



TAX ABATEMENT PRESENTATION

DETROIT ECONOMIC GROWTH CORPORATION

**Detroit City Council:
Planning + Economic Development Standing Committee Meeting
Thursday, January 11, 2024**



FUTURE OF HEALTH EXECUTIVE SUMMARY



ECONOMIC IMPACT + FISCAL BENEFITS

\$3B

ESTIMATED
INVESTMENT

702

NEW
PERMANENT
JOBS

8K

CONSTRUCTION
JOBS

133

DEEPLY
AFFORDABLE UNITS

\$118M

CITY OF DETROIT
NET BENEFIT

PROJECT DETAILS

- Henry Ford Health + Michigan State University Research Center
- Three Mixed-Use Residential Buildings
- 662 new residential units (107 affordable units @ 50% AMI, 13 affordable @ 30% AMI, 13 affordable @ 70% AMI)
- 804 Space Parking Garage and 31K SF of Retail Space

REQUESTED PERFORMANCE BASED INCENTIVES

- Neighborhood Enterprise Zone + Commercial Rehabilitation Act + Commercial Redevelopment Act
- Transformational Brownfield Plan

FUTURE OF HEALTH

PROPOSED TAX INCENTIVES

PROPERTY TAX ABATEMENTS

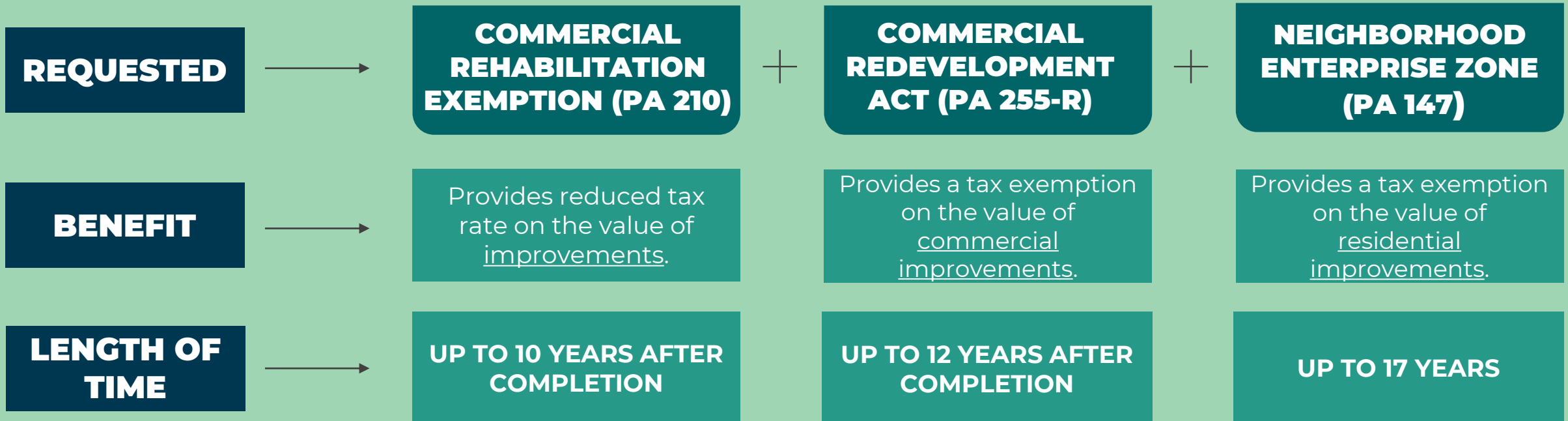
Temporary discount on new
Property taxes for up to 17
years

BROWNFIELD TAX INCREMENT FINANCING (TIF)

Reimburses the developer
using new tax revenues from
the project

FUTURE OF HEALTH

PROPERTY TAX ABATEMENTS



FUTURE OF HEALTH

NEW AND RENOVATED HISTORIC PROJECTS

#	PROJECT NAME	PA 210 DISTRICT	PA 255 DISTRICT	NEZ DISTRICT
1	One Ford Place – Residential 1 (6005 Second Avenue)		X	X
2	Residential 2 (725 Amsterdam Street)	X		
3	Residential 3 (675 Amsterdam Street)	X		



FUTURE OF HEALTH

PROPERTY TAX ABATEMENTS



BUSINESS EXPANSION



NEW CONSTRUCTION OF
COMMERCIAL PROPERTY
ON VACANT LAND



REHABILITATES
BLIGHTED,
CONTAMINATED +
OBSOLETE
STRUCTURES



BRINGS MORE
AFFORDABLE HOUSING
UNITS + HOME
OWNERSHIP
TO MARKET

FUTURE OF HEALTH

"BUT FOR" TEST



"BUT FOR" TEST

Demonstrated need
Based on underwriting:

