

March 21, 2024

Detroit City Council
1340 Coleman A. Young Municipal Center
Detroit, Michigan 48226

RE: Approval of Central Business District Area Renaissance Zone / Atwater & Second Associates, LLC Authorization to Submit Application to the Michigan Strategic Fund

Honorable City Council:

The Housing and Revitalization Department (“HRD”) is hereby requesting the approval from your Honorable Body of a Central Business District Area Renaissance Zone (“Ren Zone”) in the City of Detroit (“City”) and the authorization to submit a related Application for Creating a Michigan Strategic Fund Designated Renaissance Zone (“Application”) to the Michigan Strategic Fund (“MSF”) for consideration as required under 1996 PA 376, also known as the Michigan Renaissance Zone Act (“Act”).

The proposed Ren Zone will help support Atwater & Second Associates, LLC’s (“Atwater”) proposed development in the City’s Central Business District as summarized below.

Company / Project Introduction

Atwater is a related entity of the Sterling Group, a Michigan based real estate development and investment company founded in 1988. Previous Sterling Group related development projects within the City include Huntington Tower and Marquette Building.

Atwater plans to invest a minimum of \$379,000,000.00 to construct a twenty-five story, approximately six hundred room hotel, along with a ground floor restaurant, lobby bar, two ballrooms, several meeting rooms, swimming pool, and spa and fitness center (collectively the “Project”). Construction is expected to being in spring of 2024 with an estimated construction completion date of 2027.

We respectfully request that your Honorable Body adopt the attached resolution which: (1) authorizes the city to submit the Application to the MSF; (2) approves a Renaissance Zone Development Agreement for the Project; and (3) approves the creation of the renaissance zone granting Atwater certain tax benefits under the Act for a period of thirty (30) years.

Respectfully submitted,

DocuSigned by:

Rebecca Labov

927E06ED6B004F9
Rebecca Labov

Associate Director of Housing Underwriting
Housing and Revitalization Department

Cc: G. Fulton, Mayor’s Office
A. Bryant, PDD
J. Schnieder, HRD
J. Cook, HRD

**CITY OF DETROIT
RENAISSANCE ZONE DEVELOPMENT AGREEMENT**

THIS RENAISSANCE ZONE DEVELOPMENT AGREEMENT (“**Agreement**”) is entered into and between the City of Detroit, a Michigan municipal corporation, acting by and through its Planning and Development Department (“the **City**”), with an office at 2 Woodward Avenue, Suite 808, Detroit, MI 48226, and Atwater & Second Associates, LLC (“the **Company**”), a Michigan limited liability company, with its principal office at 600 Civic Center Drive, Detroit, MI 48226.

WITNESSETH:

WHEREAS, 1996 PA 376, also known as the Michigan Renaissance Zone Act (“**Act**”), (1) allows qualified local government units to apply to the State of Michigan for a renaissance zone designation under certain criteria and (2) provides for the exemption from certain taxes for businesses located and conducting business activity within a renaissance zone; and

WHEREAS, the Company desires for the City to submit an application to the Michigan Strategic Fund (“**MSF**”) for a new MSF-designated renaissance zone (“**Application**”), as defined in Sec.8a(2) of the Act, as codified at MCL 125.2688a(2), to support the Company’s construction of a 25-story, approximately 600-room hotel, and a pedestrian bridge to connect the hotel to Huntington Place Convention Center (the hotel and bridge hereinafter being referred to as the “**Project**”); and

WHEREAS, by resolution of the Detroit City Council (“**Resolution**”), the City has: (1) approved the establishment of the a renaissance zone (the “**Ren Zone**”) comprised of approximately 1.921 acres, as more particularly described in Exhibit A attached hereto, and (2) authorized the City’s Planning & Development Department to submit the Application to the Michigan Strategic Fund for approval of the Ren Zone pursuant to the Act. A copy of the City’s Resolution approving the Ren Zone is attached hereto as Exhibit B and made a part hereof; and

WHEREAS, the Company plans to invest a minimum of three-hundred ninety-seven million dollars (\$397,000,000) in its properties in the Ren Zone; and

WHEREAS, the City finds that economic revitalization and growth from redevelopment of blighted buildings or underutilized areas and employment and job creation are needed in the City, and that economic growth in the City will derive from the Project;

NOW, THEREFORE, to encourage approval of a Ren Zone and in recognition of the investments the City will make toward the economic growth of the Project, which in turn will benefit the City and its residents, the parties hereby agree as follows:

