

David Whitaker, Esq.
 Director
 Irvin Corley, Jr.
 Executive Policy Manager
 Marcell R. Todd, Jr.
 Director, City Planning
 Commission
 Janese Chapman
 Director, Historic Designation
 Advisory Board

City of Detroit
CITY COUNCIL
 LEGISLATIVE POLICY DIVISION
 208 Coleman A. Young Municipal Center
 Detroit, Michigan 48226
 Phone: (313) 224-4946 Fax: (313) 224-4336

Marcel Hurt, Esq.
 Kimani Jeffrey
 Anthony W. L. Johnson
 Phillip Keller, Esq.
 Edward King
 Kelsey Maas
 Jamie Murphy
 Latawn Oden
 Analine Powers, Ph.D.
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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
 Legislative Policy Division Staff

DATE: April 9, 2024

RE: **Hotel at Water Square MSF Renaissance Zone (PA 376) & PA 210 Certificate Request**

The following is the Legislative Policy Division’s (LPD) review of the **Hotel at Water Square Project**. The project involves the development of a newly constructed **\$396.5-million** four star convention hotel¹ with 600 hotel rooms, 50,000 square feet of meeting space, and three new restaurant/lounges. The Hotel Water Square is planned as Detroit’s first convention center hotel sharing a connection to Huntington Place.² The total value of the Hotel at Water Square Project incentive structure is **\$142.2 million**.³

Jurisdiction	PA 376 Ren Zone	PA 210 CRA	Total
City of Detroit	\$15.0M	-	\$15.0M
Wayne County	\$4.3M	-	\$4.3M
Detroit Public Schools	\$32.5M	-	\$32.5M
State Education	\$11.9M	-	\$11.9M
Downtown Dev. Authority	\$59.5M	\$10.6M	\$70.0M
Wayne RESA	\$6.8M	\$1.0M	\$7.8M
Wayne County Comm. College	-	-	-
Wayne County Zoo	\$197.2K	-	\$197.2K
Wayne County DIA	\$394.7K	-	\$394.7K
TOTAL	\$130.6M	\$11.6M	\$142.2M

¹ Four-star hotels usually have upscale furnishings, luxury bedding and other amenities, including hair dryers, high-end bath products, flat-screen televisions, state-of-the-art electronic devices and high-quality towels. The size of the room may vary based on location (i.e., a four-star hotel room in Omaha, Nebraska, will probably be larger than one in New York City). Inside the room, there may be a minibar within a four star hotel depending on the price and style of the room, along with complimentary toiletries. Every four star hotel should have concierge services, free internet access and free Wi-Fi along with it. (Once constructed, this will be the only 4-star hotel in the metro Detroit area.)
[Hotels: 4 Star Hotel Requirements | All Getaways](#)

² Huntington Place is the 16th largest convention center in the United States. Built by the City of Detroit, it was originally opened in 1960 and named Cobo Hall [Huntington Place | Huntington Place \(huntingtonplacedetroit.com\)](#)

³ Other Jurisdictions include, Wayne County, DPS, State Education, DDA and DIA

The plan includes the creation of 356 direct FTE's, 70 indirect FTE's and 624 temporary construction jobs.

Michigan Renaissance Zone Act (PA 376 of 1996)⁴

The largest and most extensive of the two incentives that the developer is seeking under the Michigan Renaissance Zone Act, is a **Michigan Strategic Fund Designated Renaissance Zone**, which provides a property tax abatement on most real and personal property located within the zone. The zone can be in place for up to 30 years with a 25%, 50%, 75% phase out of the abatement in the final three years. All mills except for City Debt, DPS capital Debt, and the Wayne RESA Intermediate School District (ISD) Enhancement millage are abated. **Requested tax savings for the Ren Zone: \$130.6M**

Commercial Rehabilitation Act (PA 210 of 2005)

The second and the lesser of the two incentives the developer is seeking is a **Commercial Rehabilitation Act (PA 210 of 2005)** tax abatement, This tax incentive was designed to assist in the rehabilitation of commercial property for the primary purpose and use of a commercial business or a multi-family residential facility. The property must be located within an established Commercial Rehabilitation District. Exemptions are approved for a term of 1-10 years, as determined by the local unit of government. The property taxes are based upon the prior year's taxable value. **Requested tax savings for the PA 210: \$11.6M**

Hotel at Water Square

The developer of the planned new construction of the Water Square Hotel on the property located at 600 Civic Center Drive, is **Atwater and Second Associates, LLC**, a subsidiary of the **Sterling Group**.⁵ According to published reports, "Sterling Group acquired the arena's 5-acre riverfront site from one of Detroit's 2013-14 bankruptcy creditors through a complex \$14.1 million deal with the city that happened in late 2019."⁶ The JLA, the former home of the Detroit Red Wings, closed in 2017 and was demolished in 2020.

The newly planned hotel is proposed as a 25-story, approximately 600 room hotel with five podium floors,⁷ which includes a ground floor restaurant, a lobby bar, two ballrooms, meeting rooms, swimming pools, spa and fitness area. The back of the house areas include offices, staff support spaces, and a large kitchen. A pedestrian bridge will span over the future 2nd Avenue and provide a direct connection to the Huntington Place Convention Center. The Sterling Group is also the developer of the Residences at Water Square (also on the former JLA site), which opened in February 2024, the city's first new riverfront residential high rise since Riverfront Towers opened 40 years ago.⁸ The apartments were developed with *no incentives*, and all of the 496 luxury apartments in this 25-story tower are market rate units.

We asked the question, why did the hotel require incentives and the apartments did not? The response: *The Residences at Water Square was developed based upon 2021 construction pricing. From 2021 to 2024 construction pricing has increased by over 40%. Further, interest rates and the cost of capital have increased dramatically from 2021-2024. For example, since the beginning of the construction at the Residences of Water Square, the Secured Overnight Financing Rate (SOFR) was .05%. Today, SOFR is at 5.0%.*⁹

⁴ MICHIGAN RENAISSANCE ZONE ACT, MCL 125.2681 et al [MCL - Act 376 of 1996 - Michigan Legislature](#)

⁵ Founded in 1988, Sterling Group is a privately held investment and real estate firm that acquires and manages high potential properties and companies. [HOME | Sterlinggroup \(sgdetroit.com\)](#)

⁶ Financial Guaranty Insurance Corp had taken future development and ownership rights to the Joe Louis site when accepting roughly 13 cents on the dollar for its \$1.1-billion bankruptcy claim. (JC Reidl, Detroit Free Press)

⁷ A podium floor is an elevated structural floor that separates the living area from the rest of the space and is used for parking or recreation.

⁸ **New details revealed on massive apartment tower at ex-site of Joe Louis Arena in Detroit**, by JC Reidl, *Detroit Free Press*, April 26, 2023 [The Residences at Water Square: New details on Detroit apartment tower \(freep.com\)](#)

⁹ Our review included a meeting to analyze the base (proprietary) information for the hotel project financials, of which we were satisfied.

In its **Renaissance Zone application**, the developer was asked to and answered several questions which are of note to City Council. The questions and the answers provided by the developer are as follows:

MSF Designated Renaissance Zone Part 2 – Description of the Project

A. Describe in detail the history and background of the company.

Sterling Group is a privately held investment and real estate firm that acquires and manages high potential properties and companies.

Founded in 1988, Sterling Group takes a fresh and creative approach to investing and business building. The Sterling Group team is dedicated to creating real estate and business environments that meet the needs of the people they serve and contribute to the community at large. Successfully achieving the balance between high performance and civic contribution has earned Sterling Group a reputation as a leader with integrity. Sterling Group has held a presence in Detroit and most notably undertook the construction and successful redevelopment of the Marquette Building and Huntington Tower which is home to the Huntington National Bank Detroit Headquarters and was the first office town built in downtown Detroit in more than 30 years.

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.

Yes

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

The project includes a new convention style hotel that spans over approximately 630,000sf and is approximately 25 stories tall. Equipment to be purchased for the project will include:

1. Food service equipment in support of the restaurants, ballrooms, meeting rooms, and guestrooms
2. Laundry equipment to support guestrooms
3. Pool equipment
4. Spa and fitness equipment
5. Loading dock equipment
6. Elevators
7. Fire protection pump equipment
8. Equipment for plumbing and mechanical systems
9. Electrical equipment

Utility infrastructure, including water/sewer taps and connection to existing electric will be extended from surrounding streets to support the project.

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

Activities are anticipated to be commercial in nature and include hotel operations. This project will include earthwork, extension of site utilities, site paving, deep foundations, conventional shallow foundations, landscaping, flagpoles, structural frame, interior masonry walls, metals, rough & finish carpentry, waterproofing below grade foundations, exterior metal siding, roofing, doors/frames/door hardware, overhead doors, interior & exterior glass systems, gypsum drywall partitions & ceilings, hard & soft flooring, painting & wall covering, toilet partitions & accessories, interior & exterior signage, moveable walls, miscellaneous building accessories, loading dock equipment, waste handling systems, food service equipment, shelving systems, coat storage systems, window treatments, furniture/fixtures/equipment, pool/fitness/spa equipment, laundry equipment, elevators, plumbing, fire protection, HVAC, electrical, security systems, data & communication.

Upon completion, activities at the project are anticipated to include hotel lodging, conference events, and restaurant dining, as well as the support services needed for these operations, including offices, swimming pool/spa/fitness activities.

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

\$396,733,890

F. When will investment for this project be completed?

2027

	Investment Per Year				
	1ST Year	2nd Year	3rd Year	4th Year	5th Year
Real – New Construction	\$158,983,890	\$100,000,000	\$104,000,000	\$	\$
Real – Bldg. Improvements	\$	\$	\$	\$	\$
New Personal Property	\$	\$	\$33,750,000	\$	\$
TOTAL	\$158,983,890	\$100,000,000	\$137,750,000	\$	\$

G. Will you be able to commence the project within one (1) year from when the MSF Designated Renaissance Zone is designated? **Yes** or No

H. How many new jobs will be created at the facility? 354, indirectly created by the hotel and are not commitments the applicant can make on behalf of the future management company

I. By what date will all of the proposed jobs be created? 12/31/2028

Job Category (add categories that reflect your company)	First Year of Operation		Third Year of Operation		Fifth Year of Operation	
	Year Ending: 2027		Year Ending:2029		Year Ending:2031	
	New Full Time Jobs Created	Avg Weekly Wage	New Full Time Jobs Created	Avg Weekly Wage	New Full Time Jobs Created	Avg Weekly Wage
Mgmt./Prof	35	\$1,636	35	\$1,636		
Technical/Sales						
Clerical/Service	142	\$973	142	\$973		
Skilled/Unskilled						
TOTAL						

J. What is your current workforce at the facility? 0

K. Describe the benefit package provided to the employees: Health and Medical Insurance, Dental Insurance, Vision Insurance, Paid Leave, Parental Leave, Resource Groups, Travel discount perks, 401K, Employee Stock Purchase Plan, Tuition Reimbursement, Commuter Benefits, Income Protection, Life Insurance

L. Does Company have Ownership or Control of the Property? **Yes** No

M. Is the Property a single Contiguous Geographic Area? **Yes** No

N. Property Parcel ID#(s):

04000010-9. See Survey for property boundary. Was previously a portion of a larger parcel.

