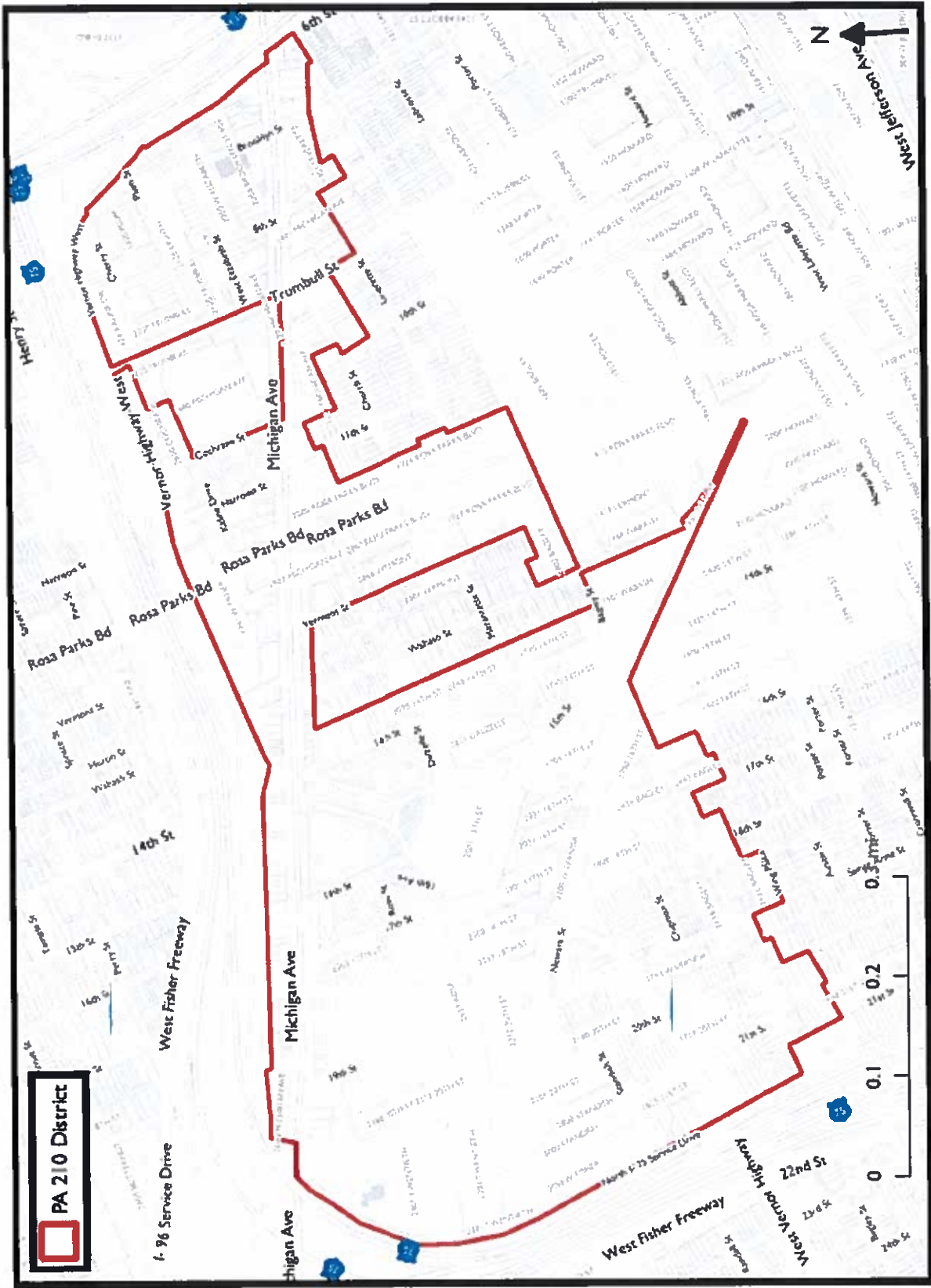
**FORD Corktown Investment**  
**FORD MOTOR CO**  
**OPRA Boundary | September 2018**



**Ford Project OPRA District Boundary<sup>15</sup>**

<sup>15</sup> Source: DEGC

Ford Corktown Investment: PA210 Boundaries



Parcel Data: City of Detroit Assessor's Office

21 Sep 2018

Ford Project PA 210 District Boundary<sup>16</sup>

<sup>16</sup> Source: DEGC

## Ford Corktown Investment Project Overview

The Ford Motor Company, incorporated in 1903,<sup>17</sup> was launched in a converted factory on Mack Avenue in Detroit.<sup>18</sup> In June 2018, it was confirmed that Ford Motor<sup>19</sup> had acquired the Historic Michigan Central Station (MCS),<sup>20</sup> with plans to develop it as the centerpiece of its Corktown campus, where Ford and its partners will work on developing new autonomous and electric vehicle businesses and technologies.

Ford has indicated that the Michigan Central Station, closed 30 years ago, upon its redevelopment over the next four years, would serve as a magnet for high-tech talent and as a regional destination with modern work, retail, restaurants, residential living and public spaces.

Ford stated that it hopes that its, “Corktown campus would be part of a technology hotbed attracting start-ups, investors and other companies working on autonomous vehicles.... Ford (also) thinks the Detroit presence (in the train station and Corktown) in particular will attract young professionals who now gravitate toward Silicon Valley and other high-tech hubs...”<sup>21</sup>

Ford’s planned investment in MCS, also includes a number of buildings and vacant parcels in the Corktown neighborhood. The completed project will include rehabilitation of the historic MCS, the adjacent DPS Book Depository/Post Office building, as well as the construction of new parking decks and additional office/laboratory space to support its mobility initiatives, including autonomous and electrified vehicle development, as well as local retail and restaurant opportunities and jobs within the Ford buildings.

Upon completion of the project, City of Detroit income taxes from the increased Corktown employment, are estimated to be in excess of \$7.5 million a year. Ford Motor Company, through its real estate development subsidiary (Ford Land) will acquire, rehabilitate and/or construct the Project facilities over the course of the next 5 years.

In order to facilitate the financing of this project, Ford is seeking a **30-year Renaissance Zone**, a **15-year NEZ**, a **12-Year OPRA** & a **10-year PA 210**.