1. Size and Location of Ren Zone. The parties acknowledge that the Ren Zone is comprised of the land described in Exhibit B attached hereto.
2. Duration of the Ren Zone. The City has approved the Ren Zone for a thirty (30) year period, beginning and ending according to the Michigan Strategic Fund Resolution approving the City's Application.
3. Obligations of Company. As a condition of obtaining the Ren Zone, the Company will comply with the following covenants and obligations:
 - a. Project. Company will complete construction of the Project leading to further investment in the City of Detroit and creation of the Jobs (as defined below) required by this Agreement.
 - b. Capital Investment. Company will invest at least Three Hundred Ninety-Seven Million Dollars (\$397,000,000.00) in the Ren Zone by December 31, 2027. Such investment encompasses all Project costs, which include, but are not limited to development fees, pre-construction costs, financing and carrying costs, architectural, design, and engineering costs, consulting fees, labor, materials, the cost of all real and personal property, legal, FF&E and OS&E, marketing costs, asset and management fees, hotel operator costs, and all hard and soft costs of any kind pertaining to the negotiation, development, construction and opening of the Project..
 - c. Job Creation. Company will create directly or cause to be created a minimum of zero (0) full-time jobs within the Ren Zone (the "Jobs"). For purposes of this Agreement, a "full-time job" shall include a person: (1) who is employed by the Company or its affiliates on a salary, wage, commission, or other financial basis, for a minimum period of forty (40) hours a week, and (2) from whose compensation the Company, or its affiliates, are required by law to withhold City of Detroit income taxes. Affiliates may include Company's tenant(s) that lease space within the Ren Zone. Contract and part-time jobs do not count towards this job creation requirement.
 - d. No Residential Use. Company agrees that no part of the parcel it owns that are benefitted by the Ren Zone will be used for residential purposes. If, in the future, the Company desires to utilize a portion of the land within the Ren Zone for residential use, such portion shall be split into a new parcel from original Ren Zone parcel and shall be excluded from any and all benefits of the Ren Zone.
 - e. Other Conditions.
 - i. Company will maintain its real estate within the Ren Zone in good condition, including but not limited to, all buildings, equipment (both interior and exterior), landscaping, yards, fencing, and parking lots.
 - ii. Company will comply with all federal, state and local laws, including, but not limited to, all applicable tax, environmental, zoning, and land use laws.

4. Progress Reports. By December 31st of each respective year of the Ren Zone period, the Company shall provide the City with a copy of the annual written progress report submitted to the MSF for the Ren Zone (“**Progress Report(s)**”). The Progress Reports shall include all of the information required by the progress report to the MSF with an appendix containing any other information related to the Ren Zone as reasonably requested in writing by the City from time to time. It is understood that the MSF requires the following information related to Company’s operations or Company owned parcels in the Ren Zone in the Progress Reports:

- a. the progress of the Project;
 - b. The amount of capital investment, including, but not limited to, real and personal property investment, at the Project or in connection with the Ren Zone;
 - c. The number of individuals employed by the Company or its Affiliates (as hereinafter defined) in the Ren Zone at the beginning and the end of the reporting period;
 - d. The identity of the employer of all individuals employed by the Company or its affiliates in the Ren Zone facility;
 - e. New jobs, including full-time Jobs, created at the Ren Zone and the average weekly wage for these new Jobs;
 - f. The status of the Company’s business operations;
 - g. The most recent State Equalized Value (SEV) and taxable value of the real and personal property within the Ren Zone, including real and personal property located at the Ren Zone that existed prior to the effective date of the Ren Zone;
 - h. Value of the taxes abated by the Ren Zone;
 - i. All metrics required by MSF to be reported by any lessee of the Company;
- and
- j. Any other information reasonably requested by the MSF regarding the Ren Zone.

5. Zone Benefits. During the term of the Ren Zone, the Company and its Affiliates (as defined below) shall receive the benefit of the exemptions, deductions, credits and other benefits allowable under the Act for real and personal property owned within the Ren Zone. The Company acknowledges that such benefits do not include relief from payment of certain property taxes related to bonds, debt service, special assessments, as well as Michigan Sales or Use Tax. The benefits of the Ren Zone shall apply to property owned, occupied or operated by any affiliate of the Company. An “**Affiliate**” shall mean an entity that is controlled by the Company, directly or indirectly through one or more intermediaries, where the term control means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through ownership of voting securities, by contract interest or otherwise. From time to time as requested by the City in writing, the Company shall provide the City with a written list of any and/or all Affiliates that own real or personal property or have operations within Ren Zone.

