# 550 W. Fort Street General Info

- Designed by Smith, Hinchman, and Grylls and erected in 1916
- Originally served as The Detroit Saturday Night Building. The Detroit Saturday Night was a
  weekly paper, similar to the Saturday Evening Post
- The building is zoned as B5, and is located within the Central Business District. Parking is therefore not required
- The building is adjacent to/directly south of the Fort Shelby Hotel Local Historic District
- Property owner also owns the Fort Shelby Hotel Local Historic District

## **2018 Timeline**

- In December 2018, the owner approached Detroit Historic District Commission (HDC) staff with a proposal to demolish 550 W. Fort and establish new parking spaces for condo units that are located at the upper stories of the Fort Shelby Hotel Local Historic District. Note that the Detroit HDC must be notified and given the opportunity to provide comment re: whether or not the proposed demolition and parking lot will adversely affect the adjacent Fort Shelby Hotel Local Historic District. This proposal is not subject to delay once the HDC has been notified
- In December 2018, the owner met with Planning and Development Department (PDD) staff to discuss alternatives to demolishing the building
- The HDC reviewed the demolition proposal at the December 12, 2018 regular meeting and provided comment/their opinion to the Mayor and City Council re: the effect that the proposed demo & new parking lot would have on the adjacent Fort Shelby Hotel Local Historic District (see the attached)

# 550 W. Fort Street 2019 Timeline

- In January 2019, the property owner postponed the building's demolition and agreed to meet with PDD staff and the PDD Director to discuss alternatives to demolishing the building
- Please see the attached document. After several meeting with PDD staff and the PDD Director, the applicant has determined that it is not financially feasible to retain the building at 550 W. Fort
- With the submission of the attached document, the City of Detroit Law Department and the property owner are notifying the Detroit HDC that the property owner is seeking to pull a permit to demolish the building located at 550 W. Fort









# Historic Photos/Info





# HDC's 2018 Comment to the Mayor and City Council re: the effect that the demo will have on the adjacent Fort Shelby Hotel Local HD

CITY OF DETROIT HISTORIC DISTRICT COMMISSION 2 WOODWARD, SUITE 808 DETROIT, MICHIGAN 48226 PHONE 313-224-6536 FAX 313-224-1310

# REPORT TO MAYOR DUGGAN AND THE HONORABLE DETROIT CITY COUNCIL

# REGARDING THE PROPOSED DEMOLITION AT 550 W. FORT, ADJACENT TO THE FORT SHELBY HOTEL HISTORIC DISTRICT

Pursuant to Section 25-2-7 of the 1984 Detroit City Code, at their regular meeting on Wednesday, December 12, 2018, the Detroit Historic District Commission reviewed the submitted proposal and determined that the proposed demolition will have a negative effect on the adjacent Fort Shelby Hotel Historic District.

**REPORT** 



COLEMAN A. YOUNG MUNICIPAL CENTER 2 WOODWARD AVENUE, SUITE 500 DETROIT, MICHIGAN 48226-3437 PHONE 313\*224\*4550 FAX 313\*224\*5505 WWW.DETROITMI.GOV

#### **MEMORANDUM**

To: District Historic Commission

Cc: Hon. City Council, Arthur Jemison, Garrick Landsberg, Pamela Parrish, David

Bell, Ray Scott

From: C. Raimi –deputy corporation counsel

Date: October 7, 2019

Subject: Legal opinion regarding demolishing of 550 W. Fort Street

#### Dear Commissioners:

As you are aware, the disposition of the building located at 550 W. Fort Street (also known as the Detroit Saturday Night building) has been a matter under consideration by various departments in City government for some time. Late last year, the developer filed an application for the building's demolition. HDC was notified of the application and on December 12, 2018, held a public hearing on the subject at which members of the public expressed their views.

At the City's request, the developer did not pursue demolition at that time but, rather, entered into discussions with the City's Planning and Development Department (PD&D) in an effort to determine if it was possible to save all or part of the building. Various scenarios were evaluated, the most significant being restoration of the front 1/3 of the building with demolition of the remainder. After considerable deliberation and due diligence, the Administration determined that preservation of all or a portion of the building would not be possible.

