

City of Detroit

Brownfield Redevelopment Authority

Community Advisory Committee

500 Griswold Street • Suite 2200

Detroit, Michigan 48226

Phone: 313 963-2940

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DETROIT BROWNFIELD REDEVELOPMENT AUTHORITY
MINUTES OF THE
REGULAR COMMUNITY ADVISORY COMMITTEE MEETING
WEDNESDAY, JANUARY 9, 2019 -- 5:00 PM
AT DEGC OFFICES
500 GRISWOLD, SUITE 2200
DETROIT, MI

COMMITTEE MEMBERS

PRESENT:

Brad Lutz
Kamal Cheeks
Michelle Lee
Allen Rawls
Sandra Stahl

COMMITTEE MEMBERS

ABSENT:

Marlowe Stoudamire
Dr. Regina Randall
Rick Blocker
Simone Sagovac

OTHERS PRESENT:

Jennifer Kanalos (DEGC/DBRA)
Brian Vosburg (DEGC/DBRA)
Cora Capler (DEGC/DBRA)
Richard Barr (Honigman)
Stephen Duczynski (Brush Park South)
Katrina Chaves (City of Detroit)
Maria Mastej (City of Detroit)

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Call to Order

Mr. Rawls, Chairperson, called the meeting to order at 5:14 p.m.

General

Approval of Minutes

Mr. Rawls called for approval of the minutes of the October 24, 2018 (resolution) DBRA-CAC meeting. The Committee took the following action:

On a motion by Mr. Cheeks, seconded by Mr. Lutz, DBRA-CAC Resolution Code 19-01-02-134, approving the October 24, 2018 CAC minutes, as presented, was unanimously approved.

Projects

Brownfield Plan for Brush Park South

Mr. Vosburg introduced the Brownfield Plan for Brush Park South to the CAC members present.

Project Introduction

Brush Park South Phase I MR LLC is the project developer (the “Developer”) for the Plan which entails a comprehensive, mixed-use redevelopment of the site. The redevelopment, Brush Park South, is planned to consist of three mixed-income apartments buildings that will include approximately 149 apartments and 600 square feet of retail space. Approximately 58 apartments will be rented as affordable apartments with rents restricted and otherwise subject to various requirements to assure their occupancy by residents who satisfy affordable housing criteria. Twenty-nine of the affordable units will use project-based vouchers through the Detroit Housing Commission and the other 29 affordable units will use Low Income Housing Tax Credits. A portion of the remainder of the Property will be used for parking that will remain in place indefinitely for use by tenants of the new apartment buildings as well as additional parking that will be available until alternative, permanent alternative parking becomes available either on the east side of Brush or at other locations. It is expected that the alternative parking will not be available for at least several years.

The total investment is estimated to be \$37 million. The Developer is requesting \$5,273,310.00 in TIF reimbursement.

There will be 250 temporary construction jobs and 4-6 FTE jobs. The 250 temporary construction jobs are expected to be created over a 2-year period once construction begins. The 4-6 FTE jobs will be related to property management. An unknown number of jobs are expected to be created by one or more businesses that located in the retail component of the project.

Property Subject to the Plan

The eligible property (the “Property”) consists of nine (9) parcels located in the Brush Park area, west of Brush Street, north of Winder Street and south of the east-west alley between Adelaide and Alfred Street from Brush Street to John R Street.

Basis of Eligibility

The Property is considered “eligible property” as defined by Act 381, Section 2 because (a) it was previously utilized for a commercial purpose and/or public purpose; (b) it is located within the City of Detroit, a qualified local governmental unit under Act 381; and (c) it is a facility under Part 201 due to the presence of metals,

PNAs, PCBs soil and fill or adjacent and contiguous to a facility and the development of the adjacent or contiguous parcels is estimated to increase the captured taxable value of the remainder of the eligible property.

Eligible Activities and Projected Costs

The “eligible activities” that are intended to be carried out at the Property are considered “eligible activities” as defined by Sec 2 of Act 381, because they include baseline environmental assessment activities, due care activities, additional response activities, site preparation, infrastructure improvements, development and preparation of a brownfield plan and work plan, brownfield plan implementation and interest. The eligible activities and budgeted costs are intended as part of the development of the Property and will be financed solely by the Developer. The Authority is not responsible for any costs of eligible activities and will incur no debt. The eligible activities are estimated to commence within 18 months of approval of the Plan and be completed within 3 years after approval of the Michigan Strategic Fund work plan, if applicable, or three years after execution of the Reimbursement Agreement.

Tax Increment Financing (TIF) Capture

The Developer desires to be reimbursed for the costs of eligible activities. Tax increment revenue generated by the Property will be captured by the DBRA and used to reimburse the cost of the eligible activities completed on the Property after approval of this Plan pursuant to the terms of a Reimbursement Agreement with the DBRA.