6. Remedy/Revocation Resolution. If the Company: (1) fails to commence the Project within five (5) years of the MSF Resolution adopting the Ren Zone or by December 31, 2026, (2)

permanently ceases business operations within the Ren Zone, (3) is delinquent in the payment of taxes pursuant to the Act, or (4) otherwise materially violates the terms of this Agreement or the Application, then the City may pass a resolution recommending revocation of the Ren Zone by the MSF. Nothing in this Section shall limit the City's ability to collect taxes from the Company based on the Company's ineligibility for exemptions, deductions or credits under Sec. 10(1)(b) of the Act, codified at MCL 125.2690.

7. Notice of Noncompliance. Prior to taking any action under Section 6 of this Agreement, (1) the City shall provide written notice to the Company upon finding that the Company failed to comply with any provision of this Agreement and (2) the Company shall have one hundred and twenty (120) days from its receipt of such notice to cure the noncompliance to the City's satisfaction. In the event that the City is not satisfied by the Company's attempt to cure the noncompliance within the aforementioned one hundred twenty (120) days, the City may proceed with the process outlined in Section 6 herein at its sole discretion.

8. No Limitations of Remedies. The City and the Company agree that each of the rights and remedies provided by this Agreement may be exercised separately or cumulatively and shall not be exclusive of any other rights and remedies provided by law. Invalidation of any of the provisions contained in the Agreement by operation of law, judgement, court order or otherwise shall not invalidate any of the other provisions of the Agreement.

9. Notice. All notices required under Sections 7, 9, and 14 of this Agreement shall be in writing and sent by the United States Postal Service mail, registered or certified, return receipt requested, postage prepaid, or sent by express, overnight courier to the respective parties at the address listed below, and shall be deemed delivered one (1) business day after the delivery:

If to the City:

City of Detroit
c/o Planning & Development Dept.
2 Woodward Avenue, Suite 808
Detroit, MI 48226
Attn: Director

With a copy to:

City of Detroit
c/o Assessments Division
2 Woodward Avenue, Suite 804
Detroit, MI 48226
Attn: City Assessor

If to the Company:

Atwater & Second Associates, LLC
333 W. Fort Street, Suite 1350
Detroit, MI 48226
Attn: Ben Wayntraub

With a copy to:

Law Offices of Eli Halpern PLLC
333 W. Fort Street, Suite 1350
Detroit, MI 48226

Any other written communications provided in connection with this Agreement (i.e., Progress Reports, requests for a list of Affiliates, etc.) may be communicated by e-mail.

Either Party to this agreement may change its address and/or email contact information for the receipt of notices and other written communications at any time by giving written notice thereof to the other as herein provided.

10. Jurisdiction. This Agreement shall be governed by the laws of the State of Michigan. The parties shall make a good faith offer to resolve any controversies that arise regarding the Agreement. If a controversy cannot be resolved, the parties agree that any legal actions concerning this Agreement shall be brought in Wayne County, Michigan, unless certain actions are required by law to be brought before the Michigan Tax Tribunal.

11. Captions. The captions or headings in this Agreement are for convenience only and in no way define or limit the scope or intent of any provisions or sections of this Agreement.

12. Amendments. No amendment to this Agreement shall be effective unless it is in writing and signed by duly authorized representatives of the parties.

13. Effective Date. This Agreement is effective upon approval of the Ren Zone and Application by the Michigan Strategic Fund.

14. Transfer of Ownership /Termination of Operation. During the term of the Ren Zone, the Company shall not delegate or assign this Agreement, or any portion thereof, either voluntarily or involuntarily, or by operation of law, except as provided in this Section. In the event the Company sells, assigns or transfers (whether by operation of law, foreclosure or otherwise) the Project to a non-Affiliate, the Company's successor shall be bound by all of the obligations hereunder that accrue on and after the date of such sale, assignment or transfer, provided that the Company shall remain responsible for any breach of this Agreement that occurs prior to the date of such sale, assignment or transfer. Additionally, the Company shall notify the City in writing of any change in its corporate name or federal employer identification number ("EIN").

15. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original, and all of which together shall constitute one and the same instrument.

[Remainder of page intentionally left blank; signature page follows.]

SIGNATURE PAGE TO RENAISSANCE ZONE DEVELOPMENT AGREEMENT

IN WITNESS WHEREOF, the City and the Company, by and through their authorized officers and representatives, have executed this Agreement as follows:

Atwater & Second Associates, LLC

By: 

Print: Ben Wayntraub

Its: ~~Manager~~ CFO / Authorized Representative

CITY OF DETROIT

PLANNING & DEVELOPMENT DEPT.