This memo's author was not aware of the City Council's interest in this matter and mistakenly authorized BSEED to issue a demolition permit prior to presenting the issue to City Council. The permit was dated September 19, 2019. The author has now apologized to City Council for that error. Further, BSEED issued a temporary stop work to preserve the status quo pending consideration by City Council. Both the 9/19 demo permit ("Permit") and the stop work order are appended to this memo.

On Tuesday October 1, the matter was discussed at length by City Council. Prior to that meeting, City Council was provided with a memorandum explaining the Administration's reasons for concluding that it was not possible to save all or a portion of that building. In case you did not previously receive the memo an additional copy is appended hereto.

At its October 1 meeting, City Council denied a motion to appoint certain ad hoc members to the Historic Designation Advisory Board in connection with a proposed study for a 550 West Fort Local Historic District. It also approved demolition of the building. Absent reconsideration by the Council within 4 business days, Council's decision will become final on Tuesday October 8.

It has come to my attention that when the Permit was issued on September 19, BSEED neglected to provide a copy to HDC pursuant to Section 25-2-7 of the Detroit City Code. That section requires BSEED to inform HDC upon receipt of a proposed project that is immediately adjacent to a designated historic district. HDC then has up to 60 days to report the demonstrable effects of the proposed project to the mayor and city council.

However, as stated above, HDC previously received notice of the proposed demolition. And HDC is herewith receiving notice of the September 2019 Permit. But in each case, HDC's role is to advise the decision-makers, Mayor and City Council. In this unique situation, both the Mayor and City Council have been fully advised and have approved demolition. It is our opinion that further delay in proceeding with the demolition would pose significant risks to the City and the developer, and would violate Sec. 25-2-7 which provides "nothing in this section shall be construed to diminish the rights and powers held by the mayor and city council with respect to such project activities."

For those reasons, if Council does not seek reconsideration prior to October 8, we will advise BSEED to lift the stop work order so that the demolition can proceed.





To: Hon. City Council

Fr: C. Raimi, deputy corporation counsel

Cc: Arthur Jemison, Pam Parrish, David Massaron

Re: Fort Shelby – 550 W. Fort St

Dt: September 27, 2019

The purpose of this memorandum is to provide City Council with the reasons for the administration's recommendation to allow demolition to proceed at 550 W. Fort. Supporting documents are attached.

#### **BACKGROUND**

In 2007, the City made an \$18mm HUD 108 loan to assist the developer (MCP) in financing renovations for the Fort Shelby Hotel. The City is in 2d position behind a roughly \$18 mm loan by GRS for the hotel. The entire principle balance on both the City and GRS hotel loans (plus interest on the City loan) remain due and owing. The GRS loan, which has been extended several times, comes due in November 2019. GRS provided a separate loan for the residential (condominium) units that are part of the Fort Shelby project. Sales of those units, and payment of the GRS loan, have been impeded by the parking issue discussed below.

### THE 550 W. FORT ISSUE

MCP has for many years owned an adjoining property at 550 W. Fort. At all times since MCP first presented the project to the City in 2006, MCP has planned to demolish the building on the property and use it for parking for the condominiums. The City was fully aware of the developer's intentions. 550 W. Fort is adjacent to but is not now and never has been an historic district.

MCP has advised that demolishing the building is critical to the project to create parking for condominium owners. This would not be a public lot – it would be enclosed and landscaped for use by the owners.

MCP applied for and was granted a permit in December 2018 to demolish the building. MCP had arranged to pick up the permit after the holiday break. At the

City's request, MCP voluntarily held up on demolition pending discussions with the City's planning department. The administration was concerned about another parking lot in the City.

Ultimately, after many months, Planning suggested that the front 1/3 of the building could be saved with the rear portion used for condo parking. The author of this memo, who had not previously been involved with the 550 West Fort issue (rather, only the HUD 108 issue) was asked to analyze and provide a recommendation for the proposal.