*Would the project happen
Without the incentives?*



ECONOMIC BENEFITS

Job Creation

702 permanent

8,241 construction



FISCAL BENEFITS

Net Benefit

*\$118M in net fiscal benefit to the
City of Detroit over 35 years*



STRATEGIC BENEFITS

Enable deeply affordable housing

Activation of vacant land

*Tax-exempt land returning to tax
rolls*

Reuse of historic assets

FUTURE OF HEALTH

COMMUNITY CONCERNS



DOES NOT take City money and give that money to developers.
Developers pay less in taxes as they build.



ONLY recommended if there is a net benefit to the City.



ARE NOT granted without accountability or oversight.



DO NOT deliver benefits until developments are completed.

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DEGC “BUT FOR” ANALYSIS

FUTURE OF HEALTH

INCENTIVE NEED

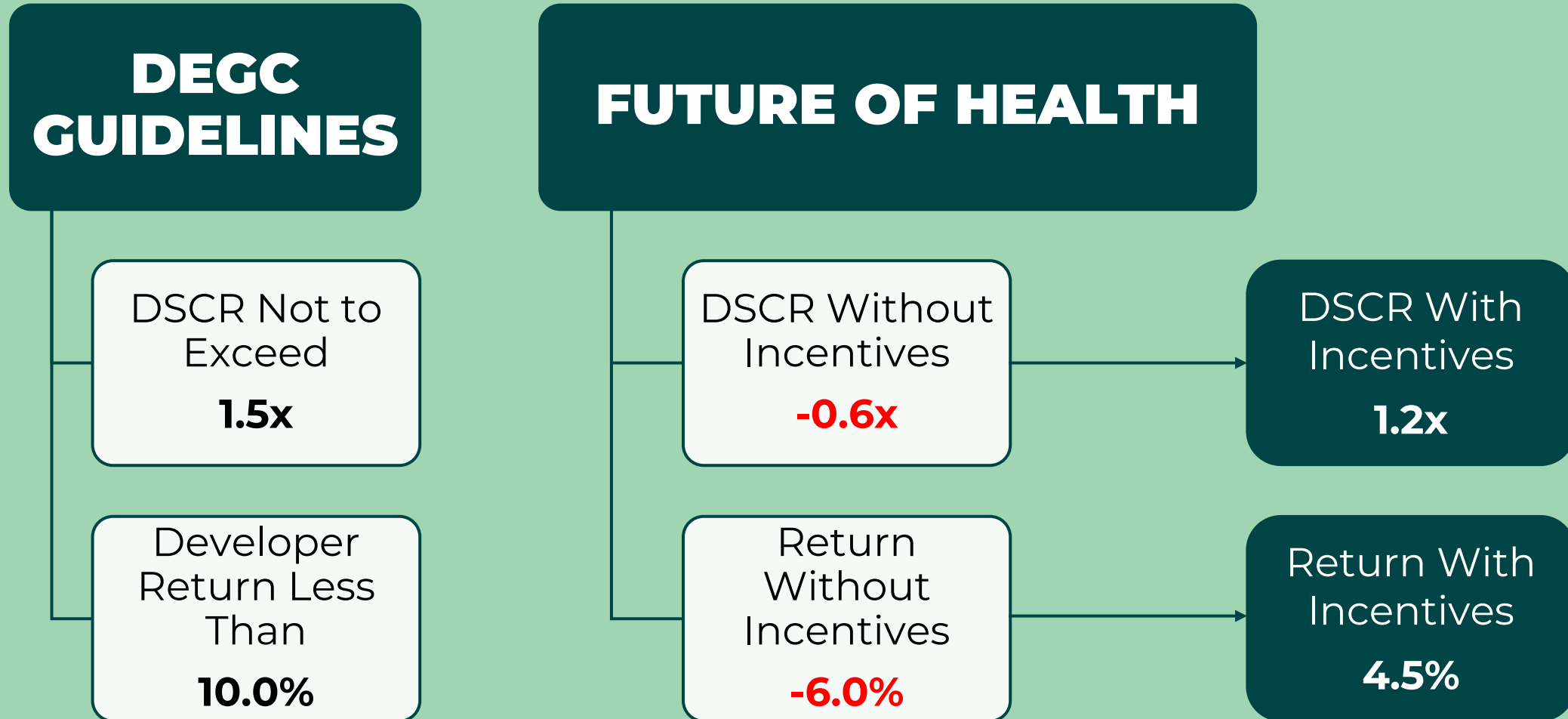
Q: COULD THIS PROJECT HAPPEN WITHOUT INCENTIVES?

