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TO: The Honorable Detroit City Council

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: April 10, 2024

RE: **COMMUNITY BENEFITS ORDINANCE PROCESS ANALYSIS FOR THE
HOTEL AT WATER SQUARE**

BACKGROUND AND PROPOSAL

In November of 2016, the Proposal B ballot initiative passed with 53% of the vote, effectuating the enactment of the City of Detroit's Community Benefits Ordinance (CBO) Ordinance No. 35-16.

The expressed purpose of this ordinance is to garner "*outreach and engagement that promotes transparency and accountability and ensures development projects in the City of Detroit benefit and promote economic growth and prosperity for all residents.*" Subsequently, the ordinance was amended through Ordinance 2021-4.

Section 12-8-3, subsection (a)(5) of the ordinance states that, "*the City Council shall appoint a liaison from the Legislative Policy Division to monitor the community engagement process and provide updates to the City Council.*" The ordinance further states in Section 12-8-3 (6)(g)(1)(v) that *An enforcement Committee shall be established to monitor Tier 1 Projects*, and shall consist of four individuals, one of which is a representative from the City Council Legislative Policy Division. This report has been prepared by the Legislative Policy Division (LPD) to provide an

update as contemplated by the ordinance prior to Council’s consideration of any financial incentives associated with these developments and the CBO process.

“Tier 1 development Project means a development project in the City that is expected to incur the investment of Seventy-five Million Dollars (\$75,000,000) or more during the construction of facilities or to begin or expand operations or renovate structures where the developer of the project is negotiating public support for investment in one or both of the following forms.

- 1. Any transfer to the developer of City-owned land parcels that have a cumulative market value of One Million Dollars (\$1,000,000) or more (as determined by the City Assessor or independent appraisal) without open bidding and priced below market rates (where allowed by law) or*
- 2. Provision or approval by the City of Detroit tax abatements or other tax breaks that abate more than One Million Dollars (\$1,000,000) of City taxes over the term of the abatement that incur directly to the Development, but not including Neighborhood Enterprise Zone tax abatements.*

This report serves the following purposes:

1. Provides a brief synopsis of the development and CBO process to inform the City Council as to what transpired during the meetings held for this project.
2. Provides an additional perspective of the legislative staff which may be considered alongside the mandated Planning and Development Department (PDD) Director’s report submitted to Your Honorable Body for review to complete the initial engagement phase of the CBO requirements.



Conceptual rendering of the Hotel at Water Square

PROJECT BACKGROUND AND DETAILS

The project is led by the Sterling Group, with support from Visit Detroit and cooperation with Huntington Place Convention Center.

This project is located on the former Joe Louis Arena site, generally situated south of Jefferson Avenue, west of Huntington Place Convention Center, east of Steve Yzerman Drive (3rd Street), and north of the Detroit Riverwalk. In total, the project is worth approximately \$396.5 million. The development group is seeking incentives to fulfill the scope of the project.

An adjacent, related project is the extension of Second Avenue between Congress Street on the north and Steve Yzerman Drive on the south. While this project will provide vehicle and pedestrian access to the proposed hotel, it is being handled by the Detroit Regional Convention Facility Authority (not the Sterling Group). As the proposed road is currently zoned PC (Public Center) and PCA (Public Center Adjacent), it will be coming before the City Council for review in the near future.

Project Description

The proposal plans to continue development of the former Joe Louis Arena site by constructing a new 26 story, 600 guest room, hotel connected to Huntington Place Convention Center. The hotel plans include 50,000 square feet of meeting space, two restaurants, a lobby bar, a market, and a fitness center. The plan includes the construction of a skywalk that will connect Huntington Place and the new hotel. Development of the site began with the construction of the Residences at Water Square, also a Sterling Group Development.