There were fatal problems with the proposal. It would still leave a number of condos with no on-site parking. Further, attempting to save 1/3 of the building would result in significant additional costs estimated to be in excess of \$3 million.

Assuming it was possible to save 1/3 of the building that would leave, under the most optimistic scenario, about 9,000 rentable square feet. MCP, in consultation with CBRE, Colliers, and Cushman & Wakefield's downtown office leasing brokers, put together a financial analysis of the remaining property. The analysis concludes the remaining building would not be financially viable.

It has been assumed that the \$3+ million in additional costs would be paid by the City, which would then obtain title to the remaining one-third of the building. But there is no apparent source for such funding and, as mentioned, it appears the building would not be financially viable.

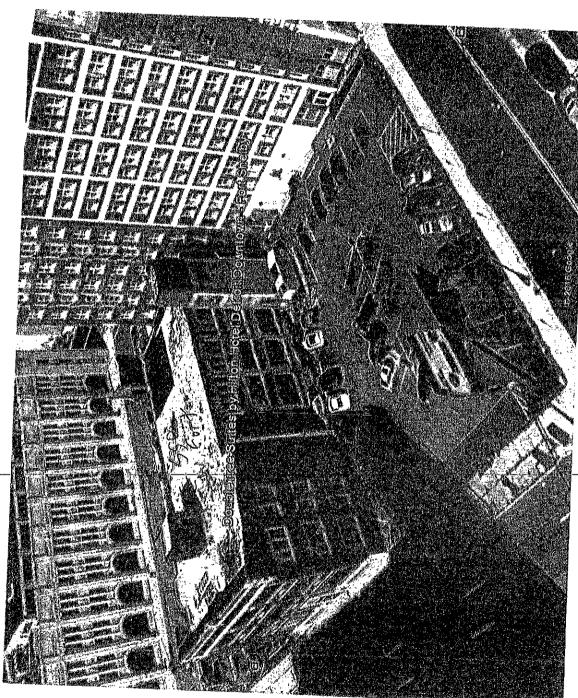
More recently, Planning suggested yet another approach which would cost roughly \$1.7 million but would not allow MCP to provide parking to many condo-owners, including many who already have purchased their unit with an easement for on-site parking. That is not a feasible or realistic proposal.

The stalemate over 550 W. Fort has now stalled progress for almost a year on GRS obtaining payment of both the condo and hotel loans, and the City's to work out the HUD 108 loan. MCP has been adversely affected. It has not been able to provide on-site parking for many owners who purchased their units with on-site parking. Lawsuits have been threatened. MCP has been paying thousands of dollars every month for valet service.

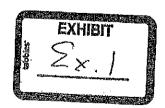
Finally, MCP has considered the possibility, if financing were available, of erecting a structure on the 550 W. Fort site with retail on the ground floor and

parking above. Attempting to save all or some part of the building would foreclose that possibility.

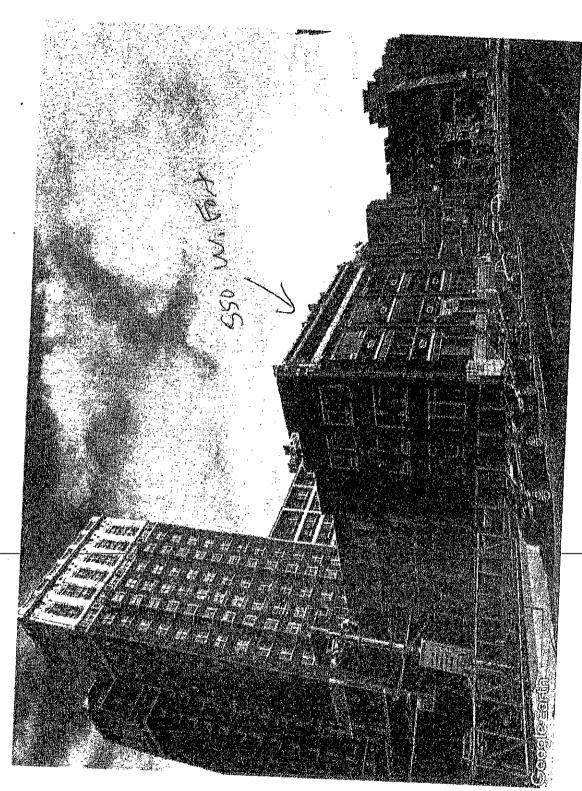
It was for the foregoing reasons that Law recommended, and the administration agreed, to allow MCP to proceed with demolition of 550 W. Fort.