A: THIS PROJECT COULD NOT HAPPEN WITHOUT INCENTIVES

1. The project would not be able to receive financing without the incentives.
2. The project would not be worth investing in without the incentives.

FUTURE OF HEALTH

INCENTIVE NEED



FUTURE OF HEALTH

INCENTIVE NEED

Q: HOW DOES THIS PROJECT COMPARE TO OTHER PROJECTS THAT HAVE RECEIVED INCENTIVES?

In 2021 and 2022 City Council voted to approve incentives on \$2.0 billion in mixed-use projects:

	RETURN ON INVESTMENT (ROI)	FUTURE OF HEALTH ROI
2021	4.3%	4.5%
2022	7.1%	

FUTURE OF HEALTH

HOW DOES TBP WORK?

UNIQUE PARTNERSHIP THAT PROVIDES MAJOR STATE INCOME TAX INCENTIVES
ON TOP OF TYPICAL LOCAL PROPERTY TAX INCENTIVES

TOTAL TAX INCENTIVES CONTRIBUTED TO THE PROJECT

	<u>Abatements</u>	<u>TIF</u>
City of Detroit	\$23 Million	\$47 Million
All Other Taxing Jurisdictions	\$32 Million	\$80 Million
Property Tax Abatement Benefit (PA 210, PA 255, NEZ)	\$55 Million	
Brownfield Tax Increment Financing	\$117 Million	
State of Michigan Transformational Brownfield Program	\$114 Million	
Total Incentives Over 35 Years	\$287 Million	

THIS ASSUMES PROJECT IS FULLY BUILT OUT

THE DEVELOPER RECEIVES NOTHING IF THEY DO NOT BUILD

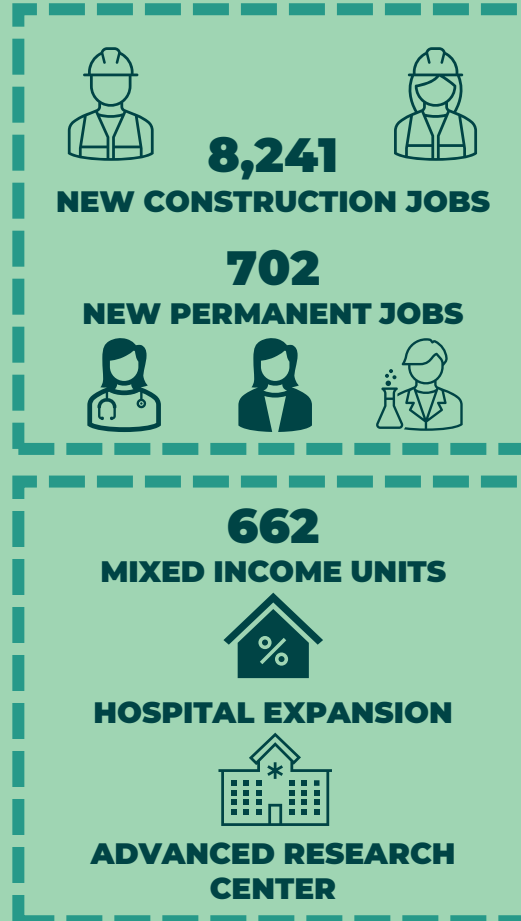
THE DEVELOPERS CAN EARN THESE INCENTIVES OVER 35 YEARS BY BUILDING THE PROJECTS & FILLING THE BUILDINGS WITH CITY OF DETROIT RESIDENTS & EMPLOYEES

TOTAL TBP BENEFIT = \$232 MILLION

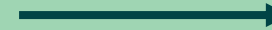
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NET BENEFIT

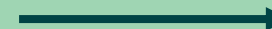
\$3.0 BILLION
MISSION-DRIVEN
INVESTMENT



New City Property Taxes, Income Taxes, Other Taxes



City Resident Income Taxes



CITY PROPERTY TAXES
\$17.3 MILLION

CONSTRUCTION CITY INCOME TAXES
\$7.7 MILLION

EMPLOYEE CITY INCOME TAXES
\$70.5 MILLION

RESIDENT CITY INCOME TAXES
\$18.5 MILLION

CITY UTILTY USER TAX, PERMITS, MISC. TAXES
\$3.9 MILLION

\$118 MILLION
\$3.4M / Year



**10:20 a.m. – PED HEARING
NEZ Zone – Project #1**

DETROIT ECONOMIC GROWTH CORPORATION

**Project 1 – NEZ Zone – 6005 Second – One Ford Place
Thursday, January 11, 2024**



FUTURE OF HEALTH

RENOVATED HISTORIC ZONE

#	PROJECT NAME	TOTAL INVESTMENT	PROGRAM	NEZ VALUE
1	6005 Second – One Ford Place	\$190M	403 Resi Units* 17K SF Retail	\$41.6M