O. Legal Description of the property to be included in the MSF Designated Renaissance Zone.

See attached Survey for property legal description.

P. What will be the anticipated economic impact on the community?

There has been growing impetus in successful bids the City of Detroit has made for convention and large sporting events that are in significant need of a hotel system to support it. A hotel economic benefit study was conducted that estimated between 2017-2022, an annual average of 12 events, 35,000 attendees, and 89,000 hotel nights were lost due to the lack of hotel capacity at Huntington Place, signifying a strong market demand for a convention center hotel. The events lost due to the inadequate supply span professional All-Star games, automotive conventions, and conferences hosted by international private sector organizations. These losses not only impact the convention center but also the indirect spending and induced spending such large-scale events draw. The influx of 600 hotel rooms will bring significant density and spinoff spending within the downtown and City. Growth in sales and lodging taxes will also see a significant increase. The project is also anticipated to create approximately 354 jobs associated with the hotel alone.

The 3rd party hotel study estimated that over a 30-year period, the present value of net spending impact in the City of Detroit exceeds \$2.5 billion dollars. Over a 30-year period, the present value of net spending impact in the State of Michigan exceeds \$3.1 billion dollars.

The project also complements efforts the City of Detroit is currently making to re-activate connectivity of Downtown to the Detroit Riverfront along 2nd Street. The Detroit Riverfront itself is also a draw of Detroit. Increased accessibility and walkability to and along the Riverfront provides universal accessibility.

Q. Please indicate what type, quantity and what percentage of Michigan commodities/raw materials will be purchased for use in the MSF Designated Renaissance Zone.

Unknown at this time.

R. What percentage of commodities/raw materials will be purchased out-of-state?

Unknown at this time.

S. If purchasing commodities outside the state, please explain why that is necessary.

N/A at this time.

T. Identify all public programs, public funding sources and public incentives that will be utilized.

Renaissance Zone and local tax abatement (PA210)

U. List the State and Local permits required for the project.

1. State permits
 - a. Pool
2. Local "City" permits
 - a. General building permit
 - b. Trailer permit
 - c. Signage permit
 - d. Plumbing permit
 - e. Mechanical permit
 - f. Electrical permit
 - g. Right-of-way permit
 - h. Elevator permit
 - i. Fire Protection
 - j. Fire alarm
3. Local "Wayne County" Permits
 - a. Soil erosion
 - b. Health Department
4. Federal
 - a. FAA (for Tower crane and building lights)

No permits have been pulled at this time.

V. List any permits that are outstanding.

Permit: N/A	Agency:	Anticipated
		Receipt Date:
Permit:	Agency:	Anticipated
		Receipt Date:
Permit:	Agency:	Anticipated

W. Identify any infrastructure and/or physical needs of the MSF Designated Renaissance Zone that need to be implemented to make the zone viable.

Tie into existing storm sewers, sanitary sewers, and domestic water systems to support the new facility.

X. Why is this important to Michigan?

A hotel study analysis was completed by a 3rd party which analyzed a list of events lost from 2017 to 2022. This lost business includes events that tentatively reserved dates at Huntington Place but ultimately decided not to come to the venue for reasons that would be addressed by the development of the Proposed Convention Hotel: a lack of headquarter hotel attached to the convention center or a general lack of hotel supply in downtown Detroit. The data identified an annual average of 12 events with 35,000 attendees[sp], and 89,000 room nights lost. The events lost due to the inadequate supply span professional All-Star games, automotive conventions, and conferences hosted by international private sector organizations.

Y. Can this facility be located in an existing renaissance zone? Yes **No** (If No, Explain below)

The project is specific to the needs of downtown Detroit as a main metropolis of the State of Michigan and anchor for the State of Michigan's [sp] professional sports teams.

**MSF Designated Renaissance Zone
Part 3 – Tax Information**

A. FOREGONE PROPERTY TAXES

Estimated annual savings of property taxes for the Company after Renaissance Zone designation \$3,186,254

B. SEV AND TV ON THE PROPERTY

SEV Year:2024	TV Year:2024
Real Property-LAND	SEV: \$3,434,900 (parcel split occurred in 2023, updated value is based on the 2024 notice of assessment)
	TV: \$3,141,107 (PARCEL SPLIT OCCURRED IN 2023, updated value is based on the 2024 notice of assessment)
Real Property-BUILDING	SEV: \$
Personal Property	SEV: \$
TOTALS	SEV: \$3,434,900
	TV: \$3,141,107

C. TOTAL MILLAGE RATE

Total Non-Principal Residence Exemption 87.4795
Millage Rate for ALL taxing jurisdictions

D. PLEASE PROVIDE A BREAKOUT OF MILLAGE(S) LEVIED FOR THE FOLLOWING:

Debt Service (local bond obligations)	21.0000
School Sinking Fund	0
Special Assessment(s)	0.9285
TOTAL	21.9285

E. ADDITIONAL INFORMATION

Are Taxes Current? Yes No Explain:
School District Code (Speak with your Treasurer if you do not know your 5-digit School District Code) 82010
Company's Federal Employer Identification Number (FEIN) 93-1775123
Senator's Name: Erika Geiss Senate District:1
Representative's Name: Joe Tate House District:10
Identify all the affected local governmental unit(s).
City of Detroit - Wayne County

Hotel at Water Square Project Overview

The Hotel Water Square is planned as Detroit's first convention center hotel sharing a connection to Huntington Place. This planned new construction involves a \$396.5-million investment for the development of 600 hotel rooms, 50,000 square feet of meeting space, and three new restaurant/lounges. The presence of a convention center hotel will make Detroit more competitive against other major U.S. cities for major events, which will in turn boost visitor and tourism activity within the local Detroit economy. Once the project is completed, the 356 permanent jobs will all be union jobs. A detailed listing of the positions with an average wage of \$50,792 are as follows:

Hotel Job Category	Type	Job Count	Salary	Wage	Annual Salary/Wage
Lounge	Hourly FTE	7	-	17.25	\$35,880
IT	Hourly FTE	9	-	18.90	\$39,312
Restaurant	Hourly FTE	27	-	19.00	\$39,520

Banquet	Hourly FTE	51	-	19.00	\$39,520
Rooms	Hourly FTE	100	-	20.40	\$42,432
Kitchen	Hourly FTE	58	-	20.40	\$42,432
Admin & General	Hourly FTE	19	-	22.50	\$46,800
Sales	Hourly FTE	2	-	22.70	\$47,216
Lounge	Managers	5	50,000	-	\$50,000
Engineering & Maintenance	Hourly FTE	13	-	27.80	\$57,824
Rooms	Managers	12	60,000	-	\$60,000
Restaurant	Managers	5	65,000	-	\$65,000
Banquet	Managers	15	75,000	-	\$75,000
Kitchen	Managers	10	85,000	-	\$85,000
IT	Managers	1	85,000	-	\$85,000
Sales	Managers	12	100,000	-	\$100,000
Engineering & Maintenance	Managers	2	120,000	-	\$120,000
Admin & General	Managers	8	145,000	-	\$145,000
Total		356		Average	\$50,792

The developers of the Hotel at Water Square are seeking two tax abatements, a Michigan **Strategic Fund Designated Renaissance Zone (Public Act 376)** which provides a property tax abatement on most real and personal property located within the zone. The zone can be in place for up to 30 years with a 25%, 50%, 75% phase out of the abatement in the final three years. All mills except for City Debt, DPS capital Debt, and the Wayne RESA Intermediate School District (ISD) Enhancement millage are abated. Per State statute, the State shall reimburse all local school district, intermediate school districts, and libraries for tax revenues lost as a result of the Renaissance Zone (Ren Zone).

The second tax abatement is under the **Commercial Rehabilitation Act (PA 210)** which provides an abatement on the future value of improvements for a period of up to 10 years after construction. All existing property taxes will continue to be paid. 356 Direct Full-Time Equivalent Jobs 70 Estimated Indirect Full-Time Equivalent Jobs 624 Construction Jobs Estimated \$25.4M *Gross* Fiscal Benefit to the City of Detroit. However, the project is located in a Detroit Downtown Development Authority¹⁰ (DDA) TIF¹¹ district.¹² Taking in account DDA's \$9.9 million capture, the City of Detroit will realize a net benefit of \$15.5 million over the 30-year life of the incentives (30-years for the Ren Zone and 10-years for the PA 210 abatement). Estimated \$2.6B in New Visitor Spending over 30 Years (Source: HVS Convention Center Hotel Market Study)

Renaissance Zone Reimbursement Provisions

At the request of Pro-Tem Tate, in March of this year, the Legislative Policy Division (LPD) provided the Council a report on the reimbursement provisions the Renaissance Zone Act (PA 376). We were able to note that pursuant to the Act, “(6), this state shall reimburse a community college district and a public library each year for all tax revenue lost as a result of the exemption of property under this act, based on the property's taxable value in that year, from taxes levied or collected under the general property tax act. (the section additionally states)... this state shall reimburse the school aid fund for all revenues lost as

¹⁰ In 1976, DDA was established under the authorization of PA 197 of 1975, which was repealed in 2018 (recodified under PA 57 of 2018). Detroit's mayor at the time, Mayor Coleman A. Young, urged the Michigan Legislature to create an Act that would assist cities to restore downtown areas. Pursuant to the provisions of the DDA Act, upon the recommendation by Mayor Young, on May 20, 1976, the Detroit City Council adopted Ordinance #19-H, Chapter 2, Article 7 of the Detroit City Code, which created the City of DDA.

¹¹ Tax increment financing (TIF) is authorized by state statute and in Michigan it allows municipalities to promote economic development of designated areas and/or property types through the incremental growth of property taxes.

¹² The DDA's Downtown TIF District was established to provide subsidies that are funded by the increase in property tax within the designated TIF district to finance bonds to catalyze development in Detroit's downtown.

the result of the establishment of renaissance zones.”¹³ Therefore, as the provisions of the Renaissance Zone Act (PA 376) now stand, for the 30-years period of the Ren Zone tax abatement, any loss of future tax revenue abated via the Act for the Detroit Public Library and the School Aid Fund for the Detroit Public Schools, will be reimbursed by the State of Michigan.¹⁴

List of Ren Zone Reimbursements by Taxing Jurisdiction:

City of Detroit (Detroit Public Library)	\$9,203,748
Detroit Public Schools	\$32,489,495
State Education	\$11,925,300
Wayne RESA*	<u>\$6,836,973</u>
Total State Ren Zone Reimbursement	\$60,455,516

* Wayne RESA is a regional educational service agency that offers a wide range of services and support to the 33 school districts and 97 public school academies in Wayne County.