550 Fort Street



550 Fort Street



550 Fort Street

### SEPTEMBER 6, 2019 MEMO FROM FT. SHELBY DEVELOPER RE HISTORY OF THE PROJECT

I am providing a summary of the history of the original 2006 plan to remove the 550 Fort Street Building and provide a private, landscaped, secured parking area proving only 56 parking spaces for the 56 condominium owners of the Fort Shelby residences which are on the upper floors of the 550 Lafayette Blvd. Hotel/Condominium building. This is not a surface parking lot for public parking and is restricted to only Condominium owners. Each space (1 for each owner) is in essence Deeded to each condominium purchaser via a perpetual easement. This was our original presentation to the City and the GRS to obtain approval for the entire project which in turn the sales of the condominiums result in the payoff of the GRS first Mortgage Loan.

We originally designed a parking garage that we anticipate building on the surface parking area at some future point in time that will further enhance the entire residential, hotel properties, and neighborhood. Without the removal of the 550 building this future development will not be feasible.

I have attached the ADAMO and Ram Construction services proposals and the Adamo includes several aerials of the parking lot and building that show the demo and remaining portion of the building. Also attached are the photos of the building and current parking lot which show the issue of lack of parking for condominiums.



### 550 FORT STREET ANALYSIS

MCP is in the process of converting the Fort Shelby Residences to luxury condominiums that require one parking space per unit. The 550 Fort Street building was contemplated to be demolished at the time of the \$95 million redevelopment of the Fort Shelby Hotel and Residences, restoring the historically significant structure in an elegant hotel and conference facility. MCP, following through with their original plans to provide the required parking for the Fort Shelby Residence, submitted for a demolition permit to demolish the 550 Fort Street building and provide the parking required for these buyers. The Historic District Commission, in an advisory capacity, recommended against the demolition, even though the building does not appear on any historic register, and it was always intended to be replaced with parking.

MCP maintains that it is not economically feasible and is detrimental to the sale of the condos to not fully demolish this building, which proceeds are being used to retire the General Retirement System ("GRS") debt, and the refusal of the permit is and will cause severe hardship to the project, the GRS and the City.

The City has asked MCP to provide an economic analysis of the cost impact to retain 1/3 of 550 Fort Street in lieu of its full demolition. The following is a summary of the cost that is required for the condominium sales and expenses to bring the 550 West Fort building to a safe condition. The total cost of \$3,037,000 is required as a cash payment prior to commencement of demolition. Please also note that any reduction in the condominium sales pricing will require GRS approval.

#### SUMMARY ESTIMATE

Fort Shelby Parking Requirement	
Total Parking Spaces Provided	56 spaces
The loss of 12 parking spaces will pegatively in	44 spaces
terms of our loan documents that include	\$960,000
negative impact on the sale of these obligations, as well as the	e i Ce
Partial demolition of 550 Fort – premium cost increase for partial demo	
neconstruction of the back wall and restoration of the front facada	\$200,000
Bring 550 Fort to life safety standards in AS-IS condition (i.e. bring utilities back to building, sprinkler system, heat to prevent freezing sprinkler lines, emergency lighting, windows and roofing to ensure watertight.	\$432,000
Convert to Office Space	
Restricts future development opportunities	\$1,125,000
otal Incremental Cash Required	TBD -
	\$3,037,000

The Intention would be to turn the building over to the City, who would then be responsible for maintaining the exterior, heating system to prevent the sprinkler lines from freezing, and establishing a pest control program.