***20% of Units are Affordable Ranging Between 30% - 70% AMI, with An Average of 50%**





FUTURE OF HEALTH

MIXED INCOME,
HISTORICAL ADAPTIVE RE-USE
6005 SECOND – ONE FORD PLACE

By The Numbers

- 539** Construction Jobs
- 98** Permanent Jobs
- 403** Residential Units
- 81** Affordable Housing Units, Ranging from 30-70% AMI, with an Average of 50% AMI
- 17K SF** Shops & Dining
- \$190M** Total Investment
- \$26M** Net City Fiscal Benefit
- NEZ-R,** Resi. & Comm'l. Abatement
- PA 255** For 50% AMI: Rents at \$828/Month for a 1-person household earning \$33,150
Rents at \$1,066/Month for a 3-person household earning \$42,650
*Represents 2023 AMI figures. Can change over time.



BEFORE

AFTER

FUTURE OF HEALTH

NEZ ZONE – PROJECT 1

6005 Second – One Ford Place

Unit Type	All		Market-Rate		Affordable @ Avg. 50% AMI		
	Unit Ct	Avg SF	Unit Ct	Avg SF	Unit Ct	Avg SF	% of Total
Studio	181	565	144	565	37	565	20%
1 Bed	179	722	144	722	35	722	20%
2 Bed	43	1,070	34	1,070	9	1,070	20%

**** 20% Of All Units Are Affordable Ranging From 30%-70% AMI, With An Average Of 50% AMI**

**** Developer Will Accept Section 8 Vouchers**

**** Proposed Unit Type Distribution is Based Upon Conceptual Design and is Subject to Change Prior to Construction Start**

**** Final Distribution of Affordable Units Will Remain Proportionate to Market-Rate Units**





**10:30 a.m. – PED HEARING
PA 255 District – Project #1**

An aerial architectural rendering of a city district, showing a mix of modern and traditional buildings, streets, and green spaces. The rendering is semi-transparent, allowing the text to be overlaid clearly.

DETROIT ECONOMIC GROWTH CORPORATION

**Project 1 – PA 255 District – 6005 Second – One Ford Place
Thursday, January 11, 2024**

FUTURE OF HEALTH

RENOVATED HISTORIC PROJECT

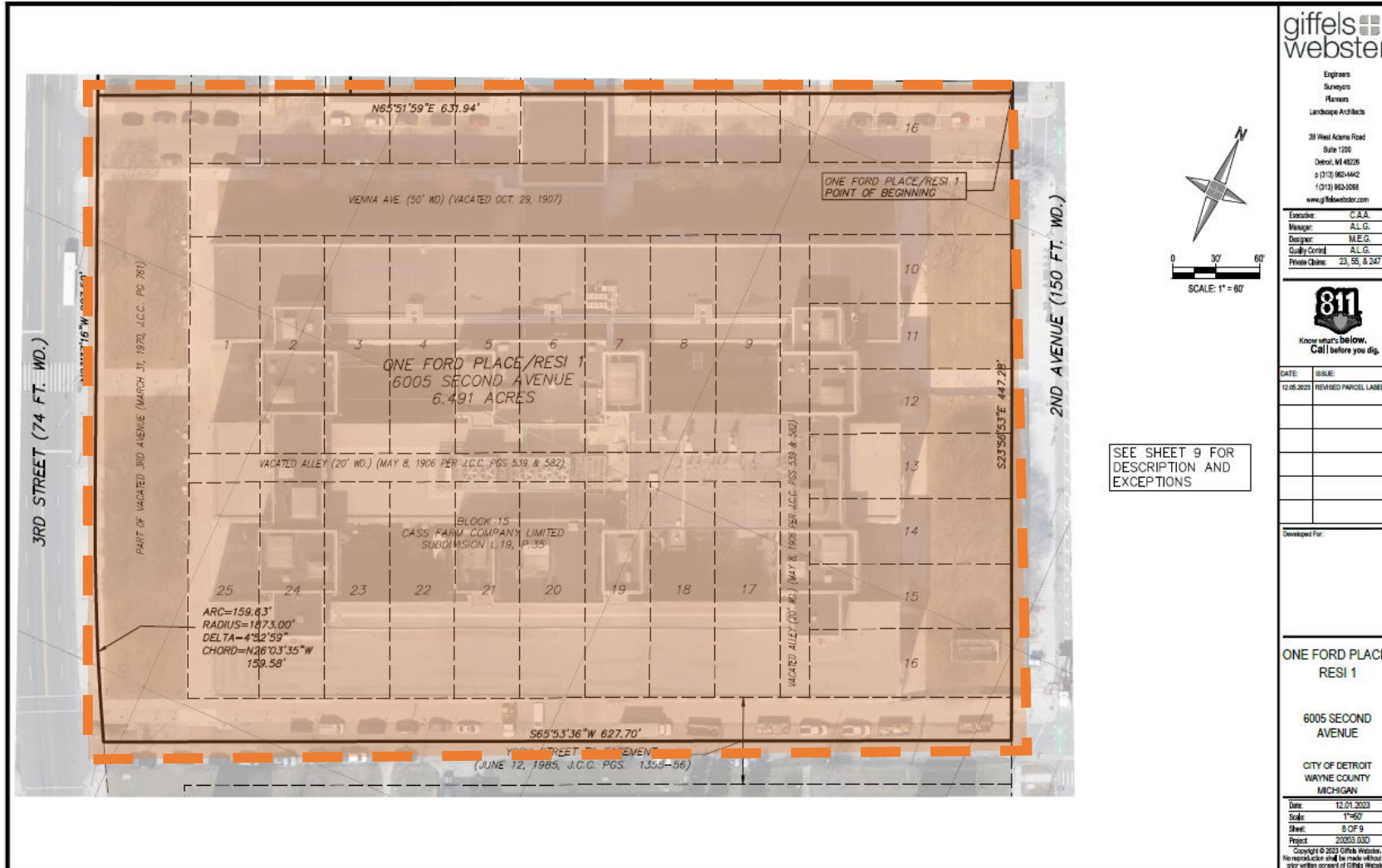
#	PROJECT NAME	TOTAL INVESTMENT	PROGRAM	PA 255 VALUE
1	6005 Second – One Ford Place	\$190M	403 Resi Units* 17K SF Retail	\$1.3M