As indicated on the chart on the first page of this report, if the incentive package requested by Ford for the Ford Corktown project is approved by the Detroit City Council, the total value of incentives borne by the **City of Detroit** is estimated at **\$103,464,434** and when including **all of the taxing units**, which include the City of Detroit, **the total incentive package is estimated at \$239,036,269.**<sup>22</sup>

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<sup>17</sup> Founder Henry Ford with 12 investors and 1,000 shares, the company spent almost all of its \$28,000 in cash when it sold its first Model A on July 23, 1903. But by October 1, 1903, Ford Motor had turned a profit of \$37,000. <https://corporate.ford.com/history.html>

<sup>18</sup> The Ford Motor Company had its big breakthrough in 1908 with the Model T and the company sold 15 million of the model before its ceased production of it in 1927. <https://detroithistorical.org/learn/encyclopedia-of-detroit/ford-motor-company>

<sup>19</sup> The Ford Motor Company is currently #25 on the Forbes list of “America’s Largest Public Companies 2018.”

<sup>20</sup> At 11:30 a.m. Jan. 5, 1988, Train No. 353 bound for Chicago became the last train to roll out of the depot. For 30 years ..., it has been a place for vandals, thrill-seekers ... and the homeless. City building inspectors have recommended that it be demolished since at least 1994. Demolition experts ...said it would cost \$5 million to \$10 million to demolish a building of its size and structural integrity. DAN AUSTIN OF HISTORICDETROIT.ORG

<sup>21</sup> **Ford Aims to Revive a Detroit Train Station, and Itself**, By Neal E. Boudette June 17, 2018, New York Times <https://www.nytimes.com/2018/06/17/business/ford-detroit-station.html>

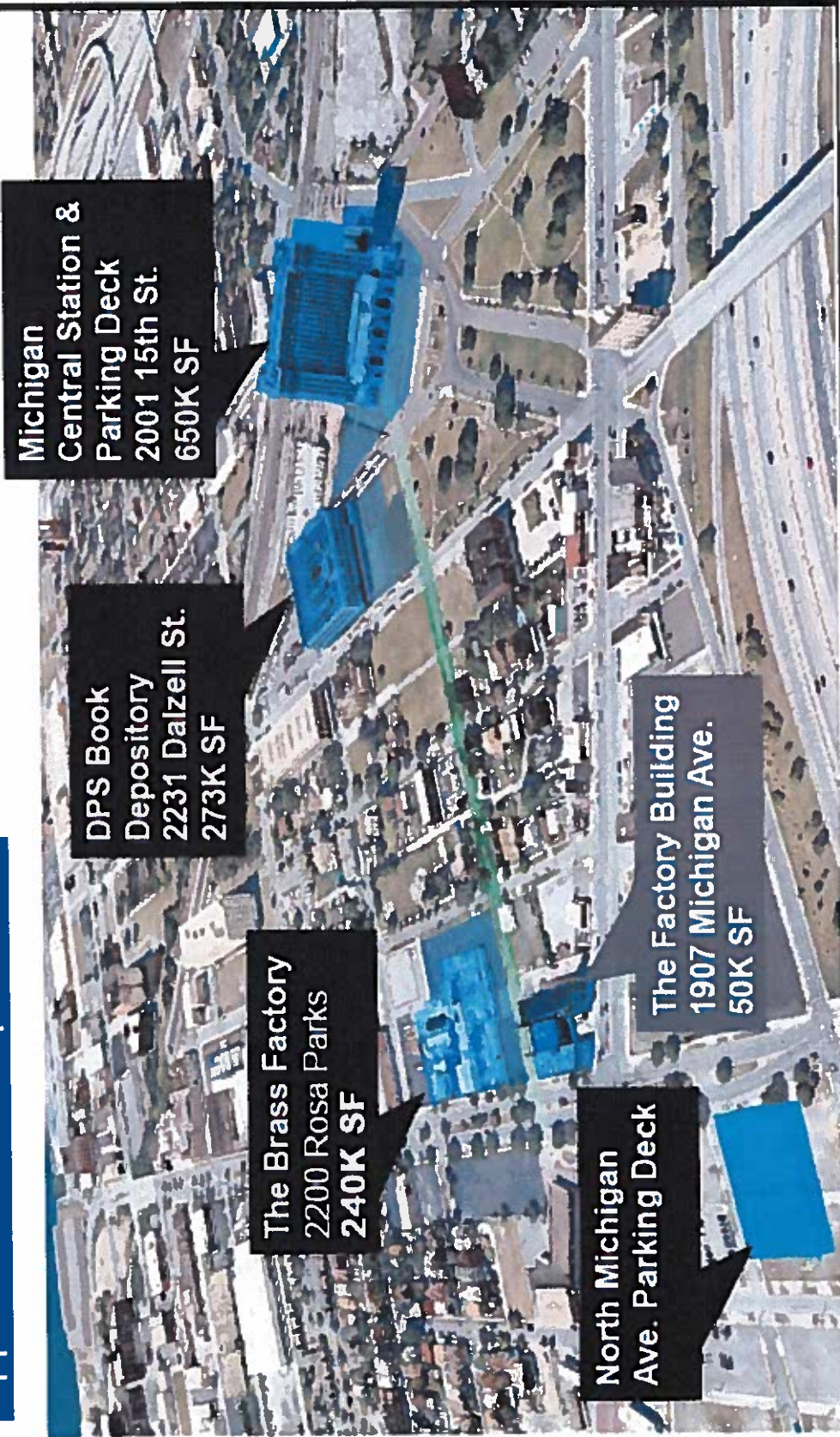
<sup>22</sup> Ford has committed over \$10 million in a CBO agreement, which LPD details in its report, *Community Benefits Ordinance - Ford Motor Company MI Central Station*.

<http://www.detroitmi.gov/Portals/0/docs/Legislative%20Policy%20Reports/2018/CBO%20-%20Ford%20MI%20Central%20Station.pdf?ver=2018-10-04-141353-717>

# FORD CORKTOWN INVESTMENT

Overall Program

Approx. 1.2 Million Square Feet



<sup>23</sup> Ford Corktown Investment CBO presentation of July 16, 2018

## A Brief History of the Michigan Central Station

Michigan Central Station (MCS), which opened in 1913 as the tallest train station in the world, was designed by Reed & Stem, is also the firm that designed New York City's Grand Central Terminal. MCS served as Detroit's primary rail hub until it was closed by Amtrak in 1988. Ford purchased the property from the Moroun family. The station is listed on the National Register of Historic Places.<sup>24</sup>

### MICHIGAN CENTRAL STATION TIMELINE<sup>25</sup>

**May 16, 1910:** Construction begins on what will become Michigan Central Station, financed by the wealthy Vanderbilt family through its Michigan Central Railroad (a subsidiary of the New York Central Railroad). It will replace a depot at Third and Jefferson.

**December 1912:** The steel building frame is complete.

**Dec. 26, 1913:** At a cost of \$2.5 million (\$63 million in 2018 dollars), the station opens and the first train, bound for Saginaw and Bay City, leaves MCS at 5:20 p.m. The first arriving train, from Chicago, pulls in an hour later.