Itemization of Ren Zone Reimbursements and Net Present Values¹⁵ (NPV)

- Wayne RESA: \$190,010 (\$84,010 NPV)
- Wayne RESA Sp Ed: \$6,646,964 (\$2,938,856 NPV)
- Wayne RESA Enh: Not affected by Ren Zone
- DPS Operating: \$32,489,495 (\$14,129,771 NPV)
- DPS Debt: Captured by DDA
- DPL: \$9,203,748 (\$4,069,301 NPV)
- WCCC: Captured by DDA
- SET: \$11,925,300 (\$5,272,595 NPV)

Projected Economic Impact

According to an economic impact study conducted by HVS for the developer, once the project is completed, the projected annual economic impact of the new convention hotel is:

- \$108 million per year in new spending in the city of Detroit
- \$130 million per year in new spending in the state of Michigan
- \$238 million per year in total new spending

Impact of The Project’s Tax incentives on City funds

As indicated earlier, this project is located within the Downtown Development Authority (DDA) District and is subject to DDA tax capture. City Operating and City Debt Mills are captured by the DDA and enure¹⁶ to the DDA, therefore, the Renaissance Zone and PA 210 tax abatements do not affect future City property taxes. Regarding the impact on Library funds of these tax incentives, any loss in Library property tax revenues as a result of the Renaissance Zone, which is the major portion of these incentives, shall be reimbursed by the State.¹⁷

¹³ MICHIGAN RENAISSANCE ZONE ACT MCL 125.2692

¹⁴ Taxes for the Wayne County Community College District are currently captured by the DDA.

¹⁵ NPV accounts for the time value of money and can be used to compare the rates of return of different projects or to compare a projected rate of return with the hurdle rate required to approve an investment. The time value of money is represented in the NPV formula by the discount rate, which might be a hurdle rate for a project based on a company’s cost of capital.

¹⁶ **Enure** To operate or take effect. To serve to the use, benefit, or advantage [ENURE Definition & Meaning - Black's Law Dictionary \(thelawdictionary.org\)](http://www.thelawdictionary.org)

¹⁷ However, PA 210 does not contain a reimbursement provision for the Library.

Infrastructure Improvements

The City has a number of infrastructure improvements that have recently been completed or will be completed within the project influence area of the Hotel Water Square in the upcoming months. These improvements include:

- The realignment of the Rosa Parks – Jefferson intersection with the aim of reducing speed along the corridor making West Jefferson more pedestrian-friendly
- Resurfacing of West Jefferson between Rosa Parks and the Lodge Freeway, including road diet.
- Concrete repairs of the City-owned Lodge freeway to West Jefferson Ramps – April 2024
- Installation of a 2-way cycle track along West Jefferson and Rosa Parks
- Installation of raised cross-walk at several intersections within the corridor.
- Tree planting along the corridor
- Sidewalk work

Cost – \$4M to \$5M (some work is still under design with final costs not yet finalized)

Sources of funding – A combination of Grants and Street Funds.

DPW will evaluate the condition of other streets in the area upon project completion and address any defective infrastructure.

DEGC Incentive Analysis

DEGC		TAX ABATEMENTS		
				PA 376 – Renaissance Zone Reimbursement
Jurisdiction	Abatement	Reimbursement	Net Impact	
City of Detroit	\$15.0M	\$9.2M	\$5.8M	
Wayne County	\$4.3M	-	\$4.3M	
Detroit Public Schools	\$32.5M	\$32.5M	\$0	
State Education	\$11.9M	\$11.9M	\$0	
Downtown Dev. Authority	\$59.5M	-	\$59.5M	
Wayne RESA	\$6.8M	\$6.8M	\$0M	
Wayne County Comm. College	-	-	-	
Wayne County Zoo	\$197.2K	-	\$197.2K	
Wayne County DIA	\$394.7K	-	\$394.7K	
TOTAL	\$130.6M	\$60.5M	\$70.1M	

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DEGC Itemization of the Ren Zone Abatement

Jurisdiction	Ren Zone Real Property	Ren Zone Personal Property	Ren Zone Corp. Income + Utility User Exemption	Total
City of Detroit	\$8.7M	\$534.2K	\$5.8M	\$15.0M
Wayne County	\$4.0M	\$276.9K	-	\$4.3M
Detroit Public Schools	\$31.9M	\$581.8K	-	\$32.5M
State Education	\$11.2M	\$692.2K	-	\$11.9M
Downtown Dev. Authority	\$55.6M	\$3.8M	-	\$59.5M
Wayne RESA	\$6.4M	\$396.8K	-	\$6.8M
Wayne County Comm. College	-	-	-	-
Wayne County Zoo	\$185.7K	\$11.4K	-	\$197.2K
Wayne County DIA	\$371.8K	\$22.9K	-	\$394.7K
TOTAL	\$118.5M	\$6.3M	\$5.8M	\$130.6M

¹⁸ The City of Detroit Net Impact actually reflects the abatement of taxes that are captured by the DDA.

DEGC Itemization of PA 210

Jurisdiction	PA 210 Real Property
City of Detroit	-
Wayne County	-
Detroit Public Schools	-
State Education	-
Downtown Dev. Authority	\$10.6M
Wayne RESA	\$1.0M
Wayne County Comm. College	-
Wayne County Zoo	-
Wayne County DIA	-
TOTAL	\$11.6M

DEGC City of Detroit Benefit Analysis

CURRENT CITY BENEFIT		30-YEAR CITY BENEFIT	
*CITY PROPERTY TAX:	\$0	*CITY PROPERTY TAX:	\$9.9M
CITY INCOME TAX:	\$0	CITY INCOME TAX:	\$16.5M
UTILITY USER'S TAX:	\$0	UTILITY USER'S TAX:	\$472K
MISC. TAXES & FEES:	NOMINAL	MISC. TAXES & FEES:	\$11.6M
COST OF CITY SERVICES:	NOMINAL	COST OF CITY SERVICES:	(\$13.1M)
TOTAL:	\$0	TOTAL:	\$25.4M
CURRENT ANNUAL FISCAL BENEFIT \$0/YEAR		AVERAGE ANNUAL FISCAL BENEFIT \$847K/YEAR	
NEW ANNUAL VISITOR SPENDING GENERATED WITHIN LOCAL DETROIT ECONOMY \$108.1 MILLION/YEAR			

DEGC Property Tax Abatement Evaluation

Project: Hotel Water Square

Developer: Atwater & Second Associates LLC

Description of Incentive: PA 210 – Commercial Rehab Act + PA 376 – MSF Designated Renaissance Zone		
DEGC Abatement Term Recommendation		PA 210: 10 Years PA 376 Ren Zone: 30 Years
Location		
Address	600 Civic Center Drive	
City Council District	District 6	
Neighborhood	Downtown	
Located in HRD/SNF Targeted Area	Downtown Development Authority	
Building Use		
Use:	Convention Center Hotel	
Hotel Square Footage:	646,888	
Hotel Rooms:	600	
Project Description		
<p>Atwater & Second Associates LLC, an entity related to the Sterling Group, is proposing the construction of Hotel Water Square on the vacant site of the former Joe Louis Arena. This project will consist of the construction of a 25-story hotel with approximately 600 hotel rooms. The structure will sit on 5 podium floors, which will include a ground floor restaurant, a lobby bar, two ballrooms, meeting rooms, swimming pool, and a spa & fitness area. The back-of-house areas will include offices, staff support spaces, and a large kitchen to support seamless operations behind the scenes. A pedestrian bridge will span over the future 2nd Avenue extension and will provide a direct connection to Huntington Place Convention Center. The undertaking entails an estimated \$397 million in total private investment. Upon completion, it is anticipated that approximately 356 direct and 70 indirect permanent jobs will be created. Approximately 624 construction jobs are anticipated during the construction period.</p>		
Sources and Uses of Capital Summary		
Total Investment	\$396.5 Million	
Sources	Senior Debt: \$281.5M (71%) Owner Equity: \$115M (29%)	
Uses	Hard Costs: \$305.4M (77%) Soft Costs: \$91.1M (23%)	
Project Economic Benefits Summary		
	PA 210	PA 210 + Ren Zone
Estimated Jobs (FTE/Construction)	356 FTE 624 Construction	
Estimated City benefits before tax abatement	\$21,453,596	\$69,810,490
Total estimated City value of abatement	\$0	\$5,793,577
Less cost of services & utility deductions	\$10,422,121	\$49,129,669
Net Benefit to City with abatement	\$9,359,366	\$25,403,560

Fiscal Impact of the Project: City of Detroit Only over 30 years

	Amount
Real Property Taxes, before abatement	\$9,312,926
Personal Property Taxes, before abatement	\$544,929
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$10,929,427
Municipal Income Taxes - Indirect Workers	\$2,836,444
Municipal Income Taxes - Corporate Income	\$2,298,932
Municipal Income Taxes - Construction Period	\$2,639,390
Municipal Income Taxes - New Residents	\$0
Utility Revenue	\$25,498,032
Utility Users' Excise Taxes	\$4,116,120
State Revenue Sharing - Sales Tax	\$65,241
Building Permits and Fees	\$595,250
Miscellaneous Taxes & User Fees	\$10,973,799
Subtotal Benefits	\$69,810,490
Cost of Providing Municipal Services	(\$13,115,322)
Cost of Providing Utility Services	(\$25,498,032)
Subtotal Costs	(\$38,613,353)
Net Benefits	\$31,197,137