Estimated Cost: **\$396.5M**

Requested Incentive: PA 210¹, PA 376²

Census Tract: 5208

Location:

Former Joe Louis Arena site, now known as Water Square, generally located south of Jefferson Avenue, west of Huntington Place, north of the Detroit River, and east of 3rd Avenue (Steve Yzerman Drive)

Development Team: Elie Torgow (Sterling Group)
Manny Torgow (Sterling Group)
Danny Samson (Sterling Group)
Paige Brekowski (Sterling Group)
Ciarra Morris (Sterling Group)

¹ Commercial Rehabilitation Act (PA 210): This benefit provides an exemption on the value of the new improvements for new construction up to ten (10) years after construction

² MSF Designated Renaissance Zone (PA 376): This benefit provides an exemption on real property, city corporate income, and utility user's tax for up to thirty (30) years after construction

Impact Area Boundaries:

- North – West Jefferson Avenue, Porter Street, Michigan Avenue
- South – Detroit River
- East – Woodward Avenue
- West – Trumbull, 6th Street, 8th Street, Rosa Parks

The impact area more specifically includes portions of the following neighborhoods: Downtown, West Side Industrial, and Corktown

CBO Facilitators: Aaron Goodman (PDD)
Edwina King (PDD)

LPD Liaisons: Timarie Szwed (LPD)
Jamie Murphy (LPD)
Kimani Jeffery (LPD)

Neighborhood Advisory Council (NAC):

Angela Wright	<i>Elected by Impact Area Residents</i>
Loretta Lloyd	<i>Elected by Impact Area Residents</i>
Brandon Lewis, Chair	<i>Appointed by Council Member Gabriela Santiago-Romero</i>
Richard Hosey III	<i>Appointed by Council Member Coleman A. Young II</i>
Timothy McKay, Secretary	<i>Appointed by Council Member Mary Waters</i>
Patricia Euseary	<i>Appointed by Planning and Development</i>
Robert Mazur	<i>Appointed by Planning and Development</i>
Keely Smith, Vice-Chair	<i>Appointed by Planning and Development</i>
Sidney Logemann	<i>Appointed by fellow NAC members</i>
Robert Garcia	<i>Resigned from NAC³</i>

Master Plan of Policies

The subject site is located within the Corktown area of Neighborhood Cluster 4 of the Detroit Master Plan of Policies (MP). The Future Land Use map for this area shows Special Commercial (CS) designation. The proposed development is generally consistent with the MP designation for the area. The CS designation is designed to attract people from the City, region, and state. The CS areas may include uses such as sports stadiums, convention centers, casinos, or compatible uses.

Current Zoning

The zoning classification for this site is B5 (Major Business District). The B5 zoning district is designed to provide adequate regulations within the Central Business District, the New Center Area, and may be successfully utilized in other regionally oriented shopping and office areas. The

³ Robert Garcia was originally appointed by PDD, but resigned and was replaced by then Alternate NAC Member, Sidney Logemann, by the NAC.

B5 zoning district permits more uses than the B4 (General Business) zoning district and has higher scale dimensional standards to permit the building types typical of higher density downtown areas

The proposed hotel is a by-right use in the B5 zoning classification. This property was rezoned to B5 in 2020 pursuant to expectations established during bankruptcy proceedings.

NAC MEETINGS AND WORK SESSIONS

The Hotel at Water Square CBO process included seven (7) official meetings that were open to the public. These meetings covered a variety of subjects including a project overview, education on the Community Benefits Ordinance and process, education on requested financial incentives, discussion between the developer and NAC, as well as public comment from attendees. All meetings were hybrid, allowing the public to participate in person or virtually.

In addition to the general meetings, members of the NAC decided to hold five (5) working sessions. The working sessions provided NAC members an opportunity to review the project and to deliberate amongst themselves, outside of the general meetings.

CBO Meetings	NAC Working Sessions
Tuesday, January 9, 2024	Tuesday, February 6, 2024
Tuesday, January 16, 2024	Friday, February 9, 2024
Tuesday, January 30, 2024	Monday, February 12, 2024
Tuesday, February 6, 2024	Friday, February 16, 2024
Tuesday, February 13, 2024	Monday, February 26, 2024
Tuesday, February 20, 2024	
Tuesday, February 27, 2024	

The CBO process concluded on February 27, 2024. During the last meeting, members of the public generally spoke in support of the Community Benefits Agreement (CBA). Comments that were opposed expressed concerns such as the lack of bird safe reflective glass used on the 26-story building, lack of financial benefits included in the agreement, and the amount of contributions by the City included in the agreement.

Several members of the Carpenters and Millwrights Union spoke in support of the project, specifically expressing support for the Sterling Group, as union members had worked on other Sterling Group projects in the City.