**** 20% Of All Units Are Affordable Ranging From 30%-70% AMI, With An Average Of 50% AMI**



FUTURE OF HEALTH

PA 255 DISTRICT – PROJECT 1



giffels webster

Engineers
Surveyors
Planners
Landscape Architects

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Manager: A.L.G.
Designer: M.E.G.
Quality Control: A.L.G.
Printed On: 23, 35, & 247

811
Know what's Below.
Call before you dig.

DATE	ISSUE
12.01.2023	REVISED PARCEL LABELS

Developed For:

**ONE FORD PLACE/
RESI 1**

6005 SECOND AVENUE

**CITY OF DETROIT
WAYNE COUNTY
MICHIGAN**

Date: 12.01.2023
Scale: 1"=60'
Sheet: 8 OF 9
Project: 202303.030

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MIXED INCOME,
HISTORICAL ADAPTIVE RE-USE
6005 SECOND – ONE FORD PLACE

By The Numbers

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- 98** Permanent Jobs
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Rents at \$1,066/Month for a 3-person household earning \$42,650
*Represents 2023 AMI figures. Can change over time.



BEFORE

AFTER



**10:40 a.m – PED HEARING
PA 210 District – Projects #2-3**

An aerial architectural rendering of a city district, showing a mix of modern and traditional buildings, streets, and green spaces. The rendering is semi-transparent, allowing the text to be overlaid clearly.