**1945:** Passenger traffic reaches 4,000 a day.

**1956:** New York Central System puts MCS up for sale for \$5 million, but finds no buyers.

**April 1, 1967:** The waiting room closes. Passenger traffic drops to about 1,000 daily.

**1968:** MCS' name is changed to Penn Central Station after New York Central and Pennsylvania railroads merge to form Penn Central Transportation Co.

**1970:** Penn Central declares bankruptcy, and four years later ends up as part of the then-government-owned Conrail successor company.

**1971:** The federal government forms Amtrak to run national passenger rails service, and it takes over MCS. It spends \$1 million on improvements.

**April 16, 1975:** MCS is added to the National Register of Historic Places.

**June 20, 1975:** Amtrak hosts a formal reopening of the waiting room.

**Dec. 27, 1985:** New York-based Kaybee Corp. buys MCS for an undisclosed sum, with the intent of making it a retail and office center.

**Jan. 5, 1988:** Train No. 353, bound for Chicago, is the last train to leave MCS, at 11:30 a.m.

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<sup>24</sup> <https://www.durabilityanddesign.com/news/?fuseaction=view&id=19655>

<sup>25</sup>Michigan Central Station: A look back *Compiled by Bill Shea*. Source: HistoricDetroit.org, Crain's research <https://www.crainsdetroit.com/article/20180617/news/663786/michigan-central-station-a-look-back>

**December 1989:** Real estate developer Mark Longton Jr. buys MCS for an undisclosed price.

**1995:** Trucking industrialist and Ambassador Bridge owner Manuel "Matty" Moroun acquires the train station via his Controlled Terminals Inc.

**Oct. 3, 2003:** Detroit Mayor Kwame Kilpatrick announces plans to buy the station and renovate it at a cost of up to \$150 million as the city's new police headquarters. The idea fails.

**April 7, 2009:** Detroit's City Council passes a resolution requesting the emergency demolition of MCS at Moroun's expense. It's placement on the National Register of Historic Places helps prevent its destruction.<sup>26</sup>

**May 2009:** Moroun announces plans to turn the train station into a federal homeland security complex. It goes nowhere.

**April 2015:** Moroun agrees to install 1,000-plus new windows in the train station as part of a land swap deal that gives him city park acreage he needs for his proposed second Detroit River bridge in exchange for \$5 million worth of improvements to the rest of the expanded waterfront park.

**2015-16:** Moroun's Warren-based Crown Enterprises Inc. spends \$8 million on the station to install a new freight elevator, remove asbestos, replace the roof and add the new windows.

**Sept. 13, 2017:** Crain's Detroit Business hosts the opening dinner for its fourth annual Detroit Homecoming, with comedian and Detroit native Lily Tomlin talking to about 400 former Detroiters and local business and civic leaders, inside MCS' concourse.

**March 19, 2018:** Crain's breaks the news that Ford Motor Co. is in talks to buy the train station.

**June 11, 2018:** Ford officially announces its acquisition of MCS. The price hasn't been disclosed.<sup>27</sup>

**June 19, 2018:** Ford schedules announcement of its plans for the train station and the Corktown neighborhood.

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<sup>26</sup> Then-Mayor Ken Cockrel Jr. had sought to use \$3.6 million in federal economic stimulus money for the plan and then bill Moroun, but the plan was fraught with trouble over the building's placement on the National Register of Historic Places and more dire needs for the money. Demolition experts also said it would cost \$5 million to \$10 million to demolish a building of its size and structural integrity. **Michigan Central Station** BY DAN AUSTIN OF HISTORICDETROIT.ORG <http://www.historicdetroit.org/building/michigan-central-station/>

<sup>27</sup> Subsequently it was reported that Ford paid \$90 million. **Ford paid \$90M for once-doomed Michigan Central Station in Detroit** By Benjamin Raven, M Live [https://www.mlive.com/auto/index.ssf/2018/09/ford\\_train\\_station\\_90m.html](https://www.mlive.com/auto/index.ssf/2018/09/ford_train_station_90m.html)

## DEGC Review

### Ford Corktown Project Economic Impact Summary

#### Estimations

<b>DEGC Abatement Recommendation Length</b>	<b>30 Years Ren Zone, 17 Years NEZ, 12 Years OPRA, 10 Years PA 210</b>
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<b>Project</b>	
<b>Location</b>	
Address	Approximately 2001 15th St & 2051 Rosa Parks
City Council District	6
Neighborhood	Corktown
Building Use	Mixed-use
Total NRSF	977,129
Commercial Square Foot	783,427
Retail Square Foot	151,934
Residential Square Foot	41,768
Other Square Foot	293,198
<b>Project Overview</b>	
Total Housing Units	40
Affordable Units	0
Affordable Housing	n/a for sale condos
Total Investment	<b>\$738,000,000</b>
Estimated Jobs	<b>5,000</b>
Average Wage	\$25,522 Soft Retail \$24,523 Food & Beverage \$90,000 Office
Estimated Future Taxable Value Building	\$78,002,780
<b>Project</b>	
<b>Incentives Analysis</b>	
Estimated Benefits before tax abatement	\$640,139,374
Total Estimated City value of Ren Zone	(\$71,231,343)
Total Estimated City value of OPRA	(\$8,552,104)
Total Estimated City Value of NEZ	(\$1,126,630)
Total Estimated City Value of PA 210	(\$4,014,699)
Estimated Corporate Income Tax Exemption	(\$7,209,828)
Estimated Utility Users Tax Exemption	(\$7,880,257)

Estimated City Personal Property Tax Exemption	(\$3,449,573)
Less cost of services & utility deductions	(\$165,923,121)
<b>Net Benefit to City</b>	<b>\$370,751,819</b>
Estimated Other Taxing Jurisdictions value of Ren Zone	(\$115,204,252)
Estimated Other Taxing Jurisdictions value of OPRA	(\$10,211,573)
Estimated Other Taxing Jurisdictions value of NEZ	(\$1,807,314)
Estimated Other Taxing Jurisdictions value of PA 210	(\$4,527,158)
All Jurisdictions Personal Property Tax Abatements	(\$3,821,538)
Total RenZone Incentive	(\$208,796,791)
Total OPRA Incentive	(\$18,763,677)
Total NEZ Incentive	(\$2,933,944)
Total PA 210 Incentive	(\$8,541,857)
Total Incentive Package	(\$239,036,269)
<b>Total Project Net Benefit All Jurisdictions</b>	<b>\$458,477,536</b>
City Share of Incentives	43.28%
Incentive Per Job Annually	\$1,594

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notes:

1. Note that City numbers are highlighted ORANGE and all jurisdiction numbers are highlighted GREEN
2. An economist at the W.E. Upjohn Institute for Employment Research determined that \$2,457 was the national average of incentive per job annually in 2017
3. These estimations are based off of a 2.2% inflation rate over the next 30 years
4. The Net Benefit numbers assume that the project will fulfill all of its investment and employment goals
5. Note that these numbers are all estimations and are not guarantees in any form

**Fiscal Impact of the Project: City of Detroit Only over 35 years**

	Amount
Real Property Taxes	\$115,102,335
Personal Property Taxes	\$10,578,849
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$243,739,711
Municipal Income Taxes - Indirect Workers	\$57,685,690
Municipal Income Taxes - Corporate Income	\$7,500,000
Municipal Income Taxes - Construction Period	\$2,218,032
Municipal Income Taxes - New Res. Inhabitants	\$2,189,969
Utility Revenue	\$26,214,044
Utility Users' Excise Taxes	\$9,860,797
State Revenue Sharing - Sales Tax	\$68,132,838
Building Permits and Fees	\$5,069,000
Miscellaneous Taxes & User Fees	\$91,848,110
<b>Subtotal Benefits</b>	<b>\$640,139,375</b>
Cost of Providing Municipal Services	(\$139,820,545)
Cost of Providing Utility Services	(\$26,102,576)
Total NEZ Abatement	(\$1,126,630)
Total PA 210 Abatement	(\$4,014,699)
Total OPRA Abatement	(\$8,552,104)
Total Estimated RenZone	(\$89,771,001)
<b>Subtotal Costs</b>	<b>(\$269,387,555)</b>
<b>Net Benefits</b>	<b>\$370,751,819</b>

Chart courtesy of DEGC

### (1) Utility Users Tax

Utility user tax revenue results from the tax on the projected consumption of utilities subject to the City's 5% Utility Users tax rate. Impact DataSource has accounted for the City of Detroit collecting a 5% utility users tax rate on the value of electricity, natural gas, cable, and telephone service provided in the city. The calculation of the utility tax revenue is simply the application of the tax to the projected dollar value consumed by (1) the new business and (2) new households resulting from the project<sup>29</sup>.

### (2 & 3) Miscellaneous Taxes and User Fees and State Shared Revenue

At the highest level, local governments collect revenue from two main sources: (1) residents and (2) businesses. Following this theory, the Total Impact model uses calculations based on the city's budget, resident population, and business activity to determine a number of hard-to-estimate revenues.

The City of Detroit receives many types of revenues including property taxes, municipal income taxes, utility taxes, state shared revenue, licenses and permits, fines and forfeitures among others. The Total Impact model estimates the impact of the new development project on property taxes, municipal income taxes, and utility taxes based on attributes of the project. State Revenue Sharing, and "Other Revenues", are revenue sources that would be missed if the model were to only focus on Income Tax, Property Tax, and Utility Users Tax.

In order to estimate how the City's revenues may change with new business activity and possibly new residents, Impact DataSource uses an average revenue approach where identify the amount of State Shared Revenue and "Other Revenue" the city collects. Based on the value of commercial/industrial property vs. residential property the projection splits the state shared revenues between revenue supported by the new business and revenues supported by households. The next step in this projection involves the average per worker and average per household revenue supported for businesses and

<sup>29</sup> If there are no jobs associated with a new project, the default business utility consumption will be zero. Similarly, if there are no jobs associated with the project, there will be no new worker households moving to the city.

residents<sup>30</sup>. These per worker and per household averages are then applied to the specific project based on the number of new jobs and number of new worker households<sup>31</sup>.

#### **(4) Costs of Municipal Services**

The Impact DataSource model attempts to answer the question, what additional monies will the City have to spend to provide services to households of new workers who may move to the city and to the new business. A marginal cost approach is used to calculate additional City costs from the new firm and its workers.

This approach uses two assumptions:

- 1 - The City spends money on services for two general groups -- residents and businesses.
- 2 - The City will spend (a) about the same amount for variable or marginal cost for each household of new workers that may move to the city as it currently spends for an average household of existing residents, and (b) about the same amount for variable or marginal costs for the new firm (on a per worker basis) as it spends for other businesses in the city<sup>32</sup>.

### **Rationale for utilizing a 35-year Calculation**

The calculations are based on 35 years in order to reflect the timeframe for the incentives. Ford will delay activation of the Renaissance Zone for 5 years. During this time, the PA 210 & OPRA will be in effect. Therefore, the incentives will be realized for a total period of 35 years with the Renaissance Zone beginning in year 5 and extending for 30 years. Because of this delay in activating the Renaissance Zone, the net benefit analysis needs to be for 35 years to accurately reflect the full term of the incentive benefit period.

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<sup>30</sup> A parallel calculation is performed for "Other Revenue". However, to be conservative, only 70% is used of the other revenue category.

<sup>31</sup> If a project does not include any employment increase, the estimated state shared revenues and miscellaneous taxes and user fees would necessarily be estimated as zero.

<sup>32</sup> If a project does not include any employment increase, the estimated costs Municipal Services would necessarily be estimated as zero.

