



CITY OF DETROIT

COLEMAN A. YOUNG MUNICIPAL CENTER  
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**Date:** July 12, 2024

**TO:** Council Member Angela Whitfield Calloway

**FROM:** Trisha Stein, Chief Strategy Officer  
Jay B. Rising, Chief Financial Officer  
Conrad Mallett, Corporation Counsel  
Steven Watson, Deputy CFO/Budget Director  
Antoine Bryant, Director of Planning & Development

**RE:** Request for additional information about solar farms

- 1. Where in the budget is the \$14 Million Utility Conversion Fund? What was the planned use for the fund before the current solar farm project? What is the current plan for the Mistersky power plant? Can the Mistersky power plant be demolished without the \$14 Million Utility Conversion Fund proceeds? Can the Mistersky power plant be sold to a private entity as is without demolition? What is the risk of the Mistersky power plant existing as a blighted hulk of a building, like the former Packard Plant, if the Utility Conversion Fund is re-directed to the solar farms project?**

The Utility Conversion Fund will be established through the redesignation of Appropriation No. 13969 Non Dept PLD Decommissioning Costs. The existing balance of that appropriation is \$23 million. This fund was established with the intent of ensuring that the City could pay for the decommissioning of utility infrastructure owned by the Public Lighting Department (PLD). However, PLD's experience has been that decommissioning costs have been lower than expected and assets have been able to be sold to fund much of that cost and earn revenue. We now believe the Mistersky plant can be sold with minimal, if any, decommissioning costs to the City. To be conservative, the Administration intends to reserve \$2 million for this purpose. According to PLD that amount will be sufficient to assure the plant will not remain as a blighted building.

- 2. If the solar farm project is not approved, could the \$14 Million Utility Conversion Fund be transferred to the City of Detroit general fund and re-purposed during the normal budget process. In April 2025?**

The Utility Conversion Fund was established with the intent to be spent on converting the City's utility infrastructure, specifically electrical generation. For that reason, the Administration believes using the fund towards renewable energy investments is the most appropriate use. Any other use of the Utility Conversion Fund will require both request of the Administration to amend the appropriation to a new purpose and require City Council approval.

- 3. What is the position of the Planning and Development Department concerning the proposed State Fair solar project and its impact on the adjoining residential neighborhood? What is the impact of the proposed project on the adjoining residential home values?**



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The Planning and Development Department (PDD) sees the solar project as an opportunity to transform vacant land into a productive use within the State Fair community, which will contribute to the City's climate goals and reduce blight within the neighborhood. The adjoining residential neighborhood will benefit from contributions toward home improvements, which will not only improve their home values, but also make their homes more resilient and energy-efficient as well.

The combination of blight reduction in the surrounding neighborhood, home improvements, and reducing vacant land has the potential to stabilize the neighborhood and improve home values over time.

While the actual impact to adjoining residential home values is uncertain, the homes near the O'Shea Solar Park neighborhood experienced a 68% growth in assessed values since the solar park there was started in 2017. We believe that converting what is currently mostly vacant land into a more productive use via solar development will work to stabilize and increase home values in the area.

**4. Did the Administration change its plans for the State Fair solar project to accommodate the ACC plans for a new field house in the area of Seven Mile Road and Derby? Please explain.**

The Administration has been and will continue to work with ACC.

**5. The Administration estimated that even after income offsets, the cost of operating the solar farms will be \$1.1 Million each year. LPD estimated that the City of Detroit could financially benefit from the solar farm project. Please explain the differences between the two cost/benefit analyses.**

The net annual cost is on top of the City's existing electricity bills. LPD is correct that the actual cost could decrease or even become a net positive based on certain factors. The City enjoys the upside benefit of the price at which it will sell the solar energy, so the City could receive more than the estimated \$2.02m a year if prices increase. Moreover, the City has the upside of a potential special credit, called the "avoided cost of compliance" credit. The value of that credit isn't known yet, because it was part of what changed in the newly passed energy law in late 2023, and it must first be approved by the Michigan Public Service Commission before it can be applied by DTE against our cost of solar energy production. That is why it isn't reflected, but it means these arrays could lower the City's cost of production of solar energy in the future.

