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City of Detroit
CITY COUNCIL
LEGISLATIVE POLICY DIVISION
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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: April 9, 2024

RE: **Atwater and Second Associates, LLC PA 210 Certificate Request**

The Commercial Rehabilitation Act, PA 210 of 2005, is a tax incentive for 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.

Atwater and Second Associates, LLC, a subsidiary of the **Sterling Group**,¹ is the developer and owner of the property located at 600 Civic Center Drive, the vacant site of the former Joe Louis Arena in downtown Detroit. The developer is seeking the approval of a Commercial Rehabilitation Act (PA210) tax abatement to assist in developing the site. On the site, the developer plans to construct the **Hotel at Water Square**, a 25-story, approximately 600 room 4-star convention hotel² with five podium floors,³ which will include a ground floor restaurant, a lobby bar, two ballrooms, meeting rooms, swimming pools, spa and fitness area. A pedestrian bridge will span over the future 2nd Avenue and provide a direct connection to the Huntington Place Convention Center.⁴ 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.⁵ The apartments were developed with *no incentives*, and all of the 496 luxury apartments in this 25-story tower are market rate units.

¹ 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 \(sgdetroit.com\)](https://www.sterlinggroup.com)

² 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. [Hotels: 4 Star Hotel Requirements | All Getaways](#)

³ 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.

⁴ 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 \(huntingtonplacedetroit.com\)](https://www.huntingtonplacedetroit.com)

⁵ **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 \(freep.com\)](https://www.freep.com)

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%.*

In addition to the requested PA 210 certificate, the developer is also seeking the approval of a Michigan Strategic Fund Designated Renaissance Zone, which is authorized under the Michigan Renaissance Zone Act (PA 376 of 1996),⁶ of which we provide an extensive review under a separate cover. In that report we cover all of the elements of this project in greater detail. However, this report deals exclusively with the elements that relate to the current PA 210 request.

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%)

⁶ MICHIGAN RENAISSANCE ZONE ACT, MCL 125.2681 et al [MCL - Act 376 of 1996 - Michigan Legislature](#)

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 10 years

	Amount
Real Property Taxes, before abatement	\$2,544,742
Personal Property Taxes, before abatement	\$365,472
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$2,949,959
Municipal Income Taxes - Indirect Workers	\$765,584
Municipal Income Taxes - Corporate Income	\$620,504
Municipal Income Taxes - Construction Period	\$2,639,390
Municipal Income Taxes - New Residents	\$0
Utility Revenue	\$6,882,168
Utility Users' Excise Taxes	\$1,110,981
State Revenue Sharing - Sales Tax	\$17,609
Building Permits and Fees	\$595,250
Miscellaneous Taxes & User Fees	\$2,961,936
Subtotal Benefits	\$21,453,596
Cost of Providing Municipal Services	(\$3,539,953)
Cost of Providing Utility Services	(\$6,882,168)
Subtotal Costs	(\$10,422,121)
Net Benefits	\$11,031,474

Impacted Taxing Units: Incentive Summary Over 10 Years

Jurisdiction	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	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$21,453,596	(\$10,422,121)	\$0	(\$2,867,627)	(\$1,672,108)	\$2,867,627	\$9,359,366
Wayne County	\$1,971,872	(\$508,003)	\$0	(\$1,339,407)	\$0	\$0	\$124,462
Detroit Public Schools	\$12,200,706	(\$2,330,453)	\$0	(\$9,607,036)	\$0	\$9,607,036	\$9,870,253
State Education	\$3,770,766	\$0	\$0	(\$3,715,586)	\$0	\$3,715,586	\$3,770,766
Downtown Dev. Authority	\$31,999,729	\$0	(\$10,613,853)	(\$18,526,901)	\$0	\$0	\$2,858,975
Wayne RESA	\$3,410,972	\$0	(\$1,004,576)	(\$2,130,207)	\$0	\$2,130,207	\$2,406,396
Wayne County Comm. College	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Wayne County Zoo	\$62,343	\$0	\$0	(\$61,431)	\$0	\$0	\$912
Detroit Institute of Arts	\$124,812	\$0	\$0	(\$122,986)	\$0	\$0	\$1,826
Total	\$74,994,797	(\$13,260,578)	(\$11,618,429)	(\$38,371,180)	(\$1,672,108)	\$18,320,456	\$28,392,958