**Incentive Summary: City of Detroit Only over 35 years**

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Personal Property Tax Abatement	Corporate Income Tax & Utility Users Tax Abatement	Net Benefits After Tax Abatements & Incentives
Year 1	\$6,732,299	(\$108,924)	(\$192,551)	\$0	\$0	\$6,430,824
Year 2	\$760,632	(\$220,272)	(\$157,174)	\$0	\$0	\$383,186
Year 3	\$1,825,006	(\$336,030)	(\$1,298,626)	\$0	\$0	\$190,351
Year 4	\$2,415,825	(\$456,330)	(\$1,449,945)	\$0	\$0	\$509,551
Year 5	\$13,713,223	(\$3,858,399)	(\$2,601,939)	\$0	\$0	\$7,252,885
Year 6	\$14,401,856	(\$3,935,567)	(\$2,657,761)	(\$331,737)	(\$363,322)	\$7,113,468
Year 7	\$14,764,765	(\$4,014,278)	(\$2,714,811)	(\$266,305)	(\$384,345)	\$7,385,025
Year 8	\$15,135,805	(\$4,094,564)	(\$2,773,116)	(\$223,195)	(\$406,545)	\$7,638,385
Year 9	\$15,510,065	(\$4,176,455)	(\$2,832,704)	(\$167,246)	(\$424,869)	\$7,908,791
Year 10	\$15,892,450	(\$4,259,984)	(\$2,893,602)	(\$161,528)	(\$444,077)	\$8,133,258
Year 11	\$16,268,858	(\$4,345,184)	(\$2,955,841)	(\$149,160)	(\$449,920)	\$8,368,753
Year 12	\$16,652,673	(\$4,432,088)	(\$2,787,765)	(\$145,465)	(\$455,632)	\$8,831,724
Year 13	\$17,039,372	(\$4,520,729)	(\$2,372,722)	(\$106,827)	(\$456,535)	\$9,582,560
Year 14	\$17,442,173	(\$4,611,144)	(\$2,423,501)	(\$98,540)	(\$465,691)	\$9,843,297
Year 15	\$17,791,302	(\$4,703,367)	(\$2,354,140)	(\$107,338)	(\$473,795)	\$10,152,662
Year 16	\$18,193,678	(\$4,797,434)	(\$2,379,725)	(\$80,155)	(\$480,216)	\$10,456,148
Year 17	\$18,604,006	(\$4,893,383)	(\$2,405,328)	(\$79,034)	(\$486,829)	\$10,739,432
Year 18	\$19,022,440	(\$4,991,251)	(\$2,430,937)	(\$106,833)	(\$493,641)	\$10,999,778
Year 19	\$19,462,371	(\$5,091,076)	(\$2,482,997)	(\$83,989)	(\$500,658)	\$11,303,652
Year 20	\$19,911,313	(\$5,192,897)	(\$2,536,202)	(\$156,660)	(\$507,885)	\$11,517,670
Year 21	\$20,369,454	(\$5,296,755)	(\$2,590,577)	(\$121,583)	(\$515,329)	\$11,845,210
Year 22	\$20,836,982	(\$5,402,690)	(\$2,646,149)	(\$92,722)	(\$522,996)	\$12,172,425
Year 23	\$21,307,406	(\$5,510,744)	(\$2,702,944)	(\$90,452)	(\$524,209)	\$12,479,058
Year 24	\$21,798,463	(\$5,620,959)	(\$2,760,988)	(\$65,886)	(\$536,514)	\$12,814,117
Year 25	\$22,297,841	(\$5,733,378)	(\$2,820,308)	(\$86,154)	(\$547,405)	\$13,110,596
Year 26	\$22,804,891	(\$5,848,046)	(\$2,880,934)	(\$87,915)	(\$556,034)	\$13,431,962
Year 27	\$23,322,336	(\$5,965,006)	(\$2,942,894)	(\$66,518)	(\$564,922)	\$13,782,995
Year 28	\$23,350,389	(\$6,084,307)	(\$3,006,217)	(\$80,232)	(\$574,077)	\$13,605,556
Year 29	\$23,889,269	(\$6,205,993)	(\$3,070,933)	(\$79,084)	(\$583,507)	\$13,949,752
Year 30	\$24,439,200	(\$6,330,113)	(\$3,137,072)	(\$94,642)	(\$593,219)	\$14,284,153
Year 31	\$25,221,254	(\$6,546,828)	(\$3,204,667)	(\$71,401)	(\$603,223)	\$14,795,135
Year 32	\$26,005,887	(\$6,770,045)	(\$3,273,749)	(\$124,833)	(\$613,527)	\$15,223,734
Year 33	\$26,812,196	(\$6,986,653)	(\$2,524,409)	(\$73,274)	(\$561,926)	\$16,665,933
Year 34	\$27,643,374	(\$7,209,759)	(\$1,740,545)	(\$37,057)	(\$507,138)	\$18,148,874
Year 35	\$28,500,319	(\$7,372,491)	(\$921,001)	(\$13,809)	(\$492,100)	\$19,700,917
<b>Total</b>	<b>\$640,139,374</b>	<b>(\$165,923,121)</b>	<b>(\$84,924,776)</b>	<b>(\$3,449,573)</b>	<b>(\$15,090,085)</b>	<b>\$370,751,818</b>

**Incentive Summary: All taxing Units over 35 years**

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Personal Property Tax Abatement	Corporate Income Tax & Utility Users Tax Abatement	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$640,139,374	(\$165,923,121)	(\$84,924,776)	(\$3,449,573)	(\$15,090,085)	\$370,751,818
Wayne County	\$53,360,753	(\$26,458,243)	(\$25,588,895)	(\$1,127,654)	\$0	\$185,961
Detroit Public Schools	\$265,647,147	(\$114,017,835)	(\$65,589,356)	(\$841,951)	\$0	\$85,198,006
State Education	\$20,341,967	\$0	(\$17,591,650)	(\$841,951)	\$0	\$1,908,367
Downtown Dev. Authority	\$0	\$0	\$0	\$0	\$0	\$0
Wayne RESA	\$12,419,290	\$0	(\$11,705,487)	(\$513,119)	\$0	\$200,684
Wayne County Comm. College	\$10,987,375	\$0	(\$10,319,623)	(\$454,766)	\$0	\$212,985
Wayne County Zoo	\$339,033	\$0	(\$318,428)	(\$14,033)	\$0	\$6,572
Detroit Institute of Arts	\$678,066	\$0	(\$636,857)	(\$28,065)	\$0	\$13,144
<b>Total</b>	<b>\$1,003,913,004</b>	<b>(\$306,399,200)</b>	<b>(\$216,675,072)</b>	<b>(\$7,271,112)</b>	<b>(\$15,090,085)</b>	<b>\$458,477,536</b>

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Charts courtesy of DEGC

<sup>33</sup> Given THE STATE SCHOOL AID ACT OF 1979 (PA of 1979) MCL 388.1601, tax incentives do not bear a negative impact on per pupil funding for DPS.

## Questions and Answerers

In order to provide clarity on several issues related to the project, LPD requested that the DEGC provide answers to the following questions. LPD's questions are in **bold**:

- 1. In regard to the Ren Zone and the accompanying abatements, the State will reimburse the School for the School taxes that will be abated, correct? Also, there are limits on the abatement of school and City Debt Millages as well?**

In accordance with state statute, the State of Michigan reimburses intermediate school districts, local school districts, community college districts and public libraries for lost revenue where taxes are abated.

As stated in (the Renaissance Zone Act) PA 376 of 1996, 125.2692 Sec. 12. (2):

“Except as otherwise provided in subsection (6), this state shall reimburse local school districts each year for all tax revenue lost as the result of the exemption of property under this act from taxes levied under section 1211 of the revised school code, 1976 PA 451, MCL 380.1211, based on the property's taxable value in that year.”

And the aforementioned “subsection (6)” (below) does not apply in this instance:

“The reimbursements described in this section are subject to an appropriation as provided by law. For fiscal year 2009-2010 only, if the amount appropriated is less than the amount required for payments to all entities described in this section, payments shall be prorated.”

The chart below illustrates instances wherein school millages and local debt millages are abated and the maximum duration under the statute. Although school millages are abated, the legislation summarized above requires that the State reimburse local school districts for all taxes that otherwise would have been collected.