March 20, 2019

Gateway Investment Partners 160 North Franklin Street Suite 160 Chicago, Illinois 60606

Attention:

Ms. Pamela L. Opyd

popyd@gatewayadvisorsilc.com

Ret

550 West Fort Street

Three (3) Story Office Building Exterior Façada Restoration and

New Masonry Back Wall

Dear Ms. Opyd:

In answer to your request, after the demolition of the rear section (approximately two thirds 2/3) has been completed; we will complete the following work to the remaining one third (1/3) of the building.

Below is our proposed scope of work:

- Dispatch manlifts and a suspended scaffold.
- On the south, east and west elevations we shall complete the following necessary required repairs;
  - o Necessary Tuckpointing
  - O Necessary Concrete Repairs
  - Necessary Brick Repair
  - o Underside Soffit Repair
  - Necessary Terracotta Repair
  - o Patching and Epoxy Coating
  - o Exterior Cleaning
- On the rear (north wall) we will construct a masonry block back-up wall covered
  with a face brick closely matching the existing. Masonry block will be reinforced
  and grouted. Face brick will be anchored to the masonry block.

Clean-up and removal of all equipment.

If you have any questions, please feel free to contact me.

Very truly yours,

RAM Sonstruction Services of Michigan, Inc.

Robert T. Mazur

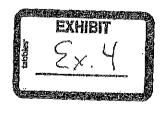
President RTM/M/19-025

# 550 FORT STREET Renovation Analysis

Reposition Rose	
Acquisition Price Partial Demolition Reconstruction of Back Wall Life Safety, Util, Roof. Etc. Renovation Costs Tenant Imp. Allowance Leasing Commissions Total Renovation Costs Cost Per Square Foot	200,000 432,000 320,000 1,125,000 360,000 74,250 2211,260 279
Gross Rent 9,000 GSF 122,00 /GSF Less: Vacancy & Other Lossas 5,0% Less: Insurance & Other Expenses Less: Real Estate Taxes Net Operating Income - Stabilized Less: Capital Reserves Cash Flow  Return on Investment/Cost	198,000 (9,900) (22,500) (45,000) 120,600 (9,000) 111,600
Net Operating Income - Stabilized Cap Rate Gross Stabilized Value Lass: Cost of Sale Net Value Created/Rusilized Value Per Square Foot	120,600 8.0% 1,507,500 (30,150) 4,477,950

- ➤ Low Annual Return Redevelopment of the 550 Fort Street building is not economically feasible. The cost is approximately \$2.5 million with a stabilized NOI of \$130k. This results in a 4.4% return on investment in an environment where the expectation is 8% to 11% for Detroit CBD office properties.
- Cost Greater Than Value The stabilized value created is approximately \$1.5 million resulting in more than a \$1.0 million loss for the City. This presumes an 8.0% cap rate and a successful lease up which is not guaranteed given the current competition in this neighborhood and given the small floors and lack of dedicated parking space for the office space.
- Lost Opportunity If we don't follow the original Fort Shelby redevelopment plan for the private parking area for the condominium residents, we will not be able to redevelop the parking area into a parking garage which could include street activation with retail and potentially a multifamily or commercial building above the parking garage given the small remaining footprint.
- Lost Value in Condominiums If 550 Fort Street were only partially demolished, the condominiums would be 12 parking spaces short. The condominiums without dedicated parking would be greatly diminished in value and would sell very slowly. These sales proceeds are needed in order to pay back the General Retirement System of Detroit.