**6. Will the developers pay city property taxes on the solar farms?**

Yes, the developers will pay taxes on both the real property (the land) and the personal property (the solar panels).

**7. Over the 35-year lease, how much will the developers pay in property taxes?**

The total City operating property taxes collected for the General Fund on the three Phase 1 sites was \$12 thousand in Tax Year 2023. However, we expect to collect \$292 thousand in City operating property taxes from the Phase 1 solar sites in year 1, which will decrease over time as the personal property value



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depreciates. We estimate the developer’s total tax bill (including all millages) to be \$1.2 million in year 1. Below is a summary:

	Year 1	35 year total
<b>City operating</b>	292,303	3,412,949
<b>Total Tax Bill</b>	1,208,321	14,108,433

**8. Will the residents near the solar farms pay higher property taxes if the Administration estimates are correct and the market value of their homes increases?**

Property tax laws limit the increase in tax bills to the lower of inflation or 5%, even if the assessed value of the home grows at a faster rate.

**9. Will the residents near the solar farms receive a decrease in their utility bills?**

Residents near the solar farms will have the opportunity to receive \$15-25k of energy efficiency benefits which will lower their utility bills by reducing their electricity consumption. The options for benefits include: windows, repairing roofs, residential solar panels, energy-efficient appliances, home insulation and air sealing, energy-efficient furnaces and hot water heaters, installing smart thermostats, energy-efficient lighting, and battery backups.

**10. Will the solar farms require closures of residential streets? Will the City of Detroit need to cover the costs of the closures?**

Residential streets within the solar sites will be closed, but will not be vacated or abandoned. Such closures will not affect surrounding residential streets around the solar sites. The City does not anticipate any costs associated with these closures, and in fact anticipates savings from no longer needing to service these streets (repairs, maintenance, sweeping, garbage pickup, etc.). Solar panels are permitted to be located on the roadways, provided they are ballasted and movable if the City or any other utility easement holder needs to access underground utilities.

**11. Will the solar farms require changes in underground utility easements? Will the City of Detroit need to cover the costs of the changes?**

The City will remove residential water lines as part of the demolition process. Otherwise, there will be no change in underground utilities. All other underground utilities may remain in place, and the contracts provide that the solar projects must provide access to underground utility easement holders.

**12. Will the solar farms require changes in overhead utility easements? Will the City of Detroit need to cover the costs of the changes?**

Overhead utilities may need to be removed from the solar sites, based on DTE’s policies allowing developments under utility lines and the ultimate design and location of the solar panels. The developers



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will incur these costs and have budgeted for these as part of their interconnection costs included in their contracts.

**13. As part of eminent domain proceedings, will the City of Detroit need to pay utilities for the right-of-way property rights taken in closing streets and alleys. What are the estimated costs?**

No.

**14. Will the developers or the City of Detroit cover the site preparation costs?**

The City will incur the costs of land acquisition and demolition of remaining structures. The developers will cover all remaining site preparation costs, including but not limited to clearing of vegetation, interconnection costs, environmental review, fencing, etc.

**15. Are the homes near the State Fair solar farm viable for roof installed solar panels?**

Residential solar panels are a home energy efficiency upgrade option in all phase 1 solar neighborhoods for owner-occupied homeowners in the Community Benefits areas. Whether an individual home is ready for solar panels will depend on the needs of the home. Prior to performing home energy efficiency upgrades, the City and the contractors will meet with homeowners to do an assessment on each home and agree upon the scope of work to be done based on the funding available for each home.

**16. How do energy efficient appliances add to the homeowner equity?**

Upgrading to energy-efficient appliances not only lowers your utility bills while you live in the home, but it also increases your home equity. When it's time to sell, these upgrades make your property more appealing to buyers who prioritize energy-efficient features to reduce their own costs.

**17. How many residents in the State Fair impact area own their homes outright or subject to a mortgage?**

We do not have information regarding what financing exists on any owner-occupied homes in the State Fair Community Benefits area.