Incentive Summary: City of Detroit Only over 30 years

	Additional Benefits Before Tax Incentives	Additional Costs	*PA 210 Real Property Tax Abatement	*Ren Zone Real & Personal Property Tax Abatement	*Ren Zone Corporate Income & Utility User's Exemption	**Ren Zone Reimbursement From State Aid Fund	Total Net Benefits
Construction	\$1,488,962	\$0	\$0	\$0	\$0	\$0	\$1,488,962
Construction	\$1,333,889	\$0	\$0	\$0	\$0	\$0	\$1,333,889
Construction	\$454,376	\$0	\$0	\$0	\$0	\$0	\$454,376
Year 1	\$1,686,228	(\$951,816)	\$0	(\$288,133)	(\$152,708)	\$288,133	\$581,704
Year 2	\$1,713,394	(\$970,852)	\$0	(\$287,338)	(\$155,762)	\$287,338	\$586,779
Year 3	\$1,740,018	(\$990,270)	\$0	(\$285,441)	(\$158,877)	\$285,441	\$590,872
Year 4	\$1,767,307	(\$1,010,075)	\$0	(\$283,638)	(\$162,055)	\$283,638	\$595,177
Year 5	\$1,797,060	(\$1,030,276)	\$0	(\$283,718)	(\$165,296)	\$283,718	\$601,488
Year 6	\$1,827,505	(\$1,050,882)	\$0	(\$283,896)	(\$168,602)	\$283,896	\$608,021
Year 7	\$1,859,846	(\$1,071,900)	\$0	(\$285,364)	(\$171,974)	\$285,364	\$615,972
Year 8	\$1,893,501	(\$1,093,338)	\$0	(\$287,530)	(\$175,413)	\$287,530	\$624,750
Year 9	\$1,927,889	(\$1,115,204)	\$0	(\$289,799)	(\$178,922)	\$289,799	\$633,763
Year 10	\$1,963,621	(\$1,137,508)	\$0	(\$292,769)	(\$182,500)	\$292,769	\$643,613
Year 11	\$2,000,115	(\$1,160,259)	\$0	(\$295,846)	(\$186,150)	\$295,846	\$653,707
Year 12	\$2,038,579	(\$1,183,464)	\$0	(\$300,225)	(\$189,873)	\$300,225	\$665,242
Year 13	\$2,077,240	(\$1,207,133)	\$0	(\$304,119)	(\$193,670)	\$304,119	\$676,437
Year 14	\$2,117,306	(\$1,231,276)	\$0	(\$308,723)	(\$197,544)	\$308,723	\$688,487
Year 15	\$2,157,602	(\$1,255,901)	\$0	(\$312,846)	(\$201,495)	\$312,846	\$700,206
Year 16	\$2,196,354	(\$1,281,019)	\$0	(\$314,703)	(\$205,525)	\$314,703	\$709,810
Year 17	\$2,240,138	(\$1,306,640)	\$0	(\$320,854)	(\$209,635)	\$320,854	\$723,863
Year 18	\$2,284,797	(\$1,332,772)	\$0	(\$327,128)	(\$213,828)	\$327,128	\$738,197
Year 19	\$2,330,350	(\$1,359,428)	\$0	(\$333,527)	(\$218,104)	\$333,527	\$752,818
Year 20	\$2,376,814	(\$1,386,616)	\$0	(\$340,055)	(\$222,466)	\$340,055	\$767,731
Year 21	\$2,424,207	(\$1,414,349)	\$0	(\$346,713)	(\$226,916)	\$346,713	\$782,943
Year 22	\$2,472,548	(\$1,442,636)	\$0	(\$353,504)	(\$231,454)	\$353,504	\$798,459
Year 23	\$2,521,856	(\$1,471,488)	\$0	(\$360,431)	(\$236,083)	\$360,431	\$814,285
Year 24	\$2,572,150	(\$1,500,918)	\$0	(\$367,497)	(\$240,805)	\$367,497	\$830,427
Year 25	\$2,623,450	(\$1,530,937)	\$0	(\$374,703)	(\$245,621)	\$374,703	\$846,893
Year 26	\$2,675,776	(\$1,561,555)	\$0	(\$382,054)	(\$250,533)	\$382,054	\$863,687
Year 27	\$2,729,149	(\$1,592,786)	\$0	(\$389,552)	(\$255,544)	\$389,552	\$880,818
Year 28	\$2,783,588	(\$1,624,642)	\$0	(\$297,900)	(\$195,491)	\$297,900	\$963,455
Year 29	\$2,839,117	(\$1,657,135)	\$0	(\$202,501)	(\$132,934)	\$202,501	\$1,049,048
Year 30	\$2,895,756	(\$1,690,278)	\$0	(\$103,240)	(\$67,796)	\$103,240	\$1,137,682
Total	\$69,810,490	(\$38,613,353)	\$0	(\$9,203,748)	(\$5,793,577)	\$9,203,748	\$25,403,560

*City Operating & Debt mills are captured by DDA and not considered City benefit. Only Library mills are factored into City property tax benefit

** The State Aid Fund reimburses the Library, DPS, the ISD, and the School aid Fund for any loss in tax revenue caused by the Renaissance Zone

Charts courtesy of DEGC

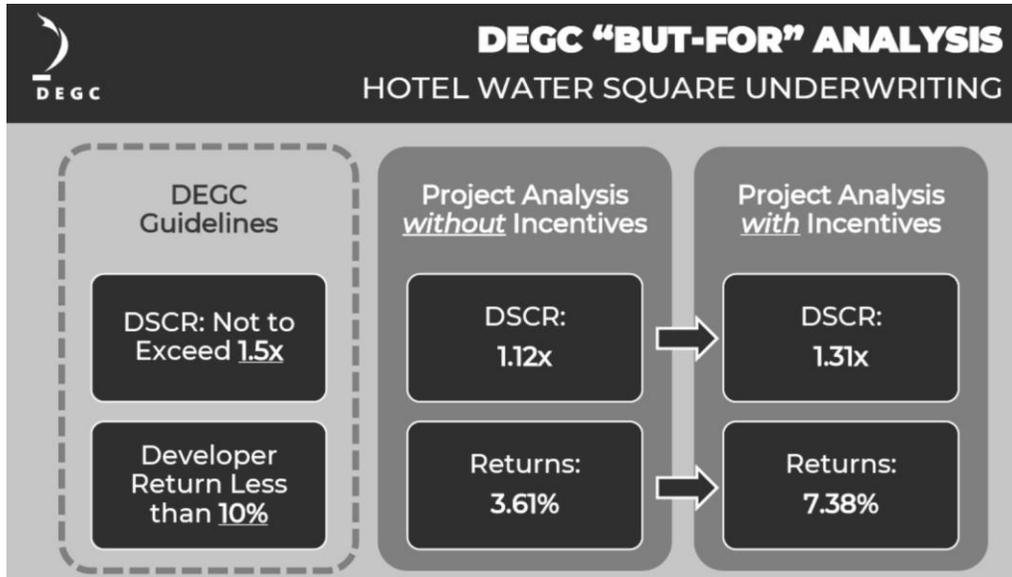
Incentive Summary: All taxing Units over 30 years

	Additional		*Ren Zone		**Ren Zone		Total Net Benefits
	Benefits Before Tax Incentives	Additional Costs	*PA 210 Real Property Tax Abatement	Real & Personal Property Tax Abatement	Corporate Income & Utility User's Exemption	Reimbursement From State Aid Fund	
City of Det.	\$69,810,490	(\$38,613,353)	\$0	(\$9,203,748)	(\$5,793,577)	\$9,203,748	\$25,403,560
Wayne Co.	\$6,873,941	(\$1,882,122)	\$0	(\$4,298,872)	\$0	\$0	\$692,947
DPS	\$43,897,767	(\$8,634,194)	\$0	(\$32,489,495)	\$0	\$32,489,495	\$35,263,574
SET	\$12,772,827	\$0	\$0	(\$11,925,300)	\$0	\$11,925,300	\$12,772,827
DDA	\$108,393,615	\$0	(\$10,613,853)	(\$59,462,727)	\$0	\$0	\$38,317,035
Wayne RESA	\$11,554,086	\$0	(\$1,004,576)	(\$6,836,973)	\$0	\$6,836,973	\$10,549,510
WC Comm Coll.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
WC Zoo	\$211,177	\$0	\$0	(\$197,165)	\$0	\$0	\$14,012
WC DIA	\$422,781	\$0	\$0	(\$394,727)	\$0	\$0	\$28,053
Total	\$253,936,684	(\$49,129,669)	(\$11,618,429)	(\$124,809,008)	(\$5,793,577)	\$60,455,517	\$123,041,519

*City Operating & Debt mills are captured by DDA and not considered City benefit. Only Library mills are factored into City property tax benefit

** The State Aid Fund reimburses the Library, DPS, the ISD, and the School aid Fund for any loss in tax revenue caused by the Renaissance Zone

Rationale for Incentivizing The Project



As indicated in the chart above illustrates, the DEGC operates with guidelines that typically will not allow for a developer to present a project to be serviced with an incentive if a project has a DSCR (Debt-Service Coverage Ratio) that exceeds 1.5, in order to prevent an over saturation of incentives.¹⁹ Thereby meaning that for every dollar (\$1) of debt, a project may not have a cash flow that exceeds \$1.50 to pay its debt obligations. In addition, typically a developer may not present a project with a return on investment (ROI), that has a return of 10% or greater, in order to prevent maximization of profit from use of tax incentives.²⁰ After a careful review of the pro formas²¹ for the Hotel at Water Square Project, the DEGC was able to determine that without the two incentives, the Debt services coverage ratio (DSCR) on the project would be 1.12 without incentives (which is also below the minimum standard for most institutions of lending); with incentives the DSCR is 1.31. Correspondingly the return on investment ROI is 3.61% without incentives and 7.38% with incentives. These figures correspond to the parameters of the DEGC's "but

¹⁹ Depending on the project, the Debt Service Coverage Ratio may exceed 1.5 if the City is in a competitive situation in competition with another city or state for a major development opportunity or for some other mitigating circumstance.

²⁰ Depending on the project, the (ROI), may equate to a return of 10% or greater if the City is in a competitive situation in competition with another city or state for a major development opportunity or for some other mitigating circumstance.

²¹ A pro forma, Latin for "for the sake of form," is a financial model for a construction project based on costs and sources of funding.

for” standard. Given these figures, the project would not be feasible, and it would not be developed “but for” the incentives.

Visit Detroit’s Rationale for New Convention Hotel

Visit Detroit’s at the first Community Benefits Meeting (CBO) presented its case for advocating for a new convention hotel to be linked to Detroit’s Huntington Place Convention Center. In its presentation,²² Visit Detroit presented that currently Huntington Place is the nation’s 16th largest convention center and has the capacity to host 20-25 citywide conventions annually. However, Huntington only hosts 10-12 a year. Visit Detroit submitted bids on 160 events that preferred a “connected” hotel for their event. Visit Detroit did not bid on an additional 37 conventions, because they required a convention center with a physical connection to a hotel. Given the fact that Detroit does not have a hotel that is connected to its convention center, it is their estimate that Detroit has missed out on:

- Over 1 Million visitors
- 650,000 room nights
- \$524 million in spending
- 10 additional events a year

Visit Detroit has concluded that a connected convention hotel will lead to an additional \$100 Million a year in visitor spending for Detroit.²³

Conclusion

If approved by Council, the Renaissance Zone Tax abatement over 30-years, will provide the developer a tax savings of **\$130,602,585**, coupled with a PA 210 tax abatement over 10-years with a tax savings of **\$11,618,429**, overall would allow the developer to realize a tax savings of **\$142,221,014**. Despite these abatements, the completed construction of the new **\$396.5-million** four-star Water Square Convention Hotel with 600 hotel rooms, 50,000 square feet of meeting space, and three new restaurant/lounges, is projected to provide a positive cost benefit to the City of Detroit of **\$25,403,560** and **\$123,041,519** to all of the impacted taxing units, in addition to the creation of 356 direct FTE’s, 70 indirect FTE’s and 624 temporary construction jobs. In addition, due to the projected increase in convention activity the new hotel will facilitate, there is also a projection of \$108 million per year in new spending in the city of Detroit and \$130 million per year in new spending in the state of Michigan, ultimately resulting in \$238 million per year in total new spending.

The factors that contribute to the projected benefits include:

- \$18.7 million in Municipal Income Taxes
 - Municipal Income Taxes of \$10,929,427 generated by 356 permanent employees with an average salary of projected to earn \$778,449,193 in wages
 - Municipal Income Taxes of \$2,836,444 generated by 70 indirect and induced employees projected to earn \$202,025,937 in wages
 - Municipal Income Taxes of \$2,298,932 generated by Corporate Income
 - Municipal Income Taxes of \$2,639,390 generated by Construction Period taxes based on 624 temporary construction jobs

²² [Hotel Water Square CBO Community Meeting 1_01.09.24.pdf | Powered by Box](#)

²³ Despite having over **5,000 hotel rooms**, with Huntington Place having 723,000 square feet of event space, ranking 16th in size nationwide the city of Detroit falls short of the criteria for several major events due to a hotel room shortage, such as the NBA All-star game’s criteria of a city having **7,250 hotel rooms** and a minimum of three five-star hotels, possessing a convention center with 650,000 square feet of exhibition space [Why hasn't Little Caesars Arena hosted an All-Star game? \(wxyz.com\)](#) (some estimates have it that Detroit is as many as 6,000 hotel rooms short).