MCP DEVELOPMENT LLC FORT SHELBY LLC



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550 FORT STREET Renovation Analysis - 10 Year Hold	\$20 /se demo 250,000	432,000 432,000 44,000 fte. 535 /555 320,000 Costs 1,225,000 Atlowance 549 /557 360,000 Transsions 7,5% 74,250 5 year are 5279 /555 75,250			58,353 70,045		I DOOR	47.278 48.450 49.672	2000 TO THE REAL PROPERTY.	9,364 9,551 9,742	9,364 9,551 9,742 115,009 117,073 119,172		35% 219,172 119,172
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#### City of Detroit **Buildings, Safety Engineering and Environmental Department Building Division**

#### Coleman A. Young Municipal Center 2 Woodward Avenue, 4th Floor, Suite 408, Detroit, Michigan 48226 (313) 224-3202

**DEMOLITION PERMIT** 

SITE ADDRESS:

550 - 0 FORT

0400016

PERMIT NO.: DEM2019-04215

PARCEL NUMBER:

APPLIED: 09/19/2019

LEGAL LAND USE:

ISSUED: 09/19/2019

TYPE OF USE:

Commercial

EXPIRES: 03/17/2020

WORK DONE BY:

Wrecking Contractor Class A Unrestricted

Dangerous Building ID:

PERMIT DESCRIPTION:

WRECK AND REMOVE COMMERCIAL BUILDING, BACKFILL AND REGRADE LAND

BLDG TYPE CODE:

3B - MASONRY (FP 200)

STORIES: 3

SECTOR:

CUBIC FT.: 281,250

BASEMENT: Yes

BETWEEN:

Between

and

LOT NO.:

SUBDIVISION: 0400016

<u>Owner</u>

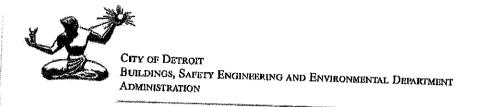
Fort Shelby Holding Co 525 W. LAFAYETTE BLVD DETROIT MI, 48226

Applicant

Adamo Demo 320 E 7 MILE RD DETROIT MI, 48203 Contractor

Adamo Demo 320 E 7 Mile Rd Detroit, MI 48203

Fees					
Туре	Date	Amount			
Wrecking Permit - exceeding 30,000 cu ft	09/19/2019	\$909.15			
	Total:	\$909,15			



COLEMAN A. YOUNG MUNICIPAL CENTER 2 WOODWARD AVENUE, FOURTH FLOOR DETROIT, MICHIGAN 48226 WWW.DETROITMI.GOV

# NOTICE OF TEMPORARY REVOCATION AND STOP WORK ORDER WITH RESPECT TO DEMOLITION PERMIT DEM2019-04215

To: Fort Shelby Holding Co, Owner 525 W. Lafayette Blvd Detroit, MI 48226

Adamo Demo, Applicant 320 E. 7 Mile Detroit, MI 48203

Re: Property address - 550 W. Fort, Detroit, MI ("Subject Property")

Date: September 26, 2019

### PRELIMINARY FINDINGS

- 1. In December 2018 Owner/Applicant applied for a demolition permit for the Subject Property. Pursuant to City Ord. 25-2-7, notice was provided to the Historic District Commission ("HDC").
- 2. HDC held a public meeting.
- 3. A demolition permit was not issued at that time.
- 4. On September 19, 2019, permit DEM2019-04215 ("Permit," copy attached attached) was issued by the City of Detroit Buildings, Safety Engineering and Environmental Department ("Department").
- 5. No additional notice was provided to HDC.
- 6. Questions have been raised concerning the legality of the Permit.



# NOTICE OF TEMPORARY REVOCATION AND STOP WORK ORDER

NOTICE IS HEREBY GIVEN that the Permit shall be revoked, and a stop work order issued, for a period of thirty (30) days, on the grounds that the Permit may have been issued in violation of City Ordinance. Unless extended in writing, this Revocation/Stop Work Order shall expire on October 26, 2019.

## NOTICE OF OPPORTUNITY TO CONTEST THIS NOTICE

If you wish to contest this notice, you may contact:

Raymond Scott, Deputy Director of the Department Telephone 1 (313) 471-5108

A prompt in-person hearing will be arranged.

Sincerely,

David Bell, Director

Buildings, Safety Engineering and Environmental Department