DETROIT ECONOMIC GROWTH CORPORATION

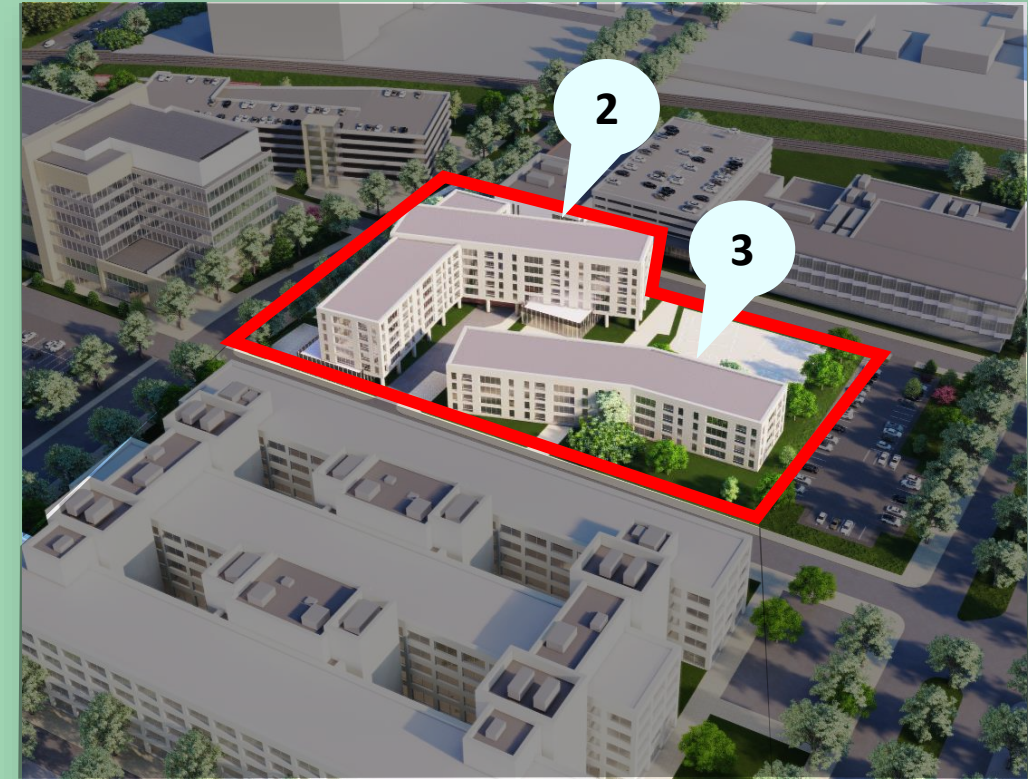
**Projects 2-3 – PA 210 District
Thursday, January 11, 2024**

FUTURE OF HEALTH

NEW CONSTRUCTION PROJECTS

#	PROJECT NAME	TOTAL INVESTMENT	PROGRAM	PA 210 VALUE
2	725 Amsterdam – Residential 2	\$79M	154 Resi Units* 8K SF Retail	\$7.1M
3	675 Amsterdam – Residential 3	\$54M	105 Resi Units* 6K SF Retail	\$5.0M