By: 

Print: Antoine Bryant

THIS AGREEMENT WAS
APPROVED BY THE CITY
COUNCIL ON:

Date

APPROVED BY LAW DEPARTMENT
PURSUANT TO § 7.5-206 OF THE CHARTER
OF THE CITY OF DETROIT

Corporation Counsel

Date

THIS AGREEMENT IS NOT EFFECTIVE OR VALID UNTIL APPROVED BY RESOLUTION OF THE CITY COUNCIL, SIGNED BY ALL PARTIES HERETO, AND A RENAISSANCE ZONE APPLICATION IS APPROVED BY THE MICHIGAN STRATEGIC FUND.

EXHIBIT A

Parcel Identification Number and Legal Description

Real Property located in the City of Detroit, County of Wayne, State of Michigan, more specifically described as follows:

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 VOLUME 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, 3.34.26 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°2.3'06", 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°15'7 4" 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.

Common Address: 600 Civic Center Drive, Detroit, Michigan 48226
Parcel ID: 04000010-9

EXHIBIT B

City Resolution and Application

[Documents Attached Hereto]

RESOLUTION

BY COUNCIL MEMBER: _____

WHEREAS, 1996 PA 376, also known as the Michigan Renaissance Zone Act (the “Act”), 1) allows qualified local governmental units to apply to the State of Michigan, Michigan Strategic Fund (“MSF”) for a renaissance zone under certain criteria and 2) provides for the exemption from certain taxes for businesses located and conducting business activity within a renaissance zone; and

WHEREAS, Atwater & Second Associates, LLC (“Atwater”) plans to invest a minimum of \$397 Million to construct a twenty-five story, approximately six-hundred room hotel, along with a ground floor restaurant, lobby bar, two ballrooms, several meeting rooms, swimming pool, and spa and fitness center (the “Project”); and

WHEREAS, in support of the Project, Atwater has requested that the city submit an application (the “Application”) to the MSF for the creation of a new MSF-designated renaissance zone (“Ren Zone”) under the Act; and

WHEREAS, the Ren Zone boundaries shall be comprised of approximately 1.921 acres, within a portion of the City’s Central Business District generally bounded by Steve Yzerman Drive to the East and south, and John C. Lodge Fwy to the north (“Ren Zone Boundaries”); and

WHEREAS, the area of the Ren Zone Boundaries that comprise the Project are defined on in Exhibit A of the Renaissance Zone Development Agreement (“Agreement”) attached; and be it further

RESOLVED, that Detroit City Council hereby approves the establishment of the Ren Zone as further depicted and described in the attached Agreement; and be it further

RESOLVED, notwithstanding the legal description and parcel identification number listed in Exhibit A of the Agreement, the Ren Zone Boundaries expressly exclude any existing or further tax parcels within the Ren Zone Boundaries that are used for residential purposes; and be it further

RESOLVED, that such Ren Zone shall be for a duration of thirty (30) years with a start date of the next January 1 after: (1) Atwater has provided a written request to the MSF and MSF has approved of the start date and (2) Atwater has entered into an MSF development agreement. Such start date shall be within five (5) years from the MSF’s approval date of the Application. Atwater shall provide written notification to the City’s Finance Department – Assessment Division with the MSF’s approval of the Ren Zone start date; and be it further

RESOLVED, that in order to receive the benefit of an exemption, deduction or credit as provided for the MCL 125.2689 of the Act (“Ren Zone Benefits”), an individual or business within the Ren Zone Boundaries must enter into a renaissance zone development agreement with the City that is then approved by Detroit City Council and that obligates the individual or business to make certain capital investments; and be it further

RESOLVED, that Detroit City Council hereby: (1) approves the Application, together with any such subsequent changes to the Application that the Planning & Development Department (“PDD”) Director, or their authorized designee, approves to ensure the accuracy of supplemental documentation, including but not limited to parcel and legal description information and (2) authorizes the PDD Director, or their

authorized designee, to submit the Application, as well as any other documents required to effectuate Detroit City Council approvals given herein, to the MSD for approval; be it further

RESOLVED, that Detroit City Council hereby: (1) approves the Renaissance Zone Development Agreement and (2) authorizes the HRD Director, or their authorized designee, to execute the Renaissance Zone Development Agreement, as well as such other documents as may be necessary to effectuate the intent of this resolution on behalf of the City of Detroit; and be it further

RESOLVED, that Atwater by virtue of Detroit City Council approved Renaissance Zone Development Agreement, shall receive Ren Zone benefits for their real and personal property within the Ren Zone Development area upon the start date of the Ren Zone as provided herein; and be it further

RESOLVED, that Detroit City Council authorizes the Finance Department – Assessments Division to assess taxes consistent with this Resolution, the Act and other applicable laws within the Ren Zone upon approval of the Application by the MSF.