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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director
 Legislative Policy Division Staff 

DATE: November 7, 2017

RE: **Hudson's Block, Monroe Blocks, One Campus Martius Expansion, and Book Building and Book Tower Redevelopment Projects (Bedrock) TBP**
SUPPLEMENTAL REPORT #1

The following is the Legislative Policy Division's (LPD) Fiscal Section's SUPPLEMENTAL REPORT on the review of the Transformational Brownfield Redevelopment Plan request of Bedrock Detroit for four (4) Transformational Project sites. This report is provided to give the Council a summary of all the incentives that will be included in the Transformational Brownfield Plan for this project. Attached, please find a fiscal summary of the 30-year & 15-year fiscal impacts¹ of the TBP, in addition to the related associated costs and benefits of **three (3) PA 147 Neighborhood Enterprise Zones (NEZ) abatements, two (2) PA 210 Commercial Rehabilitation abatements and one (1) PA 146 Obsolete Property Rehabilitation Act (OPRA) abatement** that involve the four TBP sites listed below.

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

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

Attachment: Detailed Fiscal Summary of All Incentives for the Bedrock TBP

¹ As indicated in the heading of the description of the columns.

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

DEGC Project Evaluation Sheet
Bedrock Transformational Brownfield Plan
 Developer: Affiliates of/and Bedrock Management Services LLC
 Principal: Bedrock Management Services LLC

Abatements Requested:

1. Transformational Brownfield Plan, PA 46 of 2017 – Years 1-30 tax increment financing reimbursement for eligible activities
2. Neighborhood Enterprise Zone, PA 147 of 1992 as amended - Years 1-12 previous year's taxable value frozen & taxed at total millage rate/taxes adjusted final 3 yrs
3. Commercial Rehabilitation Act, PA 210 of 2005 as amended- Current taxes frozen at pre-rehab values / improvements taxed at 24mills (school), local taxes abated
4. Obsolete Property Rehabilitation Act, PA 146 of 2000 as amended – Current taxes frozen at pre-rehab values / Improvements taxed at 24mills (school), local taxes abated

		30 Year Period				15 Year Period			
Project	Location	Combined Totals over 30 Years	Book Tower	Hudson Block	Monroe Block	OCM			
			OPRA & NEZ	PA 210 & NEZ	PA 210 & NEZ	No Abatements			
Address	n/a		1249, 1265, & 1201 Washington Blvd.	1208 Woodward Ave	32, 100, 118, 126 Monroe Ave. & 725 and 815 Bates St. & 1000 Farmer St.	1 Campus Martius			
City Council District	District 6	District 6	District 6	District 6	District 6	District 6			
Neighborhood	Downtown	Downtown	Downtown	Downtown	Downtown	Downtown			
Building Use									
Total Square Foot	4,301,967	649,333	1,272,792	2,069,642	310,200				
Commercial Square Foot	1,395,491	78,545	314,846	691,900	240,888				
Retail Square Foot	261,004	23,074	94,365	143,565	0				
Residential Square Foot	810,566	105,800	337,219	367,547	0				
Hotel Square Foot	71,395	71,395	0	0	0				
Other Space Square Foot	1,763,512	370,519	526,363	866,630	69,312				
Hotel Rooms	200	200	0	0	0				
Parking Spaces	2,361	400	700	1,261	0				
Project Overview									
Total Housing Units	907 units	95 units	330 units	482 units	0 units				
Percentage of Required Affordable Units ¹	176	19	61 ¹ (-5 units)	96	0				
Affordable Housing	Bedrock affordable housing agreement with City of Detroit	Bedrock affordable housing agreement with City of Detroit	Bedrock affordable housing agreement with City of Detroit	Bedrock affordable housing agreement with City of Detroit	Bedrock affordable housing agreement with City of Detroit	Not applicable			
Total Investment	\$2.2 billion	\$311 million	\$937 million	\$831 million	\$96 million				

FISCAL IMPACT OF PROJECT TO THE CITY OF DETROIT BY PROGRAM (NEZ, PA 210, OPRA, TBP & DDA)

Project	30 Year Period			15 Year Period			OCM
	Combined Totals over 30 Years	Book Tower	Hudson Block	Monroe Block	OCM		
Project Benefits		OPRA & NEZ	PA 210 & NEZ	PA 210 & NEZ	No Abatements		
Estimated Jobs ²	7,192 FTE	663 FTE	1,633 FTE	3,741 FTE	1,155 FTE		
Estimated income taxes	\$617,554,384	\$19,095,681	\$73,035,193	\$129,274,005	\$32,904,887		
Estimated benefits before tax abatement	\$1,176,851,960	\$44,057,691	\$146,536,121	\$244,184,074	\$57,648,111		
Total estimated City value of 15yr NEZ (3) abatement	\$21,771,987	\$3,496,729	\$9,974,081	\$8,301,177	\$0		
Total estimated City value of 10yr PA 210 (2) abatement	\$44,789,309	N/A	\$17,992,612	\$26,796,697	\$0		
Total estimated City value of 12yr OPRA (1) abatement	\$6,731,828	\$6,731,828	N/A	\$0	\$0		
Estimated 30yr DDA TBP Capture City	\$228,074,097	\$3,019,152	\$14,062,167	\$19,259,215	\$7,840,024		
Estimated Developer RenZone TBP Capture City ³	\$1,662,101	\$0	\$1,662,101	\$0	\$0		
Less cost of services & utility deductions	\$200,290,806	\$7,124,573	\$19,056,741	\$42,205,772	\$12,743,183		
Net Benefit to City⁴	\$673,531,832	\$23,685,409	\$83,788,419	\$147,621,213	\$37,064,904		