Other concerns included a lack of strong commitment to include local artists and business owners inside the hotel once the development is finished and operating. One attendee expressed their belief that the CBO should include a discount on hotel stays for Detroit residents. Another expressed that in addition to adding an outdoor memorial piece in remembrance of Joe Louis, there should be something commemorating the Detroit Red Wings.

Additionally, members of the Detroit Bird Alliance expressed concerns over the lack of bird-safe glass, meant to deter birds from flying into the building.

Many members of the public raised questions about the aforementioned reopening of 2nd Avenue. The Developers made clear that, while this project is being done in conjunction with the Hotel at Water Square, they are not the party responsible for it.

The final Hotel at Water Square CBO meeting was held on February 27th. Following the public comment portion of the meeting, the NAC took time to deliberate amongst themselves. Following the deliberation, the NAC returned to the general meeting, and voted unanimously to support the CBA as presented during the meeting by the Developer, and to provide a letter of support upon receipt of the final CBA. Additionally, the NAC voted to cancel the remaining scheduled CBO meetings.

All nine (9) members of the NAC signed the resulting CBA.

CBA REVIEW

The benefits agreed upon fell into nine categories or buckets, which are listed below:

Communication	Accessibility, Mobility, and Traffic
Construction	Sustainability and Environment
Design and Landscape	Community Investment
Employment and Education Opportunities	People Mover
Retail	

The NAC volunteered many hours and a lot of energy to attend meetings, deliberate, and consider this matter. The outcome being a CBA that includes 42 items, with a total commitment of \$11,150,000 from the Developer in direct and operational spending. Of the 42 items, 35 are benefits committed to by the developer, while 7 are benefits that the City has agreed to provide. It should be noted that item 20 is required by ordinance, though the CBA could reinforce the requirement. Item 20 states that the *developer will comply with Executive Order 2021-2 regarding Detroit workforce hiring on publicly funded construction projects.*

Direct Contributions

Total: \$1,150,000

Direct contributions from the developer were agreed upon for three of the categories listed above, including Employment and Education, Community Investment, and the People Mover. These contributions are detailed below.

Employment and Education Opportunities

\$350,000

Line item #18 *Commencing in 2024 and continuing for five years, Developer will provide five, \$10,000 post-secondary scholarships (for a total of \$250,00) to current students or recent high school graduates who live in District 6, with prioritization (a) for students who are planning to attend school or training for construction or in the hospitality field, and (b) based on the student's financial resources and need. Developer will coordinate with high schools serving District 6 to publicize and award such post-secondary scholarships.*

The NAC identified that there was a need for increased educational opportunities for disadvantaged DPSCD students within District 6. The Developer agreed to provide scholarships totaling \$250,000 for students residing in District 6 planning to pursue post-secondary education or training in the fields of construction or hospitality. Training and education in the construction

and hospitality fields will prepare current students to take advantage of the jobs created through future development projects similar to the Hotel at Water Square.

Line item #22 *Commencing in 2024 and continuing for five years, Developer will donate \$20,000 annually (for a total of \$100,000) to internship programs providing opportunities for Detroit youth such as Grow Detroit's Young Talent.*

The NAC identified that there is limited career pathway programs for Detroiters (youth, returning citizens, and seniors) in the hospitality and construction fields. In response the Developer agreed to contribute \$100,000 over a five-year period to internship programs for Detroit youth.

The Developer made non-direct spending commitments to address the need for career pathway programs for Detroiters as well. The Developer agreed to requesting contractors to use apprentices during construction period, with the goal of having 50 apprentices perform work at the site. The Developer also agreed to arrange a minimum of two meetings between the hotel operator and Detroit at Worker, with the ultimate goal of connecting Detroiters to full time hotel employment. The Developer stated that they will encourage the hotel operator to use Detroit at Work as a resource for hiring Detroit jobseekers.

Community

\$300,000

Line item #32 *Developer will contribute \$20,000 annually for five years (for a total of \$100,000) to charity or nonprofit organizations which serve the Corktown Neighborhood and/or the Impact Area that the NAC selects, which the NAC shall select by December 1, 2024.*

In response to the NAC's request for Corktown pedestrian connections, the Developer agreed to contribute \$100,000 to organizations serving the Corktown Neighborhood and/or the Impact Area. The NAC will have the opportunity to select the receiving organizations.