Charting out the \$25.4 million net benefit to the City of Detroit, with net present values equal out to the following:

	Total	NPV	Notes
Real Property Taxes	\$9,312,926	\$3,903,352	Library taxes collected after reimbursement and RZ phase out
Personal Property Taxes	\$544,929	\$329,016	Library taxes collected after reimbursement and RZ phase out
New Residential Property Taxes	\$0	\$0	
Municipal Income Taxes	\$16,554,249	\$8,296,527	Direct + Indirect + Construction + Corp. Income – Exemption
Net Utility Revenue	\$0	\$0	
Utility Users' Excise Taxes	\$472,488	\$142,290	UUT collection mostly during RZ phase out
State Revenue Sharing - Sales Tax	\$65,241	\$27,185	Calculation outlined above
Building Permits and Fees	\$595,250	\$595,250	Permitting fees collected on front end of construction
Miscellaneous Taxes & User Fees	\$10,973,799	\$4,572,706	Calculation outlined above
Cost of Providing Municipal Services	(\$13,115,322)	(\$5,464,063)	Calculation outlined above
Total Net Benefits	\$25,403,560	\$12,401,263	

Project Timeline of Approvals

PA 210 District PED Hearing	2/22/2024 (Complete)
PA 210 Certificate PED Hearing	4/11/2024
PA 376 – Ren Zone PED Discussion	4/11/2024
Community Benefits Agreement PED Discussion	4/11/2024
Council of the Whole Approval on All Items	4/16/2024
PA 376 – Ren Zone MSF Board Approval	4/16/2024

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

cc: Auditor General's Office
 Antoine Bryant, Planning and Development Department
 Julie Schneider, HRD
 Veronica Farley, Law Department
 Justus Cook, HRD
 Stephanie Grimes Washington, Mayor's Office
 Hassan Beydoun, Jobs & Economy Team
 Brittney Hoszkiw, Jobs & Economy Team
 Gail Fulton, Mayor's Office
 Malik Washington, Mayor's Office
 Kevin Johnson, DEGC
 Kenyetta Bridges, DEGC
 Jennifer Kanalos, DEGC
 Brian Vosburg, DEGC
 Cora Capler, DEGC
 Glen Long, DEGC
 David Howell, DEGC
 Christopher Hughes, DEGC
 Jay Rising, OCFO
 John Naglick, OCFO
 Tanya Stoudemire, OCFO
 Steven Watson, OCFO

Attachments: **Questions and Answers**
PA 210 Application
Finance Assessor's February 2, 2024, PA 210 Certificate Letter



The connected skywalk between Huntington Place and the planned new Water Square Hotel depicted in this rendering is considered a major factor in attracting more visitors to Detroit. Source: Visit Detroit

NEIGHBORHOOD



SITE PLAN





2ND AVENUE HOTEL ENTRANCE



March 5, 2024

Legislative Policy Division (LPD) Questions on the Hotel Water Square Michigan Strategic Fund Renaissance Zone (PA 376)

1. The Michigan Strategic Fund Renaissance Zone needs to be approved by the Detroit City Council, and the Michigan Strategic Fund. The PA 210 tax incentive needs the approval of the Detroit City Council. Please provide your projected timetable for these approvals.

PA 210 District PED Hearing	2/22/2024 (Complete)
PA 210 Certificate PED Hearing	4/11/2024
PA 376 – Ren Zone PED Discussion	4/11/2024
Community Benefits Agreement PED Discussion	4/11/2024
Council of the Whole Approval on All Items	4/16/2024
PA 376 – Ren Zone MSF Board Approval	4/16/2024

2. Please explain the rationale for the construction schedule and the anticipated start dates of the Hotel Water Square projects as presented in the planned transformation plan for the Hotel Water Square. More specifically:

Hotel at Water Square represents a design-build project with the build prices locked in until the end of April 2024. The project is on a tight schedule to protect pricing and avoid project variability, to the greatest extent possible, while maintaining their critical path groundbreaking date of May 1, 2024.

- a. Does the developer believe that the start dates can be maintained given the number of construction projects currently being undertaken in Downtown Detroit-particularly given the much-referenced labor shortages and supply-chain challenges with materials as a result of the COVID-19 pandemic and the Russia/Ukraine war?

The developer expects to maintain the project starts dates but cannot predict unforeseen events that may impact timing.

3. Please provide a sources and uses statement for the proposed Hotel Water Square project. Sources should include financing, and owners’ equity. Uses should include acquisition, hard construction costs, and soft costs.

The table below will be discussed in detail.

Development Sources		Development Uses	
Sr. Lender	\$281.5M (71%)	Hard Costs	\$305.4M (77%)
Developer Equity	\$115.0M (29%)	Soft Costs	\$91.1M (23%)

4. The DSCR on the Hotel Water Square project would be 1.14 without incentives; with incentives, they are 1.31. The ROI is 1.88% without incentives and 7.38% with incentives. The Residences at Water Square required no incentives, what were the corresponding figures for this project without the incentives? Why did the hotel require incentives and the apartments did not?

The Residences at Water Square was developed based upon 2021 construction pricing. From 2021 to 2024 construction pricing has increased by over 40%. Further, interest rates and the cost of capital have increased dramatically from 2021-2024. For example, since the beginning of the construction at the Residences of Water Square, the Secured Overnight Financing Rate (SOFR) was .05%. Today, SOFR is at 5.0%.

5. Is the City contributing to any infrastructure improvements for the Hotel Water Square project, if so, what are they, at what cost and what are the sources of funding for these improvements? If no, why?

The City has a number of infrastructure improvements that have recently been completed or will be completed within the project influence area of the Hotel Water Square in the upcoming months. These improvements include:

- The realignment of the Rosa Parks – Jefferson intersection with the aim of reducing speed along the corridor making West Jefferson more pedestrian-friendly
- Resurfacing of West Jefferson between Rosa Parks and the Lodge Freeway, including road diet.
- Concrete repairs of the City-owned Lodge freeway to West Jefferson Ramps – April 2024
- Installation of a 2-way cycle track along West Jefferson and Rosa Parks
- Installation of raised cross-walk at several intersections within the corridor.
- Tree planting along the corridor
- Sidewalk work

Cost – \$4M to \$5M (some work is still under design with final costs not yet finalized)

Sources of funding – A combination of Grants and Street Funds.

DPW will evaluate the condition of other streets in the area upon project completion and address any defective infrastructure.

6. Mr. Headd and Irv Corley would greatly appreciate the opportunity to meet directly with the requisite DEGC team (and the developer’s consultants) to gain a clearer understanding of the project underwriting that took place, including:

DEGC has scheduled an in-person meeting with members of LPD on Tuesday, March 26th at 2pm to review the underwriting and covering the topics listed below:

- a. Looking at project pro formas
- b. Reviewing project financing
- c. Reviewing developer financials, if available
- d. Reviewing how project initially expected a DSCR 1.14 & a ROI of 1.88%
- e. Reviewing how project, with the tax incentives expects a 7.38% return. In other words, DEGC’s “but for” analysis.
- f. Reviewing any other major underwriting deemed important.
- g. Please provide a project underwriting Power Point with major assumptions to hold in confidence by Mr. Headd and Mr. Corley. **Please see attached.**
- h. This review would allow Mr. Headd and Mr. Corley to gain a greater comfort on the financial, economic, and fiscal details of the Hotel Water Square project, so we may convey this in our report on the project to Council.
- i. After the review of this confidential information, LPD normally footnotes in our report the following: “The financial models (proformas) prepared by _____ and shared with LPD for review

are considered confidential and proprietary information. We found the financial information and the assumptions supporting the financial information to be reasonable. Based upon a request from a Council member, LPD would be available to discuss our understanding of the confidential data in a private discussion. In addition, Council should note that the DEGC also reviewed the confidential data and found the financial information and supporting assumptions to be reasonable.”

7. What makes the tax incentives necessary for the Hotel Water Square project? Questions:

Through the DEGC underwriting analysis, it has been determined that the requested tax incentives are necessary for the project to proceed. Two primary metrics the DEGC review are the debt service coverage ratio (DSCR) and cash on cash (CoC) return.

When the tax incentives are not accounted for the project’s DSCR is 1.12x, which indicates that the project would not generate enough income to cover debt payments and would struggle to attract permanent financing. The CoC return for the project is 3.61%, which is considered a below average return rate and well below the DEGC’s maximum return threshold of 10%.

When the tax incentives are accounted for the DSCR increases to 1.31x, which is now considered an acceptable income to debt ratio and would attract permanent financing. The CoC return increases to 7.38%, which is more aligned with average return rates and still below the DEGC’s maximum return threshold.

- a. DEGC’s “Tax Overview” table shows the cost estimates by individual project. How were the construction cost estimates for each of the projects that make up the Hotel Water Square project determined?

The developer has a construction estimate with locked in pricing that expires at the end of April 2024. A construction estimate was provided by the general contractor, Colasanti, totaling \$303.4M (\$477 PSF). This estimate is in line with other transformational development projects like Future of Health (\$334 PSF), District Detroit (\$334 PSF), and Hudson’s Site (\$653 PSF)

- b. Please provide total cost for this project and present value calculation of the hotel’s construction costs in 2023 dollars based on 30 years.

Total Project Costs: \$396M

- Hard Construction Costs: \$305.4M (\$303.4M + \$2M Insurance)
- Soft Construction Costs: \$91.1M

- c. Are construction costs in the Detroit market generally comparable to major cities across the United States? Have these costs increased in recent years due to demand for construction labor and materials and supply-chain issues due to the COVID-19 pandemic?