**** 20% Of All Units Are Affordable Ranging From 30%-70% AMI, With An Average Of 50% AMI**



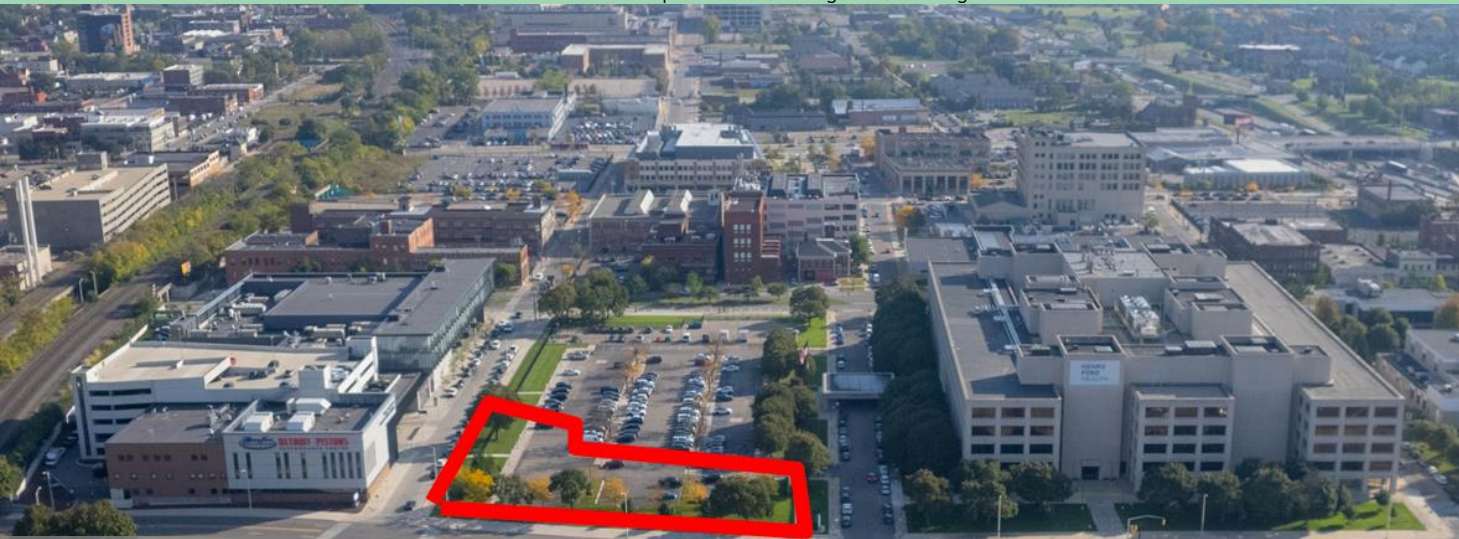


FUTURE OF HEALTH

SURFACE PARKING LOT CONVERTED TO MIXED-USE, MIXED INCOME 725 AMSTERDAM – RESIDENTIAL 2

By The Numbers

- 248** Construction Jobs
 - 45** Permanent Jobs
 - 154** Residential Units
 - 31** Affordable Housing Units, Ranging from 30-70% AMI, with an Average of 50% AMI
 - 8K SF** Shops & Dining
 - \$79M** Total Investment
 - \$11M** Net City Fiscal Benefit
 - PA 210** Abatements
- Rents at \$828/Month for a 1-person household earning \$33,150
Rents at \$1,066/Month for a 3-person household earning \$42,650
*Represents 2023 AMI figures. Can change over time.



Residential 2

BEFORE

AFTER



FUTURE OF HEALTH

PA 210 DISTRICT – PROJECT 2

725 Amsterdam – Residential 2

Unit Type	All		Market-Rate		Affordable @ Avg. 50% AMI		
	Unit Ct	Avg SF	Unit Ct	Avg SF	Unit Ct	Avg SF	% of Total
Studio	75	514	60	514	15	514	20%
1 Bed	69	793	55	793	14	793	20%
2 Bed	10	1,117	8	1,117	2	1,117	20%

** 20% Of All Units Are Affordable Ranging From 30%-70% AMI, With An Average Of 50% AMI

** Developer Will Accept Section 8 Vouchers

** Proposed Unit Type Distribution is Based Upon Conceptual Design and is Subject to Change Prior to Construction Start

** Final Distribution of Affordable Units Will Remain Proportionate to Market-Rate Units



Residential 2



FUTURE OF HEALTH

SURFACE PARKING LOT CONVERTED TO MIXED-USE, MIXED INCOME 675 AMSTERDAM – RESIDENTIAL 3

By The Numbers

- 158** Construction Jobs
 - 34** Permanent Jobs
 - 105** Residential Units
 - 21** Affordable Housing Units, Ranging from 30-70% AMI, with an Average of 50% AMI
 - 6K SF** Shops & Dining
 - \$54M** Total Investment
 - \$7M** Net City Fiscal Benefit
 - PA 210** Abatements
- Rents at \$828/Month for a 1-person household earning \$33,150
Rents at \$1,066/Month for a 3-person household earning \$42,650
*Represents 2023 AMI figures. Can change over time.



Residential 3



FUTURE OF HEALTH

PA 210 DISTRICT – PROJECT 3

675 Amsterdam – Residential 3

Unit Type	All		Market-Rate		Affordable @ Avg. 50% AMI		
	Unit Ct	Avg SF	Unit Ct	Avg SF	Unit Ct	Avg SF	% of Total
Studio	55	493	44	493	11	493	20%
1 Bed	40	796	32	796	8	796	20%
2 Bed	10	1,060	8	1,060	2	1,060	20%

**** 20% Of All Units Are Affordable Ranging From 30%-70% AMI, With An Average Of 50% AMI**

**** Developer Will Accept Section 8 Vouchers**

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Residential 3



APPENDIX



FUTURE OF HEALTH

TAX ABATEMENT BY PROPERTY

(in Millions)

#	PROJECT NAME	PA 210	PA 255	NEZ	TOTAL ABATEMENTS (10-17 YRS AFTER COMPLETION)	PRESENT VALUE OF ABATEMENTS (2023 DOLLARS) [1]
1	One Ford Place – Residential 1 (6005 Second Avenue)	-	\$1.3M	\$41.5M	\$42.8M	\$20.6M
2	Residential 2 (725 Amsterdam Street)	\$7.1M	-	-	\$7.1M	\$4.2M
3	Residential 3 (675 Amsterdam Street)	\$5.0M	-	-	\$5.0M	\$2.6M
TOTAL		\$12.1M	\$1.3M	\$41.5M	\$54.9M	\$27.4M

[1] "Present Value Of TBP Incentive" Reflects Today's Value of the Abatement



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TAX CAPTURE BY PROPERTY

(in Millions)