	<b>Michigan Renaissance Zone Act, PA 376 of 1996</b>	<b>*Obsolete Property Rehabilitation Act, PA 146 of 2000</b>	<b>Commercial Rehabilitation Act, PA 210 of 2005</b>
Abatement of School Millages	Yes, School Operating	No	No
Abatement of City Debt Millages	No	Yes Limit: 12 Yrs.	Yes Limit: 10 Yrs.
Abatement of State Education Tax (SET)	Yes	Yes Limit: 6 Yrs.	No
*For Obsolete Property Rehabilitation Act, the State Treasurer may approve reductions of half of the school operating and state education taxes for a period not to exceed 6 years for 25 applications annually.			

Please note that upon the expiration of the Obsolete Property Rehabilitation Act (PA 146 of 2000) and the Commercial Rehabilitation Act (PA 210 of 2005), Ford will pay the debt millages on the full value of the property.

- 2. It is indicated in the information regarding the Ford Ren Zone that the residential portion of the project will not be covered by the Ren Zone, so therefore the City resident income taxes related to this project will be available for collection. Where will this be codified?**

The resolution approved by Council requires an entity to enter into a Renaissance Zone Development Agreement with the City. In Ford's development agreement, the abatement of residential income tax is restricted and can be found under Section 3 (e) of the Agreement.

- 3. Will there be any new or unusual restrictions included in the agreements or in any of the Ren Zone, OPRA, PA 210 or NEZ resolutions?**

The requirements in the agreements and resolutions are consistent with previous agreements for other business development deals. The restriction of residential use has been inserted due to the unique location and nature of the investments planned by Ford.

- 4. Will any other new or existing businesses in the area outside of Ford's direct endeavor be able to take advantage of any of the newly created incentive areas? If so, please explain.**

The PA 210 district includes property not owned by Ford. The district does not in itself create a tax exemption. Only property owners who undertake significant development efforts will be eligible to request an exemption certificate in the proposed Commercial Rehabilitation District (PA 210). The future property owner(s) would need to apply to the City of Detroit for a Commercial Rehabilitation Exemption Certificate that provides for the actual exemption and would be subject to approval by the Detroit City Council and the Michigan Tax Commission.

The Renaissance Zone Development Agreement with Ford is limited to the properties in the Ren Zone Development Area that is highlighted by a red dashed line in the Corktown Area Renaissance Zone map attached to the Resolution. Projects that occur in the Renaissance Zone but outside of this area will have to enter into separate development agreements with the City. This requirement applies to all projects that occur on the properties owned by Ford or the City and are outside the Ren Zone Development area.

- 5. For the OPRA district map, does this boundary capture all of the Corktown properties that are eligible for the OPRA tax incentive? If not, why isn't the OPRA boundary broader?**

The OPRA District is specific to properties that qualify under the state statute as functionally obsolete and/or blighted. In addition, all requests to establish an OPRA District must be filed by the owner or owners of property comprising at least 50% of all taxable value of the property located within a proposed obsolete property rehabilitation district. In reviewing additional properties within the area, a significant portion of the properties are vacant land parcels, which under the statute vacant land does qualify as functionally obsolete and or blighted vacant land.

- 6. Regarding the NEZ map, why does this map extend beyond the Michigan Central Train Station building? Does Ford anticipate developing residential units outside of this building in the future?**

The NEZ is drawn to include additional parcels behind the train station that will include the parking deck. This will allow the parking spaces to be included in the sale of the condominiums. Because the exact location is still to be determined, the NEZ includes several parcels. This is an extension of the NEZ which is already in place and can be seen here: <https://degc.carto.com/u/degc-admin/builder/f3dea3cd-191d-47c9-874f-b024098dce10/embed>

- 7. In regard to the PA210 map, this boundary also includes some of the Ren Zone boundary, wouldn't the Ren Zone incentive supersede the PA 210 incentive in the overlapping areas? For example, the Michigan Central Station located at 2001 15<sup>th</sup> Street, is located within the PA 210 boundary, the Ren Zone boundary, the OPRA boundary and the NEZ boundary. The NEZ boundary is understandable, given that's it's tailored specifically for the residential units planned for the Michigan Central Station building. But the other tax incentive programs overlap for this building. Please explain.**

Ford will delay activation of the Renaissance Zone for 5 years. During this time, the PA 210 & OPRA will be in effect. When the Renaissance Zone is activated in the fifth year, the debt millages will not be abated. The PA 210 & OPRA will abate the property taxes paid on the debt millages until they expire. After the PA 210 and OPRA expire, Ford will pay property taxes on the full value of the debt millages on the property.

- 8. Regarding the Ren Zone map, where in the Ren Zone Act does it indicate that a Ren Zone development area does not have to be contiguous?**

The State's Attorney General's office provided the following determination that the MSF designated Renaissance Zone is not required to be contiguous. *"The MSF is authorized under the Act to designate up to 27 renaissance zones within the State of Michigan (MCL 125.2688a(2)). However, Section 8a(2) is silent as to whether a renaissance zone designated under it must contain contiguous parcels. Importantly, sections of the Act dealing with other types of renaissance zones do require that those renaissance zones be a single continuous distinct geographic area (i.e. contiguous parcels). Under this rule of construction, specific items are treated as excluded where a statute is specific in one*

*section and then omits those specifics in another (Feld v Robert & Charles Beauty Salon, 435 Mich. 352 (1990)). Because the Act specifies that some types of renaissance zones must be single continuous distinct geographic areas, but does not so specify as it relates to renaissance zones established under Section 8a(2), it must be interpreted as an intentional omission of that requirement for Section 8a(2) renaissance zones.”*

**9. The NEZ is based solely on rehabilitation, so there’s no need for a NEZ for new construction, right?**

Correct. The only potential residential planned is in the top floors of the Train Station.

**10. Will the option of a NEZ certificate be available for the residents of the project?**

Ford is contemplating including condominiums in the top floors of the Train Station. Only the owners of the condominiums would qualify to receive the benefit of the tax abatement on the properties paid on these units.

**11. Will the two parking decks include the 2,984 parking spaces? Where will the parking decks be located? Is the revenue from the parking spaces included in the cost/benefit analysis? If not, what is the projected parking revenue from the parking spaces? Could this revenue reduce somewhat the need for the level of tax incentives being requested?**

The estimated number of parking spaces are those included in the parking decks. The revenue was included in the cost/benefit including the estimated taxes paid on the facilities. The parking revenue was also included in our underwriting during the “but for” analysis. Refer to Exhibit A for a map of Ford’s planned investment and where the parking decks will be located (*Also found on page 11 of this report*).

**12. Please provide the sources for the Ford Corktown Project, including any historic federal tax credit component.**

Ford will be utilizing its own capital to fund the project. Historic tax credits are being considered and they are currently discussing their use with the State and Federal agencies.