SHARE OF TOTAL INCENTIVES BY DOLLAR VALUE

Project	30 Year Period			15 Year Period			OCM
	Combined Totals over 30 Years	Book Tower	Hudson Block	Monroe Block	OCM		
Estimated Other Taxing Jurisdictions Developer Property Tax Capture	\$229,198,386	\$27,805,307	\$75,924,210	\$110,427,696	\$15,041,173		
Estimated 20yr State Withholding Taxes Captured	\$256,283,297	\$18,216,470	\$54,125,842	\$136,240,726	\$47,700,259		
Estimated 20yr State Income Taxes Captured	\$51,694,296	\$5,838,641	\$23,814,315	\$22,041,340	\$0		
Construction Sales Tax/Use Exemption	\$60,647,889	\$8,540,554	\$28,687,399	\$20,641,951	\$2,777,985		
Construction Income Tax Revenue	\$18,174,855	\$2,559,419	\$8,596,990	\$6,185,944	\$832,502		
Total Estimated Non-City Exemptions	\$615,998,723	\$62,960,391	\$191,148,756	\$295,537,657	\$66,351,919		
City Share of Incentives	\$74,955,225	\$10,228,557	\$29,628,794	\$35,097,874	\$0		
Estimated Grand Total Value of Incentives	\$690,953,948	\$73,188,948	\$220,777,550	\$330,635,531	\$66,351,919		

SHARE OF TOTAL INCENTIVES BY PERCENTAGE

Project	30 Year Period			15 Year Period			OCM
	Combined Totals over 30 Years	Book Tower	Hudson Block	Monroe Block	OCM		
Estimated Other Taxing Jurisdictions Developer Property Tax Capture	33.2%	4.0%	11.0%	16.0%	2.2%		
Estimated State Withholding Taxes Captured	37.1%	2.6%	7.8%	19.7%	6.9%		
Estimated State Income Taxes Captured	7.5%	0.8%	3.4%	3.2%	0.0%		
Construction Sales Tax/Use Exemption ⁵	8.8%	1.2%	4.2%	3.0%	0.4%		
Construction Income Tax Revenue ⁵	2.6%	0.4%	1.2%	0.9%	0.1%		
Total Estimated Non-City Exemptions	89.2%	9.1%	27.7%	42.8%	9.6%		
City Share of Incentives	10.8%	1.5%	4.3%	5.1%	0.0%		

Project	30 Year Period		15 Year Period			
	Combined Totals over 30 Years		Book Tower	Hudson Block	Monroe Block	OCM
Estimated Grand Total Value of Incentives	100%		10.6%	32.0%	47.9%	9.6%

Assumptions & Notes

- 1) Five (5) affordable units provided per agreement with Council President Jones
- 2) The project also assumes 15,000 construction period jobs. This number comes from the Final Bedrock Transformational Brownfield Plan
- 3) Per Act 381 section 13c(13) the estimated Developer TBP Capture City is specific to the Renaissance Zone approved for Hudson's Block. If terminated by the City, the developer
- 4) Assumes achieving all targeted jobs goals as indicated in the Final Bedrock Transformational Brownfield Plan
- 5) These construction period capture and exemption numbers are direct benefits to the Developer

*The Book Tower, Hudson Block, Monroe Block, and OCM analyses are all 15 year analyses, to most accurately represent the impact of the specific property tax abatement programs

**The 30 Year Combined Totals column captures the entire length of the Transformational Brownfield Plan. Specifically, this included both the 15 year period where abatement

***Because of * & **, the four rightmost columns will not add up to the 30 year total column.

****assume 3% inflation rate over the course of the project

*****OPRA, PA 210, and NEZ estimates are based off building usage square footage assumptions

*****assume 80% of residents are new residents to the City due to high income level required to occupy one of these residential units

*****assume 40% of employees will be residents of Detroit, based on developer's historic trend

*****note the green shaded boxes are specifically state and other taxing jurisdiction numbers. Items related to City in the green shaded are highlighted in yellow.

*****slight differences may exist between DEGC numbers and Bedrock numbers due to the slightly different methodologies used; particularly Bedrock's estimating the Wayne