When looking at construction indexes for RS Means and Engineering News Records, Detroit ranks in the middle of the top-20 metropolitan statistical areas for construction costs. This paired with Detroit’s relatively low rents makes the City one of the least viable places for real estate development:

ENR - Construction Cost Index Aug 2023		RSMeans Cost/Foot 2022 Estimate	
MSA		MSA	
1 New York City	\$ 22,544.88	1 San Francisco	\$ 321.67
2 Chicago	\$ 19,894.00	2 New York City	\$ 312.81
3 boston	\$ 17,711.92	3 Chicago	\$ 290.57
4 Philadelphia	\$ 15,991.19	4 Boston	\$ 288.54
5 San Francisco	\$ 15,404.94	5 Los Angeles	\$ 285.05
6 Los Angeles	\$ 15,179.26	6 Philadelphia	\$ 283.26
7 Seattle	\$ 15,171.86	7 Minneapolis	\$ 270.87
8 Cleveland	\$ 14,490.69	8 Seattle	\$ 266.01
9 Minneapolis	\$ 14,418.92	9 Pittsburgh	\$ 250.50
10 Kansas City	\$ 14,139.50	10 Detroit	\$ 247.11
11 Detroit	\$ 13,726.72	11 St. Louis	\$ 245.94
12 St. Louis	\$ 13,690.74	12 Kansas City	\$ 243.31
13 Pittsburgh	\$ 12,851.57	13 Cleveland	\$ 234.52
14 Cincinnati	\$ 12,629.61	14 Denver	\$ 232.38
15 Baltimore	\$ 10,343.52	15 Baltimore	\$ 232.01
16 Denver	\$ 9,367.75	16 Cincinnati	\$ 218.36
17 Birmingham	\$ 8,618.60	17 Birmingham	\$ 216.05
18 Atlanta	\$ 8,068.48	18 Atlanta	\$ 215.02
19 New Orleans	\$ 7,701.54	19 Dallas	\$ 213.91
20 Dallas	\$ 7,504.96	20 New Orleans	\$ 213.83

- d. What is the projected average cost per room and the current room rate for comparable hotel rooms in the city of Detroit? What is the average cost per room for comparable hotel rooms across the United States?

The proposed room rate listed in the proforma is \$345 average daily rate per room. This is on par for comparable 4-star hotels.

- e. Does the developer’s financial models for the project employ residential room rate assumptions that reflect very substantial increases from current market room rates? If so, please explain why.

The daily room rate is on par with 4-star hotels in the area.

8. DEGC’s “net Fiscal Impact” table shows present value of tax benefits in 2024 dollars. Please provide the present value calculations.

Net Fiscal Impact = \$25,403,560; NPV = \$12,401,263

9. A net benefit of 25.4 Million is projected for the City of Detroit over the 30 years of the Ren Zone incentive. The net benefit to Detroit represents total upside for the City. Questions:
- For the projected net benefit of \$25.4 million over 30 years to the City of Detroit, please provide assumptions and calculations of the newly projected property taxes, city income taxes, corporate

income taxes, utility users tax, and other miscellaneous taxes/fees.

- The improved taxable value that was used as the basis for property tax projections and abatement calculations is \$49,163,488. This is based on a total building square footage of 646,888 and \$76 PSF in taxable value from what could be gathered on area comps and other projects.
- City Income Tax: (356 FTE) x (\$50,792 Avg. Salary) x (30% for city residents or 70% for non-city residents) x (2.4% or 1.2% depending on resident status)
- Construction City Income Tax: (Hard Construction Costs) x (60% Labor vs. Material Costs) x (30% for city residents or 70% for non-city residents) x (2.4% or 1.2% depending on resident status)
- Corporate Income Tax: (\$150/Employee)
- Utility User’s Tax: \$1.8M (Developer Utility Estimate) x 5% (Utility User Tax Rate)
- Sales Tax Revenue Sharing: (\$552/Household; \$384/Employee) x (15% portion subject to revenue sharing) x (6.4% Detroit’s share of revenue sharing pool)
- Miscellaneous Taxes & Fees: \$892/Household; \$620/Employee
- All calculations are projected over 30-years with a 2% annual increase

b. Please provide present value of \$25.4 million gross net benefit, by revenue stream, to the City of Detroit over 30-year period in 2024 dollars, with calculations.

	Total	NPV	Notes
Real Property Taxes	\$9,312,926	\$3,903,352	Library taxes collected after reimbursement and RZ phase out
Personal Property Taxes	\$544,929	\$329,016	Library taxes collected after reimbursement and RZ phase out
New Residential Property Taxes	\$0	\$0	
Municipal Income Taxes	\$16,554,249	\$8,296,527	Direct + Indirect + Construction + Corp. Income – Exemption
Net Utility Revenue	\$0	\$0	
Utility Users' Excise Taxes	\$472,488	\$142,290	UUT collection mostly during RZ phase out
State Revenue Sharing - Sales Tax	\$65,241	\$27,185	Calculation outlined above
Building Permits and Fees	\$595,250	\$595,250	Permitting fees collected on front end of construction
Miscellaneous Taxes & User Fees	\$10,973,799	\$4,572,706	Calculation outlined above
Cost of Providing Municipal Services	(\$13,115,322)	(\$5,464,063)	Calculation outlined above
<u>Total Net Benefits</u>	<u>\$25,403,560</u>	<u>\$12,401,263</u>	

c. To complete the cost/benefit analysis for the City, please provide the estimated cost of City services and utility deductions by the property.

- Cost to Provide Municipal Services: \$13,115,322 (\$5,464,063 NPV)
- Cost to Provide City Utilities: These costs zero out as the costs to provide utilities are covered by utility bill payments.

d. Please recalculate the gross and present value (in 2024 dollars) net benefit to the City after the inclusion of the cost of City services and utility deductions.

- Gross Benefit Before Tax Incentives: \$69,810,490 (\$30,992,127 NPV)
- Net Fiscal Benefit: \$25,403,560 (\$12,401,263 NPV)

e. Please provide a copy of impact software report the benefits to the City of Detroit.

See attached Impact Report and Impact Summary

10. It is also projected by the DEGC that the Ren Zone Incentive is worth \$130.6 Million, prior to a \$48.5 Million State reimbursement:

a. Please provide assumptions and calculations for the State's \$48.5 Million State reimbursement, please provide the present value calculations in 2024 dollars.

- Per MCL 125.2692, the state shall reimburse the intermediate school district (Wayne RESA), the local school district (DPS), the community college district (WCCC), the public library (DPL), and the School Aid Fund (funded through State Education Tax) based on the taxable value in that year. The prior reimbursement estimate of \$48.5M did not account for the SET reimbursement. The new state reimbursement is estimated at \$60.5M (\$26.5M NPV).
- Wayne RESA: \$190,010 (\$84,010 NPV)
- Wayne RESA Sp Ed: \$6,646,964 (\$2,938,856 NPV)
- Wayne RESA Enh: Not affected by Ren Zone
- DPS Operating: \$32,489,495 (\$14,129,771 NPV)
- DPS Debt: Captured by DDA
- DPL: \$9,203,748 (\$4,069,301 NPV)
- WCCC: Captured by DDA
- SET: \$11,925,300 (\$5,272,595 NPV)

11. Please provide assumptions and calculations for the estimated temporary construction-related jobs projection for the Hotel Water Square project. Please provide calculations supporting the direct number of construction jobs and the wages that these jobs will generate.

The project is anticipated to create 624 construction jobs; \$62,258 Average Salary

12. The Hotel Water Square project anticipates creating how many permanent jobs after construction? Questions:

a. Please provide assumptions and calculations for these estimated permanent jobs after construction.

356 FTE; \$50,792 Average Salary

b. Please provide the breakdown of types of jobs and if these jobs will be union jobs.

See the breakdown below. Hotel jobs will be union jobs.

Hotel Job Category	Type	Job Count	Salary	Wage	Annual Salary/Wage
Lounge	Hourly FTE	7	-	17.25	\$35,880
IT	Hourly FTE	9	-	18.90	\$39,312
Restaurant	Hourly FTE	27	-	19.00	\$39,520
Banquet	Hourly FTE	51	-	19.00	\$39,520
Rooms	Hourly FTE	100	-	20.40	\$42,432
Kitchen	Hourly FTE	58	-	20.40	\$42,432
Admin & General	Hourly FTE	19	-	22.50	\$46,800
Sales	Hourly FTE	2	-	22.70	\$47,216
Lounge	Managers	5	50,000.00	-	\$50,000
Engineering & Maintenance	Hourly FTE	13	-	27.80	\$57,824
Rooms	Managers	12	60,000.00	-	\$60,000
Restaurant	Managers	5	65,000.00	-	\$65,000
Banquet	Managers	15	75,000.00	-	\$75,000
Kitchen	Managers	10	85,000.00	-	\$85,000
IT	Managers	1	85,000.00	-	\$85,000
Sales	Managers	12	100,000.00	-	\$100,000
Engineering & Maintenance	Managers	2	120,000.00	-	\$120,000
Admin & General	Managers	8	145,000.00	-	\$145,000
		Total	356	Average	\$50,792

c. Please provide the salary ranges, from lowest to highest salary, of these categories.

See chart above

d. Please provide calculations supporting what wages these permanent jobs will generate over 30 years.

(356 FTE) x (\$50,792 Average Salary) -> projected over 30 years with 2% annual salary increase.

e. How many of the new permanent jobs are projected NEW jobs?

All 356 permanent jobs will be NEW jobs.

13. How will developer work with City of Detroit’s Workforce Development or provide workforce development to help Detroiters receive jobs from the projected jobs that will be created from the Hotel Water Square project?

Developer will arrange at least two meetings between Detroit at Work and hotel operator with the goal of connecting Detroiters to full time hotel employment. Developer will request the hotel operator to use Detroit at Work as a resource for hiring Detroit job-seekers of all ages.

14. Will most jobs created by the Hotel Water Square project offer benefits to its employees

Yes

15. Please share the Hotel Water Square project's economic impact to the City of Detroit/State of Michigan, especially as it relates to spin-off or indirect type jobs, if made available by the developer?

Please see attached Economic Impact Study conducted by HVS. Items of note include:

- \$108 million per year in new spending in the City of Detroit
- \$130 million per year in new spending in the State of Michigan
- \$238 million per year in total new spending

16. Please provide the number of jobs the project developers currently have in the City of Detroit, and how many of those jobs represent Detroiters.

The DEGC has requested this information from the developer.

Application for Commercial Rehabilitation Exemption Certificate

Issued under authority of Public Act 210 of 2005, as amended.

LOCAL GOVERNMENT UNIT USE ONLY	
Application No.	Date Received
STATE USE ONLY	
Application No.	Date Received

Read the instructions page before completing the form. **This application should be filed after the commercial rehabilitation district is established.** The applicant must complete Parts 1, 2 and 3 and file the application form (with required attachments) with the clerk of the local governmental unit (LGU). Attach the legal description of property on a separate sheet. This project will not receive tax benefits until approved by the State Tax Commission (STC). Applications received after October 31 may not be acted upon in the current year. This application is subject to audit by the STC.