**13. Is there a rundown on the uses of the \$738 million project, identifying both hard and soft costs? What amount of the \$738 million project relate to the construction of the two parking decks?**

Total costs:

- \$507MM Hard Costs
- \$231MM Soft Costs
- \$71.7MM Estimated costs for Parking Decks

**14. What’s the basis for the estimated 5,000 jobs?**

The development would include over 1.2 million sq. ft. of total space. The 5,000 jobs estimate is office/lab jobs in mobility development, engineering and related activities.

The model does not assume any specific number of retail or similar service jobs, but Ford's current plans include over 150,000 sq. ft. of retail and event space. Any jobs related to this kind of activity are incremental to the 5,000 jobs estimate.

The new Corktown campus will serve as an innovation hub for Ford's vision for the future of transportation. It will be a place where Ford and its strategic partners will work on autonomous and electric vehicles, and design urban mobility services and solutions that includes smart, connected vehicles, roads, parking and public transit. The Ford Corktown development is being designed to house 5,000 new jobs in Detroit.

Ford is planning that approximately 2,500 of those will be direct Ford employees, most from mobility functions.

In addition, Ford is planning and constructing office and lab space for 2,500 employees of Ford suppliers and strategic partners working with Ford on mobility solutions. The project needs all 5,000 workstations to be filled to accommodate the business needs intended by the mobility hub project whether direct Ford employees or employees of strategic partners.

- 15. How was the average salary of \$90,000 derived, for direct, indirect and induced workers (especially when the MSF Ren zone application indicates 2,500 of jobs will be from Ford supplier firms as well as local retail and restaurant opportunities and jobs within the Ford buildings)?**

As mentioned in question 14, Ford did not include in its estimates, the jobs that will be created by the retail space or other service related jobs. Thus the 90,000 salary reflects the anticipated average salary for the 5,000 professional jobs created by Ford's investment in Corktown.<sup>34</sup>

- 16. Why do we assume that the City will pick up about 100% of the cost of providing utility services?**

The evaluation assumes the city will cover costs associated public utilities (ie water, wastewater).

- 17. It is LPD's understanding that Ford did not request a Transformational Brownfield Project (TBP) benefit package, since the new employees arriving to the Corktown project would primarily be shifting or relocating from one part of Michigan (primarily Dearborn) to Detroit. The TBP requires the creation of a significant number of new jobs coming from out of the State of Michigan, to show a net benefit to the State. Is this correct?**

The employees coming to Corktown will include new hires and employees located in various locations including outside of the State as part of Ford's efforts to make this a hub for their autonomous vehicle division. Ford requested the Renaissance Zone because of the uncertainty of the TBP underwriting process. In addition, the Renaissance Zone will support the City's efforts to see the redevelopment of the DPW yard.

- 18. Please provide a copy of the MSF development agreement Ford has entered into.**

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<sup>34</sup> The data conservatively estimates that approximately 1,482 of the 5,000 employees (29.64%) will be Detroit residents, thereby not inflating the income tax data, given the fact that non-resident employees pay 50% of the tax rate.

The MSF development agreement has not been created yet and will be developed during the MSF's review of the Renaissance Zone Application.

- 19. Part 1 of MSF zone application indicates 15 as maximum number of years for the Ren Zone period, but Ford is requesting for 30 years. Where in the Ren Zone act is Ford allowed to apply for a 30 year Ren Zone period?**

The 30 year period is specific to the MSF designated Renaissance Zone. Many different types of renaissance zones contain a requirement in their respective sections that the duration of the zone be "not more than 15 years" or is "not to exceed years 15." This restriction is contained in sections governing Tool & Die Recovery Zones (MCL 125.2688d(1)), Border Crossing Renaissance Zones (MCL 125.2688g), Next Michigan Renaissance Zones (MCL 125.2688h(4)), and old Geographic Renaissance Zones (MCL 125.2684(1)(e)). Within the section of the Act governing MSF-Designated Renaissance Zones, MCL 125.2688a(2), there is a provision that limits the duration of an "alternative energy zone" designated under that section to "not to exceed 20 years." However, this restriction is limited only to alternative energy zones and does not apply generally to any other MSF-Designated Renaissance Zones. No other mention of zone duration appears in this section. Therefore, it was determined by the MSF and its General Counsel that there are no duration restrictions on MSF-Designated Renaissance Zones (with the exception of an alternative energy MSF-Designated Renaissance Zone).

- 20. Ford indicates "to-be announced" avg. weekly wages for years ending 2025 and 2028. Does Ford also assume these jobs will be at least \$90,000?**

Correct. This is the average salary assumed for the 5,000 jobs Ford and their suppliers will be creating. *Please refer to Question #14.*

- 21. Does Ford feel confident they will be able to complete the "parcel acquisition in process" component of the project?**

Yes. Ford is in various stages of the due diligence process for projects that have been acquired or are under contract.

- 22. Why does the Ren Zone development agreement use a floor of 2,500 jobs, when the cost/benefit analysis is based on 5,000 jobs?**

The Renaissance Zone agreement requires creation and retention of the direct Ford jobs in the project; apart from creating the space and conditions for suppliers to be present in Ford's development, Ford is not the direct employer of the remaining 2,500 jobs. Ford is committing to having at least 2,500 of its own employees housed in the Corktown development and is developing the office and lab space for an additional 2,500 jobs that are incremental to Detroit and the Corktown area. The economic impact of the development is 5,000 incremental jobs to Detroit and the Corktown area and is not limited to just the Ford jobs. Ford is seeking property tax, corporate income tax and utility user tax abatement benefits from the Ren Zone; it is not seeking wage or employment benefits. The jobs create the economic conditions to the viability of the incentive, but are not directly related to the abatements.

23. **How will the City Treasurer/DEGC keep track of the number of residents living within the Ren Zone to ensure the City captures the municipal income taxes from these individuals (the tracking of Ren Zone residents is not a part of the progress reporting requirement from Ford in the development agreement)?**

As of note, residential parcels under Ford's Development Agreement are excluded from the Renaissance Zone. With respect to ongoing monitoring, the City and DEGC will need to develop a mechanism to ensure that income taxes are not waived for residents.<sup>35</sup>

24. **Will the DEGC assist the City in keeping track of the progress reports from Ford?**

Yes, through the DEGCs Business Retention & Expansion Program, the DEGC will conduct annual meetings with the appropriate leadership at Ford and secure in writing the status of investment facilitated and new jobs created against initial projections.