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⁷ Charts courtesy of the DEGC

Impacted Taxing Units: Incentive Summary Over 10 Years (with Library Breakout)

Jurisdiction	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	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$18,543,381	(\$10,422,121)	\$0	\$0	(\$1,672,108)	\$0	\$6,449,151
Library	\$2,910,215	\$0	\$0	(\$2,867,627)		\$2,867,627	\$2,910,215
Wayne County	\$1,971,872	(\$508,003)	\$0	(\$1,339,407)	\$0	\$0	\$124,462
Detroit Public Schools	\$12,200,706	(\$2,330,453)	\$0	(\$9,607,036)	\$0	\$9,607,036	\$9,870,253
State Education	\$3,770,766	\$0	\$0	(\$3,715,586)	\$0	\$3,715,586	\$3,770,766
Downtown Dev. Authority	\$31,999,729	\$0	(\$10,613,853)	(\$18,526,901)	\$0	\$0	\$2,858,975
Wayne RESA	\$3,410,972	\$0	(\$1,004,576)	(\$2,130,207)	\$0	\$2,130,207	\$2,406,396
Wayne County Comm. College	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Wayne County Zoo	\$62,343	\$0	\$0	(\$61,431)	\$0	\$0	\$912
Detroit Institute of Arts	\$124,812	\$0	\$0	(\$122,986)	\$0	\$0	\$1,826
Total	\$74,994,797	(\$13,260,578)	(\$11,618,429)	(\$38,371,180)	(\$1,672,108)	\$18,320,456	\$28,392,958

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Conclusion

The estimated total capital investment for this project is **\$396.5 million**. It is also estimated that the completed project will create 356 FTE's,⁹ in addition to 624 temporary construction jobs. The total value of the 10-year Commercial Rehabilitation tax savings is estimated at **\$11,618,429**.

Based on the investment and jobs, this project is estimated to provide the City of Detroit a net benefit of **\$9,359,366**, which is inclusive of a net benefit of **\$2,910,215** for the Library and all of the impacted taxing units, a net benefit of **\$28,392,958** over the 10 years of the Commercial Rehabilitation tax abatement. This project will provide the community with a benefit by returning a vacant section of a large parcel to productive use. It is also projected that 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.

However, if the developer does not proceed in good faith to complete the project, pursuant to the Act, the City Council may revoke the certificate: *“The legislative body of the qualified local governmental unit may, by resolution, revoke the commercial rehabilitation exemption certificate of a facility if it finds that the completion of rehabilitation of the qualified facility has not occurred within the time authorized by the legislative body in the exemption certificate, or a duly authorized extension of that time, or that the holder of the commercial rehabilitation exemption certificate has not proceeded in good faith with the operation of the qualified facility in a manner consistent with the purposes of this act and in the absence of circumstances that are beyond the control of the holder of the exemption certificate.”*¹⁰

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

Attachments: February 2, 2024 - Letter from Finance Assessors

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

⁸ Chart courtesy of the DEGC

⁹ **FTE**, or full-time equivalent, is a unit of measurement that represents the number of full-time hours an organization's employees work. [What Is Full-Time Equivalent \(FTE\)? Plus How To Calculate It | Indeed.com](https://www.indeed.com/learn-more/what-is-full-time-equivalent-fte?plus-how-to-calculate-it)

¹⁰ COMMERCIAL REHABILITATION ACT (Act 210) MCL. 207.852(1)

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





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.



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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