#	PROJECT NAME	TOTAL COST	STATE TAXES [1]	NON-CITY PROPERTY TAXES	CITY PROPERTY TAXES	TOTAL TBP (OVER 35 YEARS)
1	HFH + MSU Research Center	\$392.6M	\$39.6M	\$0	\$0	\$39.6M
2	East Campus Parking Garage	\$57.7M	\$0.3M	\$10.5M	\$5.8M	\$16.7M
3	One Ford Place – Residential 1	\$189.9M	\$43.1M	\$42.3M	\$23.4M	\$108.8M
4	Residential 2	\$79.3M	\$18.8M	\$12.2M	\$8.7M	\$39.6M
5	Residential 3	\$54.0M	\$12.6M	\$8.4M	\$6.1M	\$27.1M
TOTAL		\$773.5M	\$114.4M	\$73.4M	\$44.0M	\$231.8M

[1] "State Taxes" Includes Reimbursement Of Sales/Use Tax During the Project Construction Period & Income Tax Capture During Construction & After (Limited to 20 Years)

FUTURE OF HEALTH

DEVELOPER SOURCES & USES

(in Millions)	\$ Total	% of Total
USES		
Hard Cost	\$515,871,521	67%
Infrastructure Costs	\$24,801,785	3%
Leasing, Marketing, Tenant Improvements	\$3,658,766	0%
Financing Costs	\$84,525,627	11%
Soft Cost	\$144,633,916	19%
Total Uses	\$773,491,615	100%
SOURCES		
Developer Equity	\$517,552,403	67%
HUD Debt Financing	\$173,630,284	22%
State/City Gap Funding	\$4,100,000	1%
TBP Sales/Use Exemption	\$8,229,444	1%
Low-Income Housing Tax Credit Equity	\$41,158,788	5%
Federal Historic Tax Credit Equity	\$28,820,696	4%
Total Sources	\$773,491,615	100%

***Capital source requirements will vary dependent upon final project costs and capital market conditions at the time of construction.



FUTURE OF HEALTH

2023 MSHDA WAYNE COUNTY AREA MEDIAN INCOMES & RENTS

Monthly Rent by Bedroom Type

% of AMI	Studio	1 Bedroom	2 Bedroom
30%	\$497	\$532	\$639
50%	\$828	\$888	\$1,066
70%	\$1,160	\$1,243	\$1,492

Annual Income by Household Size

% of AMI	1 Person	2 Person	3 Person
30%	\$19,890	\$22,740	\$25,590
50%	\$33,150	\$37,900	\$42,650
70%	\$46,410	\$53,060	\$59,710

**** 20% Of All Units Are Affordable Ranging From 30%-70% AMI, With An Average Of 50% AMI**

**** Affordable Unit Breakdown -- 10% At 30% AMI, 10% At 70% AMI, & 80% At 50% AMI**

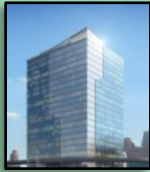
**** Developer Will Accept Section 8 Voucher**

FUTURE OF HEALTH

QUALITY MARKET-RATE HOUSING AT WORKFORCE RENTS, NOT “LUXURY”

TIER 1 – “LUXURY”

WATER’S SQUARE (JOE LOUIS ARENA SITE)



Studio – \$2,000-\$2,475 / Mo
 1 Bed – \$2,325-\$4,775 / Mo
 2 Bed – N/A

THE VINTON



Studio – N/A
 1 Bed – \$5,900 / Mo
 2 Bed – \$7,300 / Mo

THE EXCHANGE



Studio – \$1,735-\$1,875 / Mo
 1 Bed – \$2,445-\$2,895 / Mo
 2 Bed – \$3,325-\$3,425 / Mo

TIER 2 – “NEW INVENTORY”

THE PERENNIAL



Studio – \$1,650-\$2,000 / Mo
 1 Bed – \$1,975-\$2,425 / Mo
 2 Bed – \$3,500-\$3,875 / Mo

CITY CLUB CBD



Studio – \$1,600-\$1,655 / Mo
 1 Bed – \$1,750-\$2,570 / Mo
 2 Bed – \$2,430-\$3,835 / Mo

FUTURE OF HEALTH RESIDENTIAL PROJECTS



Studio – \$1,340-\$1,700 / Mo
 1 Bed – \$1,790-\$2,300 / Mo
 2 Bed – \$2,230-\$2,830 / Mo

TIER 3 – “EXISTING INVENTORY”

THE BOULEVARD



Studio – \$1,726 / Mo
 1 Bed – \$1,822-\$2,098 / Mo
 2 Bed – \$2,174-\$2,620 / Mo

THE RESIDENCES AT CITY MODERN



Studio – \$1,210-\$1,250 / Mo
 1 Bed – \$1,380-\$1,575 / Mo
 2 Bed – \$1,840-\$2,155 / Mo

THE KAHN



Studio – \$1,300-\$1,435 / Mo
 1 Bed – \$1,510-\$1,670 / Mo
 2 Bed – \$2,050-\$3,500 / Mo