Line item #33 *Commencing in 2024 and continuing for five years, developer will contribute \$20,000 annually (for a total of \$100,000) to organizations & services that specialize in benefitting the unhoused individuals and families such as HAND, Detroit Rescue Mission, Covenant House, Cabrini Clinic, Pope Francis Center, Cass Community Services, or other similar organization to be determined in consultation with the NAC, to be identified prior to December 1, 2024.*

The NAC requested contributions that would benefit the unhoused and those facing housing insecurities. In response the Developer agreed to contribute a total of \$100,000 over five years. The CBA provides the NAC the opportunity to be a part of the process in selecting the receiving organizations.

Line item #34 *Commencing in 2024 and continuing for five years, Developer will contribute \$20,000 annually (for a total of \$100,000) to organizations who provide services or shelter to victims of domestic violence and human trafficking, with the specific organization to be determined in consultation with the NAC, to be identified prior to December 1, 2024.*

People Mover

\$500,000

Line item #35 Developer will donate \$500,000 to the Detroit Transportation Corporation (“DTC”) to be used specifically for upgrades and improvements to the West Riverfront Station.

The People Mover is a category that is distinct from other CBAs, as NAC members and others from the community were particularly focused on securing funding for renovations to the West Riverfront Station (formerly Joe Louis Arena Station). The NAC made known that the station needs repair, citing that the station and immediate surrounding area are aging and deteriorated. The NAC requested an investment of \$1 Million in the station, along with a commitment that the Developer and City would work together on the station improvements.

The Developer ultimately agreed to donate \$500,000 to the Detroit Transportation Corporation (DTC) to be used for upgrades and improvements to the station. The Developer will enter a grant agreement with the DTC, and the DTC will leverage the contribution to secure state or federal funding for additional upgrades. The \$500,000 contribution from the developer, along with any additional grants secured by the DTC, will be used to perform station improvements. The NAC identified specific priority improvements, including the need for lighting and the People Mover bridge at W. Jefferson and Steve Yzerman Dr.

**NAC PRIORITIES FOR THE
WEST RIVERFRONT PEOPLE MOVER STATION**

Building façade	Seats provided at station stop
Lighting	Interior updates/beautification/repairs
Stairs/ramp/elevator repaired/updated	Better signage and wayfinding
Faux shrubbery	Safety and security enhancements and addressing immediate hazards
Detroit City artists artwork displayed	Technology upgrades (information displays, fare collection, and communication systems)

Operational Spend Commitment

Total: \$10,000,000

In addition to the direct spending contribution committed to by the Developer, they also made operational spending commitments in the *Employment and Educational Opportunities* bucket. The Developer agreed that they will prioritize the procurement of 30% of the hard costs, with a target to procure at least \$10 Million of goods and services from Detroit-based Businesses, Detroit-Based Small Businesses, Detroit Headquartered Businesses, or Detroit-Resident Businesses. Additionally, they have a target to procure, or cause to be procured, at least \$10 Million of goods and services to construct the project from disadvantaged businesses (this may count toward the commitment to procure 30% of hard casts from Detroit-Based Businesses, Detroit-Based Small Businesses, Detroit Headquartered Businesses, or Detroit-Resident Businesses if the disadvantaged business meets such definitions).

CONCLUSION

The Hotel at Water Square CBO process included productive conversations and negotiations between the NAC and the Developer, along with insightful public comment.

Overall, the public expressed support for the project, citing the work that Sterling Group has done in the City, the jobs that the development will bring, and the overall need for a hotel to support the Huntington Place Convention Center.

While a great deal of support was expressed, the community also expressed concerns, primarily focused on the construction impacts. The community expressed concerns regarding the dust, dirt, rodents, and air pollution that could be a result of the construction process. The Developer worked with the NAC through the CBO process to address these issues as noted in the resulting CBA.

The NAC put considerable time and effort into considering public opinion, negotiating, and deliberating, to arrive at the final CBA, which they unanimously endorsed. The resultant CBA is now before this Honorable Body for consideration.

Attachments: CBO Agreement

Cc: Antoine Bryant, Director PDD
Aaron Goodman, PDD
Edwina King, PDD
David Bell, Director, BSEED
James Foster, BSEED
Conrad Mallett, Corporation Counsel
Bruce Goldman, Assistant Chief Corporation Counsel
Hon. Mike Duggan, Mayor