COSTS TO BE REIMBURSED WITH TIF

1. Department Specific Activities	\$3,041,152.00
2. Phase I, Phase II, and BEAs	\$60,000.00
3. Due Care Activities	\$10,000.00
4. Site Preparation	\$26,705.00
5. Infrastructure Improvements	\$542,693.00
6. Brownfield Plan & Act 381 Work Plan	\$30,000.00
7. Cost Tracking Compliance	\$30,000.00
8. Contingency – (15%)	\$541,583.00
9. Interest (5% simple, after expiration of abatements)	\$991,177.00
*Total Reimbursement to Developer	\$5,273,310.00
10. DBRA Administrative Costs	\$1,387,555.00
11. State Brownfield Redevelopment Fund	\$520,821.00
12. Local Site Remediation Revolving Fund	\$2,068,679.00
TOTAL Estimated Costs	\$7,181,686.00

The actual cost of those eligible activities encompassed by this Plan that will qualify for reimbursement from tax increment revenues of the DBRA from the Property shall be governed by the terms of the Reimbursement Agreement.

Other Incentives

The Developer is seeking additional incentives, which will include local and/or state approval of Commercial Rehabilitation Act (CRA) Tax Abatement, City of Detroit allocations of HUD Home HOME & Community Development Block Grant (CDBG) funds, Low Income Housing Tax Credits (LITHC), and Project-Based Vouchers (PBV) from the Detroit Housing Commission.

Attached for your review and approval are three (3) resolutions: 1.) a resolution supporting the Plan in the event the Committee does not deem it necessary to conduct a CAC public hearing and 2.) a resolution authorizing a public hearing in the project area and 3.) a resolution authorizing a public hearing in the project area and to appoint up to two special CAC members. The public hearing may be held jointly with any public hearing conducted by the Detroit Brownfield Redevelopment Authority.

Mr. Duczynski provided additional information about the Project including the Developer is Schostak Brothers & Company as a joint venture with John Rhea, the contractor is Rockford Construction Company

working as a joint venture with Jenkins Construction Company, the architect is Hamilton Anderson Associates with the support of consultants including Giffels Webster as the civil engineer, the local structural engineer is SDI, the Developer will have construction drawings by February 15, 2019 and expect to start construction on April 15, 2019 beginning with the removal of soil, the Developer will work with the contractors to ensure that at least 51% of workers are Detroit residents and 51% of contractors and subcontractors have addresses in the City of Detroit, and that the Project is subject to the Davis-Bacon Act.

Mr. Barr stated that the Project has had a large amount of support from the City of Detroit, the Housing and Revitalization Department, the Mayor's office, the Detroit Economic Growth Corporation, and the Detroit City Planning Commission, and that it is a priority of the City of Detroit to have affordable housing in the Brush Park area with rates lower than 20% of residential units at 80% of the Area Median Income, and that the Project will have 35-40% of the residential units at 60% of the Area Median Income or lower, the affordable residential units will be identical to the market rate units, and that the level of affordability for the Project has created complex financing.

Mr. Rawls disclosed that Hamilton Anderson is also the architect for the Motown Museum, Giffels Webster is also working for the Motown Museum, and that John Rea is a distant relative by marriage to Mr. Rawls.

Mr. Rawls asked for more detail on Mr. Rhea and his role in the Project. Mr. Duczenski stated that John Rhea has returned to Detroit and is working on various developments in the City of Detroit, and Mr. Rhea is a managing agent of the Developer as part of the joint venture working on the Project.

Ms. Lee asked for more information on the plans for storm water management as part of the Project. Mr. Duczenski stated that there will be underground retention for storm water based on a ten-year storm, rather than a one hundred-year storm, along with excavating the existing soil and bringing in more structurally sound materials.

Mr. Lutz asked what the community engagement for the Project has included. Mr. Duczynski stated that the Developer met with the Brush Park Community Development Corporation who reviewed and approved the proposed design for the Project and the Developer will present the Project to the Brush Park Community Development Corporation in light of changes that have been made since their initial approval.

Mr. Lutz asked if there is an intent for additional phases of the Project. Mr. Duczynski stated that similar to the City Modern project, the Project will be completed in phases. Phase 1 is the current proposed project due to the timing of the Low Income Housing Tax Credits. Phase 2 will be property east of Beaubien St. and Phase 3 will be the construction of 46 townhomes and 22 carriage homes on what is currently the surface parking lots of Phase 1.

Mr. Rawls asked for the anticipated timeframe for the additional phases for the Project. Mr. Duczynski stated that the Developer expects all three phases to be completed by 2026.

Mr. Cheeks asked for more information on the relationship with the Detroit Housing Commission for the Project. Mr. Barr stated that the Project Based Vouchers are through the Detroit Housing Commission and that the Detroit Housing Commission has been in a supporting role for the Project. Mr. Barr also stated that 29 of the 58 affordable units will utilize Project Based Vouchers. Mr. Vosburg stated that the Project Based Vouchers were implemented as a replacement for the Section 8 program and are tied to units within the building, not portable vouchers that tenants take with them.

Ms. Stahl asked when the Project Based Vouchers will expire. Mr. Duczynski stated that the Project Based Vouchers will be under contract for 25 to 30 years and that the Low Income Housing Tax Credits are under contract for a minimum of 30 years..