PART 1: OWNER / APPLICANT INFORMATION (applicant must complete all fields)			
Applicant (Company) Name (applicant must be the owner of the facility) Atwater & Second Associates LLC		NAICS or SIC Code 721110	
Facility's Street Address 600 Civic Center Drive	City Detroit	State MI	ZIP Code 48226
Name of City, Township or Village (taxing authority) Detroit	County Wayne	School District Where Facility is Located Detroit	
<input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village			
Date of Rehabilitation Commencement (mm/dd/yyyy) 05/01/2024	Planned Date of Rehabilitation Completion (mm/dd/yyyy) 12/31/2027		
Estimated Cost of Rehabilitation \$303,590,275	Number of Years Exemption Requested (1-10) 10		
Expected Project Outcomes (check all that apply)			
<input checked="" type="checkbox"/> Increase Commercial Activity <input type="checkbox"/> Retain Employment <input checked="" type="checkbox"/> Revitalize Urban Areas <input checked="" type="checkbox"/> Create Employment <input type="checkbox"/> Prevent Loss of Employment <input type="checkbox"/> Increase Number of Residents in Facility's Community			
No. of jobs to be created due to facility's rehabilitation 354	No. of jobs to be retained due to facility's rehabilitation 0	No. of construction jobs to be created during rehabilitation 624	
PART 2: APPLICATION DOCUMENTS			
Prepare and attach the following items:			
<input checked="" type="checkbox"/> General description of the facility (year built, original use, most recent use, number of stories, square footage)		<input checked="" type="checkbox"/> Statement of the economic advantages expected from the exemption	
<input checked="" type="checkbox"/> Description of the qualified facility's proposed use		<input checked="" type="checkbox"/> Legal description	
<input checked="" type="checkbox"/> Description of the general nature and extent of the rehabilitation to be undertaken		<input type="checkbox"/> Description of the "underserved area" (Qualified Retail Food Establishments only)	
<input checked="" type="checkbox"/> Descriptive list of the fixed building equipment that will be a part of the qualified facility		<input type="checkbox"/> Commercial Rehabilitation Exemption Certificate for Qualified Retail Food Establishments (Form 4753) (Qualified Retail Food Establishments only)	
<input checked="" type="checkbox"/> Time schedule for undertaking and completing the facility's rehabilitation			
PART 3: APPLICANT CERTIFICATION			
Name of Authorized Company Officer (no authorized agents) Ben Wayntraub		Telephone Number (313) 963-1212	
Fax Number		E-mail Address benw@sgdetroit.com	
Street Address 333 W. Fort Street	City Detroit	State MI	ZIP Code 48226
<i>I certify that, to the best of my knowledge, the information contained herein and in the attachments is truly descriptive of the property for which this application is being submitted. Further, I am familiar with the provisions of Public Act 210 of 2005, as amended, and to the best of my knowledge the company has complied or will be able to comply with all of the requirements thereof which are prerequisite to the approval of the application by the local governmental unit and the issuance of a Commercial Rehabilitation Exemption Certificate by the State Tax Commission.</i>			
<i>I further certify that this rehabilitation program, when completed, will constitute a rehabilitated facility, as defined by Public Act 210 of 2005, as amended, and that the rehabilitation of this facility would not have been undertaken without my receipt of the exemption certificate.</i>			
Signature of Authorized Company Officer (no authorized agents) 		Title CFO	Date 1-23-24

PART 4: ASSESSOR RECOMMENDATIONS (assessor of LGU must complete Part 4)			
Provide the Taxable Value and State Equalized Value of Commercial Property, as provided in Public Act 210 of 2005, as amended, for the tax year immediately preceding the effective date of the certificate (December 31 of the year approved by the STC).			
	Taxable Value	State Equalized Value (SEV)	
Land			
Building(s)			
The property to be covered by this exemption may not be included on any other specific tax roll while receiving the Commercial Rehabilitation Exemption. For example, property on the Eligible Tax Reverted Property (Land Bank) specific tax roll cannot be granted a Commercial Rehabilitation Exemption that would also put the same property on the Commercial Rehabilitation specific tax roll.			
<input type="checkbox"/> By checking this box I certify that, if approved, the property to be covered by this exemption will be on the Commercial Rehabilitation Exemption specific tax roll and not on any other specific tax roll.			
Name of Local Government Body			
Name of Assessor (first and last name)		Telephone Number	
Fax Number		E-mail Address	
<i>I certify that, to the best of my knowledge, the information contained in Part 4 of this application is complete and accurate.</i>			
Assessor's Signature			Date
PART 5: LOCAL GOVERNMENT ACTION (clerk of LGU must complete Part 5)			
Action Taken By LGU (attach a certified copy of the resolution):			
<input type="checkbox"/> Exemption approved for _____ years, ending December 30, _____ (not to exceed 10 years)			
<input type="checkbox"/> Exemption Denied			
Date District Established (attach resolution for district)	Local Unit Classification Identification (LUCI) Code	School Code	
PART 6: LOCAL GOVERNMENT CLERK CERTIFICATION (clerk of LGU must complete Part 6)			
Clerk's Name (first and last)		Telephone Number	
Fax Number		E-mail Address	
Mailing Address	City	State	ZIP Code
LGU Contact Person for Additional Information	LGU Contact Person Telephone Number	Fax Number	
<i>I certify that, to the best of my knowledge, the information contained in this application and attachments is complete and accurate and hereby request the State Tax Commission issue a Commercial Rehabilitation Exemption Certificate, as provided by Public Act 210 of 2005, as amended.</i>			
Clerk's Signature			Date

For faster service, the LGU should email the completed application and required documents to PTE@michigan.gov.

An additional submission option is to mail the completed application and required documents to:

Michigan Department of Treasury, State Tax Commission
 P.O. Box 30471
 Lansing, MI 48909

Atwater & Second Associates LLC

January 23, 2024

Detroit City Council
Coleman A. Young Municipal Center
2 Woodward Ave Suite 1340
Detroit, MI 48226

RE: Request for the Establishment of a Commercial Rehabilitation Exemption Certificate for the Property at 600 Civic Center Drive, Detroit, MI

Honorable City Council:

Please accept this letter as a request by the owner of 50% or more the taxable value of the property to establish a Commercial Rehabilitation Exemption Certificate for the property located at **600 Civic Center Drive** and described on Attachment A.

The Property is eligible because it meets the following criteria. The property:

- Will be located in a downtown or business area and therefore may be less than 3 acres in size
- Meets the definition of a “qualified facility” because it is:
 - Vacant property which, within the immediately preceding 15 years, was commercial property and the operation of a commercial business enterprise
- Will undergo rehabilitation as it includes new construction on vacant property from which a previous structure has been demolished and will be an economic benefit to the local community. Rehabilitation will also include improvements that will be greater than 10% the true cash value at commencement of the rehabilitation
- Upon completion will meet the definition of commercial property

Project Background

The Petitioner is Atwater & Second Associates LLC, an entity related to the Sterling Group. The Sterling Group is team is dedicated to creating real estate and business environments that meet the needs of the people they serve and contribute to the community at large. Successfully achieving the balance between high performance and civic contribution has earned Sterling Group a reputation as a leader with integrity. Sterling Group has held a presence in Detroit and most notably undertook the construction and successful redevelopment of the Marquette Building and Huntington Tower which is home to the Huntington National Bank Detroit Headquarters and was the first office tower built in downtown Detroit in more than 30 years.

The Petitioner is proposing the construction of a 25-story, approximately 600 room hotel. This impressive structure will consist of 5 podium floors which include a ground floor restaurant, a lobby bar, two ballrooms, meeting rooms, swimming pool, spa and fitness area. The back-of-house areas will include offices, staff support spaces, and a large kitchen to support the seamless operations behind the scenes. A pedestrian bridge will span over the future 2nd Avenue and provide a direct connection to the forthcoming Huntington Place Convention Center. The undertaking entails an estimated \$397 million dollars in private investment. Upon completion, it is anticipated that approximately 354 indirect, permanent jobs will be created. Approximately 624 construction jobs are also anticipated to be created.

Financial Need

The proposed new construction project would not be possible without the receipt of the request tax exemption certificate. All taxes are current for the developer and applicant owned property.

Tax Exemption Duration

The exemption is requested for 10 years, starting in the year following construction completion.

Economic Benefits

A hotel study analysis was completed by a 3rd party which analyzed a list of events lost from 2017 to 2022. This lost business includes events that tentatively reserved dates at Huntington Place but ultimately decided not to come to the venue for reasons that would be addressed by the development of the Proposed Convention Hotel. The City of Detroit is at a significant disadvantage when competing for convention business, as the number of rooms within walking distance of the convention center is a major concern of all meeting planners. With such vast capacity, this hotel will allow Huntington Place and the City of Detroit to attract events and conventions that were previously not attainable.

The Petitioner is also requesting tax incentive assistance through a Renaissance Zone Tax Exemption. In closing, Atwater & Second Associates appreciates consideration of this request.

Respectfully submitted,



Ben Wayntraub
Atwater & Second Associates LLC

Attachment A: Site Map that includes the parcel(s) of property / Legal Description

cc: D. Howell, DEGC
C. Hughes, DEGC

Attachment A

(a) General Description of the Facility

The property currently consists of vacant land. The property was previously occupied by the Joe Louis Arena within the last 15 years.

(b) General Description of the Current and Proposed Use

The property is currently vacant. The proposed project entails the construction of new commercial property, and it is proposed that a 25-story, 600-room convention hotel be constructed.

(c) Nature and Extent of the Rehabilitation to be Undertaken

This impressive structure will consist of 5 podium floors which include a ground floor restaurant, a lobby bar, two ballrooms, meeting rooms, swimming pool, spa and fitness area. The back-of-house areas will include offices, staff support spaces, and a large kitchen to support the seamless operations behind the scenes. A pedestrian bridge will span over the future 2nd Avenue and provide a direct connection to the forthcoming Huntington Place Convention Center.

(d) Descriptive List of Fixed Building Equipment

A descriptive list of the anticipated fixed building equipment that will be a part of the new facility are:

- Metal Siding and Panels
- Roofing
- Doors and Hardware
- Interior Glass and Glazing
- Hard Tile
- Acoustical Walls and Ceilings
- Food service equipment in support of the restaurants, ballrooms, meeting rooms, and guestrooms
- Laundry equipment to support guestrooms
- Pool equipment
- Spa and fitness equipment
- Loading dock equipment
- Elevators
- Fire protection pump equipment
- Equipment for plumbing and mechanical systems
- Electrical equipment

(e) Time Schedule

The developer intends to start construction in the Spring of 2024. Completion is anticipated by the end of 2027.

(f) Economic Advantages Expected

Detroit is at a significant disadvantage when competing for convention business, as the number of rooms within walking distance of the convention center is a major concern of all meeting planners. With such vast capacity, this hotel will allow Huntington Place and the City of Detroit to attract events and conventions that were previously not attainable. The project is also anticipated to create approximately 624 construction jobs and 354 permanent jobs associated with the hotel operations.

