



City of Detroit

CITY COUNCIL

JAMES E. TATE JR.
CITY COUNCIL PRESIDENT PRO-TEMPORE
DISTRICT 1

MEMORANDUM

TO: Nicole Sherard-Freeman, Group Executive, Jobs, Economy, and Detroit at Work

THRU: Planning and Economic Development Standing Committee

FROM: Council President Pro Tempore James E. Tate Jr.

DATE: Tuesday, January 31, 2022

RE: District Detroit Questions

Prior to the first tax abatement public hearing for the District Detroit economic development project, please respond to the following questions:

1. Most parking options in District Detroit are currently privately owned and the developer may promise to increase parking options. What are the implications on the options available to the 6,000 affordable units?

[NOTE: Office of the City Council President Pro Tem clarified in follow-up communications that this question is directed to the number of affordable housing units being delivered as part of the District Detroit project. That number is 139 units. The mixed-income residential projects in the District Detroit transformational brownfield plan will deliver 139 deeply affordable units available to residents who make 50% of the Area Median Income (“AMI”) or below. In a separate project in the same vicinity as the District Detroit project, Olympia Development only (without involvement from the Related Companies, its partner for the District Detroit projects) is redeveloping the Cass-Henry apartments. That project would create an additional 84 units of affordable housing. It is not, however, part of the District Detroit project.]

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The developer (being the joint venture of Related and Olympia) is working with the community through the Neighborhood Advisory Council (“NAC”) to finalize a shared vision the appropriate affordable parking framework to support the 139 units in the District Detroit project, and the appropriate monthly rate. Currently, the developer has proposed providing parking spaces at 50% of the market rate value for residents of the affordable units.

2. Given the history of private ticketing in the City of Detroit, is this anticipated for the District Detroit project?

Per Olympia Development, on behalf of its parking affiliate, that practice has been suspended.

3. Will the City of Detroit provide a waiver on parking as a part of the development agreement?

The City of Detroit Zoning Ordinance does not require a developer to provide any parking, given the B5 zoning classification of the development sites. Therefore no parking requirements would need to be waived for the District Detroit project.

4. How many hotel beds are currently in the downtown area and what are the utilization rates?

Currently, there are approximately 5,000 hotel rooms in downtown Detroit. Of that total, nearly 1,000 are casino hotel rooms, meaning they are unavailable for meetings, conventions, and group business because they are held for gamblers. Before the COVID-19 pandemic, occupancy ranged from 58 – 66% however it then hit a low point of 19% in 2020. That utilization rates tell only part of the story. According to Visit Detroit, in the last five years (two of which were pandemic years), Detroit lost nearly 600,000 room nights because of the of lack of hotels downtown (as a result of meeting planners choosing other cities).

Detroit has the 16th largest convention center in the country which allows us to host nearly 90% of the events in the meetings and conventions industry. Because Detroit does not have an adequate supply of hotel rooms downtown, Detroit is competitive for only 30% of the events.

Compared to Detroit’s competitive set (Cleveland, Nashville, Indianapolis, Pittsburgh, Houston, Detroit would have to add 3,000 rooms just to reach the mid-range of the other cities. By comparison, Indianapolis has nearly 12,000 rooms compared to Detroit’s 5,000 rooms.

5. What metrics or indicators were used to determine 467 more units are needed in addition to the projects receiving or slated to receive incentives by 2024?

The developer relied on analysis done by CBRE that considered a forecast of new hotels in the market area of the proposed developments and reviewed the impacts new supply, as well as increased market demand, will have on occupancies. The results highlight that demand will return to pre-COVID levels in 2023/2024, and thereafter outpace the increase to supply from new inventory, leading to increases in market-wide occupancy rates over the next 10 years. The developer expects the proposed hotels to capitalize on their relative proximity to Little Caesars Arena, the 2nd busiest sports arena in the country to Madison Square Garden, as well as the Fox Theater and Comerica Park. Together, the 3 entertainment venues had over 350 events in 2022 and see on average 10 million visitors per year.

6. Please explain all the funding sources for the \$23.8 million loan from the Downtown Development Authority (DDA) to the Developer and the percentage of each funding source that is contributed to the loan fund.

100% of the loan funds will be from tax increment revenues captured by DDA under DDA Act and DDA TIF Plan.

7. Given that the maximum loan amount is \$200,000 per affordable unit, what is the development cost for each affordable unit offered (i.e. studio, one-bedroom, two-bedroom, three-bedroom units)?

Please see below for the breakdown by unit type:

	2250 Woodward	408 Temple	2205 Cass
Studio	\$398,592	\$315,299	\$416,800
1 Bedroom	\$554,061	\$490,742	\$512,396
2 Bedroom	\$882,964	\$776,473	\$745,651
Average	\$594,925	\$497,402	\$547,939

8. How many square footage of commercial and or office space already exist downtown and what is the utilization rate?

Downtown office space totals 17.8M SF with a 12.6% vacancy rate, however it is worth noting that the vacancy rate for class A office space in downtown is 9.9%. Retail space throughout the greater Downtown total 5.1M SF with a 6.3% vacancy rate. These numbers come directly from the CBRE market study completed in September of 2022.

9. Please explain how the three (3) year benchmark for “long time Detroit” residents was selected for the Downtown Development Authority’s (DDA) affordable housing loan tool.

In response to feedback that an inclusive downtown is important to the DDA Board, City administration, City Council, and their constituents, the DDA Affordable Loan parameters were conceptualized as a tool to incentivize more mixed-use/mixed-income projects with deeply affordable housing options. In the March 2022 closing of financing for the United Artists building, in which the City, DDA, MSF, and HUD all participated, the City's loan included a feature that provides certain credits against loan payments, if in fact Low-Income Detroit Families occupied all the CDBG assisted units. Using this as model, the DDA included the additional feature of full or partial loan forgiveness based on Developer's success in filling the affordable units with existing Detroit residents. Responding to concerns raised by HRD that DDA's initially proposed definition of existing Detroit residents as residents of at least 5 consecutive years could have the unintended consequence of excluding housing vulnerable residents due to documentation requirements, the DDA board subsequently voted to revise the loan program parameters to reduce the threshold to 3 years of consecutive residency.

CC: Honorable Council Members
Deputy Group Executive Luke Polcyn, Jobs and Economy Team
Ms. Martha Potere, Jobs and Economy Team
Mr. José Lemus, Jobs and Economy Team
Mr. Malik Washington, Mayor's Office