Ms. Stahl asked how much of the total \$37 million investment is public financing and how the amount of public financing would have been different if the affordable housing rates were 20% of the units were at 80% of the Area Median Income. Mr. Barr stated that due to multiple affordable housing sources from the City and Housing Commission, it increases the complexity and cost of the project. This allows the

Developer to ensure that a large percentage of units are deeply affordable for many decades. For instance, because of the HOME funds for the Project, it is subject to the Davis-Bacon Act which increases the construction labor costs, however the HOME funds have a lower interest rate than other sources of financing. Similarly the Michigan Economic Development Corporation's Community Revitalization Program funding has similar benefits and trade offs. Currently the rental market in Detroit does not support the increasing construction costs as compared to the rental rates for market rate deals, let alone affordable units. In other cities rents are much higher making it easier for developers to fund strictly market rate developments. Mr. Barr added that the Project has 6-8 sources of funding as opposed to traditional projects that have equity and one other source of lending.

Ms. Stahl asked if this is the first project in Brush Park with this level of affordability. Ms. Chavez stated that there is another project in the area with a similar level of affordability. Mr. Duczenski stated that what makes the Project different from many other affordable projects in Brush Park and beyond is that the affordable units are dispersed throughout the three apartment buildings and not contained in one building or a section of the building. All units, be they market rate or affordable, have the same high standard of design which has resulted in increased costs.

Ms. Stahl stated that she noticed some of the design images in the presentation and asked if those design elements, such as the stoops, will be incorporated into the Project. Mr. Duczenski stated that those design elements will be incorporated into the Project to make the residential units appear similar to historic building in Brush Park as well as those found in Boston and other cities.

Mr. Rawls asked what the mix of units will be with regard to studios and one-bedroom units. Mr. Duczenski stated that there will be studio units with rental rates around \$1,400 per month for the market rate units and \$683-713 per month for the affordable units, and one-bedroom units with rental rates around \$1,700 per month for the market rate units and \$753-828 per month for the affordable units.

Mr. Rawls asked if there are any other green features or environmental elements in the Project besides the plans for storm water management. Mr. Duczenski stated that the Project will comply with the requirements for projects with Low Income Housing Tax Credits. Mr. Barr added that there will be the removal of approximately six feet of contaminated soils on the Property.

Mr. Rawls called for a motion recommending approval of the Brownfield Plan for Brush Park South.

Ms. Lee motioned to recommend approval of the Brownfield Plan for Brush Park South without a CAC public hearing and without appointing special members. Mr. Cheeks seconded the motion. DBRA-CAC Resolution Code 19-01-263-01, recommending approval of the Brownfield Plan for Brush Park South was unanimously approved.

Administrative

None.

Other

None.

Public Comment

None.

Adjournment

Citing no further business, Mr. Rawls adjourned meeting at 5:55 PM.

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CODE DBRA CAC 19-01-02-134

APPROVAL OF MINUTES OF OCTOBER 24, 2018

RESOLVED, that the minutes of the regular meeting of October 24, 2018 are hereby approved and all actions taken by the members present at such meeting, as set forth in such minutes, are hereby in all respects ratified and approved as actions of the Community Advisory Committee of the Detroit Brownfield Redevelopment Authority.

January 9, 2019

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CODE DBRA-CAC 19-01-263-01

BRUSH PARK SOUTH BROWNFIELD REDEVELOPMENT PLAN

WHEREAS, pursuant to 381 PA 1996, as amended (“Act 381”), the City of Detroit Brownfield Redevelopment Authority (the “DBRA”) has been established by resolution of the City Council of the City of Detroit (the “City”) for the purpose of promoting the revitalization of environmentally distressed areas in the City; and

WHEREAS, under Act 381, the DBRA is authorized to develop and propose for adoption by City Council a brownfield plan for one or more parcels of eligible property; and

WHEREAS, pursuant to the resolution establishing the DBRA and the bylaws of the DBRA, the DBRA has submitted the proposed Brownfield Plan for the Brush Park South Project (the “Plan”) to the Community Advisory Committee for consideration and comment; and

WHEREAS, the Community Advisory Committee, at its January 9, 2019 meeting, received, evaluated and considered the proposed Plan; and

WHEREAS, in accordance with the provisions of the resolution establishing the DBRA and the bylaws of the DBRA, the Community Advisory Committee desires to make recommendations to the DBRA and the Detroit City Council on the proposed Plan.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. After consideration of the proposed Plan, the Community Advisory Committee makes the following comment and recommendations on the proposed Plan:
 - a. The Community Advisory Committee has determined that it is appropriate for the achievement of the purposes of Act 381 of the DBRA to adopt an Brownfield Plan for the **Brush Park South Brownfield Redevelopment Project**.
 - b. The Community Advisory Committee recommends support of the proposed Plan presented to it.
2. The Chairperson of the Community Advisory Committee is authorized and directed to transmit a copy of this Resolution and the minutes of the public hearing on the proposed Plan and of the meeting at which this Resolution was adopted to the DBRA and the Detroit City Council as the report of the findings and recommendations of the Community Advisory Committee on the proposed Plan.
3. All resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution are rescinded.

January 9, 2019