(g) Parcel Identification Number and Legal Description

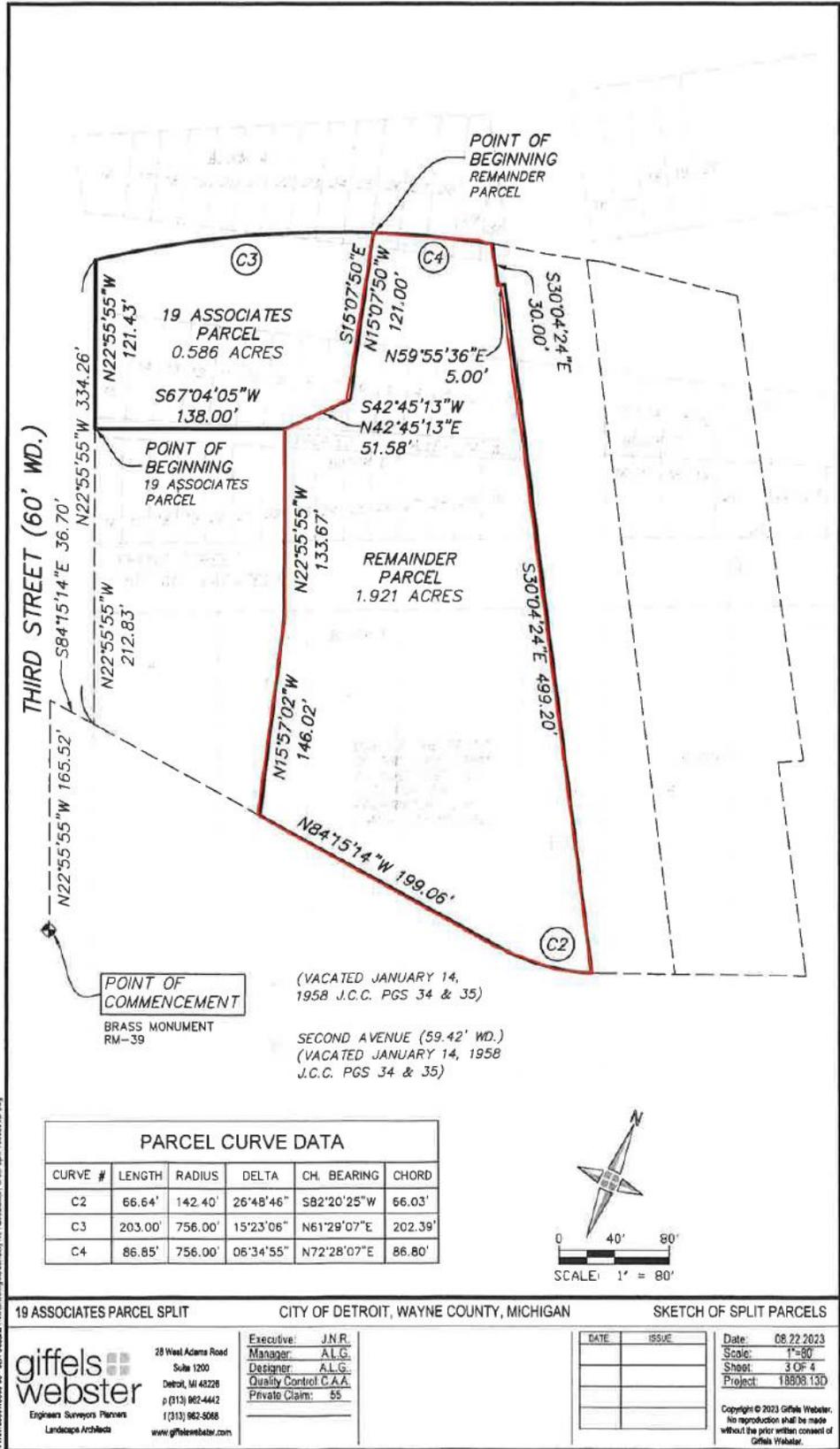
Parcel ID: 04000010-9

LAND IN THE CITY OF DETROIT, WAYNE COUNTY, MICHIGAN, BEING ALL OF LOTS 2 THROUGH 5 AND LOTS 23 THROUGH 30, AND PART OF LOTS 1, 6, 7, 8, 9 AND 22, OF BLOCK E; ALSO PART OF LOTS 1, 2, AND 3, OF BLOCK F; ALSO PART OF LOTS 26 THROUGH 30, OF BLOCK 4, ALL OF THE MAP OF THE FRONT OF THE CASS FARM AS SUBDIVIDED INTO LOTS FOR THE PROPRIETORS, ACCORDING TO THE PLAT THEREOF AS RECORDED ON NOVEMBER 19, 1836, IN LIBER 9 OF CITY RECORDS, PAGE 409; INCLUDING ALL OF THE VACATED STREETS AND ALLEYS ADJACENT TO THE ABOVE DESCRIBED LOTS WITHIN THE BOUNDS OF THE FOLLOWING DESCRIBED PARCEL:

COMMENCING AT HARBOR REFERENCE MONUMENT NO. 39, SAID MONUMENT BEING 2.20 FEET WEST OF THE CENTERLINE OF THIRD STREET (60' WIDE) EXTENDED; THENCE NORTH 22°55'55" WEST, 165.52 FEET ALONG A LINE PARALLEL TO AND 2.20 FEET WEST OF THE CENTERLINE OF THIRD STREET TO A POINT ON THE NORTH LINE OF STEVE YZERMAN DRIVE (DEDICATED AS CIVIC CENTER DRIVE) EXTENDED; THENCE SOUTH 84°15'14" EAST, 36.70 FEET TO A POINT AT THE INTERSECTION OF THE EAST LINE OF THIRD STREET AND THE NORTH LINE OF STEVE YZERMAN DRIVE; THENCE NORTH 22°55'55" WEST, 334.26 FEET ALONG SAID EAST LINE OF THIRD STREET; THENCE ALONG A NON-TANGENT CURVE TO THE RIGHT 203.00 FEET, SAID CURVE HAVING A RADIUS OF 756.00 FEET, A CENTRAL ANGLE OF 15°23'06", AND A CHORD BEARING NORTH 61°29'07" EAST, 202.39 FEET TO THE POINT OF BEGINNING; THENCE CONTINUING ALONG SAID CURVE 86.85 FEET, SAID CURVE HAVING A RADIUS OF 756.00 FEET, A CENTRAL ANGLE OF 06°34'55", AND A CHORD BEARING NORTH 72°28'07" EAST, 86.80 FEET; THENCE SOUTH 30°04'24" EAST, 30.00 FEET; THENCE NORTH 59°55'36" EAST, 5.00 FEET; THENCE SOUTH 30°04'24" EAST, 499.20 FEET; THENCE ALONG A NON-TANGENT CURVE TO THE RIGHT 66.64 FEET, SAID CURVE HAVING A RADIUS OF 142.40 FEET, A CENTRAL ANGLE OF 26°48'46", AND A CHORD BEARING SOUTH 82°20'25" WEST, 66.03 FEET; THENCE NORTH 84°15'14" WEST, 199.06 FEET; THENCE NORTH 15°57'02" WEST, 146.02 FEET; THENCE NORTH 22°55'55" WEST, 133.67 FEET; THENCE NORTH 42°45'13" EAST, 51.58 FEET; THENCE NORTH 15°07'50" WEST, 121.00 FEET TO THE POINT OF BEGINNING AND CONTAINING 1.921 ACRES.

(h) Site Map

See attached.





CITY OF DETROIT
 OFFICE OF THE CHIEF FINANCIAL OFFICER
 OFFICE OF THE ASSESSOR

COLEMAN A. YOUNG MUNICIPAL CENTER
 2 WOODWARD AVE., SUITE 824
 DETROIT, MI 48226
 PHONE: 313•224•3011
 FAX: 313•224•9400

February 2, 2024

Mr. Antoine Bryant, Director
 Planning & Development Department
 Coleman A. Young Municipal Center
 2 Woodward Ave, Suite 808
 Detroit, MI 48226

Re: **Commercial Rehabilitation Certificate: Atwater & Second Associates, LLC**
Property Address: 600 Civic Center Dr
Parcel Number: 04000010-9

Dear Mr. Antoine Bryant:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed Commercial Rehabilitation certificate application for the property located at **600 Civic Center** located in the **Central Business District** area of the City of Detroit.

The rationale for creating Commercial Rehabilitation Districts under PA 210 of 2005, as amended, is based on the anticipation of increased market value upon completion of new construction and/or significant rehabilitation of commercial and former industrial property where the primary purpose and use is the operation of a commercial business enterprise or multifamily residential use. Commercial property also includes facilities related to a commercial business enterprise under the same ownership at that location, including, but not limited to, office, engineering, research and development, warehousing, parts distribution, retail sales, and other commercial activities. Commercial property also includes a building or group of contiguous buildings previously used for industrial purposes that will be converted to the operation of a commercial business enterprise.

The 2024 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
04000010-9	600 Civic Center DR	\$0	\$0	3,434,900	3,141,107

The project proposed by **Atwater & Second Associates, LLC** consists of constructing a 25-story hotel with 600 rooms on 1.291 acres of land. The proposed project consists of having 5 podium floors which includes a ground floor restaurant, a lobby bar, two ballrooms, meeting rooms, etc. The back of housing areas will include offices, a large kitchen support, and staff support offices. The Proposed project also will include a pedestrian bridge that will span over 2nd avenue and provide a direct connection to Huntington Place Convention Center.

This property meets the criteria set forth under PA 210 of 2005, as amended. It applies to 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, was operating as a commercial business enterprise.



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER
OFFICE OF THE ASSESSOR

COLEMAN A. YOUNG MUNICIPAL CENTER
2 WOODWARD AVE., SUITE 824
DETROIT, MI 48226
PHONE: 313•224•3011
FAX: 313•224•9400

Commercial Rehabilitation Certificate
600 Civic Center Dr
Page 2

A review of the project plan and related statutes indicated that the proposed Commercial Rehabilitation Act for the property located at **600 Civic Center Dr** is eligible as it pertains to the Commercial Rehabilitation certificate criteria under P.A. 210 of 2005, as amended.

Sincerely,

Charles Ericson, MMAO
Assessor/Board of Assessors



Commercial Rehabilitation Certificate
600 Civic Center Dr
Page 3

Property Address: 600 Civic Center Dr
Parcel Number: 04000010-9
Property Owner: Atwater & Second Associates, LLC

Legal Description: N CIVIC CENTER 2 THRU 5 23 THRU 30 PT OF 1 6THRU 9 22 BLK E; ALSO PT OF 1 THRU 3 BLK F; PT 26 THRU 30 BLK 4 MAP OF FRONT OF CASS FARM L9 P409 CITY RECORDS, WCR 2/67 AND STREETS AND ALLEYS ADJ; ALL DESC AS COMM AT HARBOR REF MNMT 39 SAID MNMT BNG 2.20 FT W OF THE CL OF THIRD ST (60' WIDE) EXT TH N 22D 55M 55S W 165.52 FT TH S 84D 15M 14S E 36.70 FT TH N 22D 55M 55S W 334.26 FT TH ON A 203.00 FT CUR TO R RAD 756.00 FT CHD BRG N 61D 29M 07S E 202.39 FT TO POB TH ON A 86.85 FT CUR TO R RAD 756.00 FT CHD BRG N 72D 28M 07S E 86.80 FT TH S 30D 04M 24S E 30.00 FT TH N 59D 55M 36S E 5.00 FT TH S 30D 04M 24S E 499.20 FT TH ON A 66.64 FT CUR TO R RAD 142.40 FT CHD BRG S 82D 20M 25S W 66.03 FT TH N 84D 15M 14S W 199.06 FT TH N 15D 57M 02S W 146.02 FT TH N 22D 55M 55S W 133.67 FT TH N 42D 45M 13S E 51.58 FT TH N 15D 07M 50S W 121.00 FT TO POB; 1.921 AC