25. **It would be great if the DEGC can assist the City in providing a progress report on the number of jobs created and the amount of municipal income taxes paid to the City from projects receiving various tax incentives from the City and the TBP projects based on project development agreements.**

As mentioned in Question #26, and in terms of employment projects ion, the DEGC will work with the City's Civil Rights and Inclusion Office to provide reports related to the number of jobs created. With respect to the total municipal income taxes paid to the City, we are not able to produce reports related to this measure due to legal restrictions on income tax data. Per the Office of the Chief Financial Officer ("CFO"), "The City Income Tax Act, Public Act 284 of 1964, MCL 141.674(1) makes all information acquired in administering taxes confidential ...<sup>36</sup>Therefore, the Office of the CFO is not able to confirm individual estimates or individual self-reported information without proper documentation (i.e. power of attorney)."

**But for<sup>37</sup> Rationale:** It has been widely reported that Ford has significant cash assets on hand, so the need for any financial assistance to complete this project has been questioned. According to the Administration: "Ford is spending its own capital resources on this project. Ford has budgeted for the Corktown project as part of its capital allocation planning process, but does not have resources to fund the project without the support of government incentives. Ford, like any business, has a long-term planning process for capital allocation.<sup>38</sup> The investment in Corktown comes from an allocation to capital projects that has been in place since 2016. Ford's Corktown investment is an enhancement to this plan and is already accounted for in its capital spending plans, to do this project in Detroit – where taxes and costs of doing business are higher – and the complexity associated with redeveloping the Michigan Central Station, Ford is seeking incentives to offset the incremental costs not covered in its plans."

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<sup>35</sup> Finance Treasury has indicated that it is working to assist with improved methods of income tax collection.

<sup>36</sup> . Sec. 74 - Subsection (1) Information gained by the administrator, city treasurer or any other city official, agent or employee as a result of a return, investigation, hearing or verification required or authorized by this ordinance is confidential, except for official purposes in connection with the administration of the ordinance and except in accordance with a proper judicial order.

<sup>37</sup> "But for" is a reference to denote that the project would not go forward, without the incentive.

<sup>38</sup> Ford Plans to Invest \$11 Billion to Electrify Its 'Most Iconic' Vehicles <http://fortune.com/2018/01/14/ford-11-billion-electric-car-investment/>

## Conclusion

For over 30 years the Michigan Central Station, considered by many a symbol of decay, has remained as a crumbling idle prop for a multitude of apocalyptic movies, such as Hollywood features such as the Transformer series and Batman vs. Superman; yet multiple attempts by investors to restore it as a useful resource, prior to the current proposal, have all failed. Furthermore, demolition experts have indicated that it would cost **\$5 million to \$10 million** to demolish a building of its size and structural integrity.

According to the Detroit Free Press, “Ford’s ... commitment to Corktown — which begins, not ends, with the arrival of 2,500 high-tech specialists — will make Detroit’s oldest neighborhood a center of development for the planet’s most advanced vehicles and services. It’s part of a growing network of facilities that put Michigan at the center of the next transportation revolution.”<sup>39</sup>

By 2021, Ford plans to have a fully autonomous vehicle in commercial operation. To make this possible, Ford has partnered or invested with four different technology companies.<sup>40</sup>

Therefore, given the near ¾ of a billion dollar investment by Ford (\$738 million), its projected positive cost benefit to the City of Detroit of **\$370,751,819** and **\$458,477,537** to all of the impacted taxing units, in addition to the creation of 5,000 new jobs, **LPD recommends approval** of the Ford Corktown Project incentive request.

### NEZ Acreage Status:<sup>41</sup>

**NEZ allocations are limited by state statute:** “*The total acreage of the neighborhood enterprise zones containing only new facilities or rehabilitated facilities or any combination of new facilities or rehabilitated facilities designated under this act shall not exceed 15% of the total acreage contained within the boundaries of the local governmental unit.*”<sup>42</sup>

**Total acreage available (15% of Detroit acreage): 13,239.00**

<b>Develop Detroit:</b>	<b>26.75 acres</b>
<b><u>Total Acreage for the Entire City of Detroit:</u></b>	<b><u>88,260</u></b> <sup>43</sup>
<b>Total Acreage Remaining</b>	<b>7,845.84</b>
<b>Total Acreage Designated:</b>	<b>5,393.16</b>

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

<sup>39</sup> You are now entering the Autonomous Motor City Mark Phelan, Detroit Free Press, June 17, 2018 <https://www.freep.com/story/money/cars/mark-phelan/2018/06/17/self-driving-motor-city/704236002/>

<sup>40</sup> The SAE (Society of Automotive Engineers) International six levels of automation rating system is used by the U.S. Department of Transportation to classify a vehicle’s automation capabilities. Level 0 — No Automation — which is defined as a vehicle that requires a human driver for all aspects of the driving task, up to Level 5 — Full Automation — in which a vehicle can perform all driving tasks, no matter the environmental or roadway conditions. By mass producing a Level 4 capable vehicle, Ford will have achieved the highest level of automation by any automotive maker to date. In order to reach this goal, Ford has committed to expanding its research in advanced algorithms, 3-D mapping, radar technology and camera sensors. To help accelerate the development of these new technologies, Ford has made four key investments and collaborations with Velodyne, SAIPS, Nirenberg Neuroscience LLC and Civil Maps. <https://corporate.ford.com/innovation/autonomous-2021.html>

<sup>41</sup> This is a ballpark estimate by LPD, based on current available data.

<sup>42</sup> MCL 207.773 (2)

<sup>43</sup> 88,260 Acres = 137.90625 Square Miles



**Ground view of the Michigan Central Station<sup>44</sup>**



**Aerial view of the Michigan Central Station<sup>45</sup>**

500,000-square-foot, 18-story train station will anchor a campus for the company's self-driving, electric car and alternative transportation teams, as well as the automaker's partners.

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<sup>44</sup> Ford's train station plan made possible by untold tax incentives, By Violet Ikonomova <https://www.metrotimes.com/news-hits/archives/2018/06/18/fords-train-station-plan-made-possible-by-untold-tax-incentives>

<sup>45</sup> Source: INSIDE DETROIT'S CRUMBLING TRAIN STATION THAT FORD PLANS TO TRANSFORM INTO A MOBILITY LAB By Tamara Warren; Photography by Fabrizio Costantini for The Verge <https://www.theverge.com/2018/6/20/17483696/ford-detroit-train-station>



The historic Michigan Central Station in Detroit's Corktown neighborhood, mostly unused since the last train departed in 1988, is being bought and renovated by Ford Motor.; Nick Hagen for The New York Times



A rendering of Michigan Central Station after its renovation. Ford<sup>46</sup>

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<sup>46</sup> Source: Ford Aims to Revive a Detroit Train Station, and Itself By Neal E. Boudette  
<https://www.nytimes.com/2018/06/17/business/ford-detroit-station.html>

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