



The Detroit Economic Growth Corporation

Dedicated to Detroit's Growth

Presented to
Council of Development Financing Agencies

We're All Business.

West District & Capitol Park



Proposed Development Zones



- ❖ Woodward/Capitol Park
- ❖ Grand Circus
Park/Broadway/Paradise
Valley/Washington Blvd
- ❖ Foxtown
- ❖ Campus Martius

West District - Overview



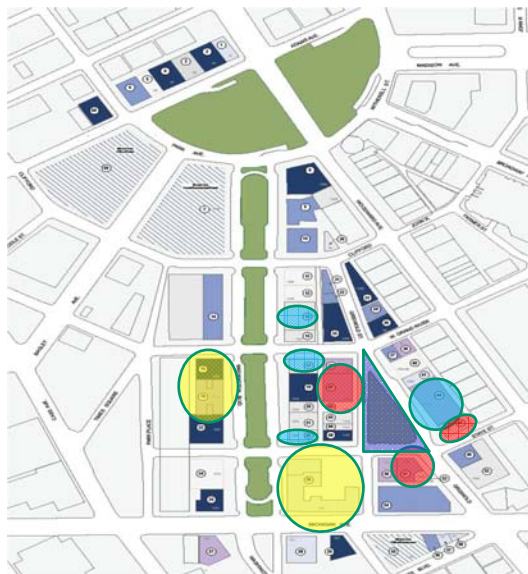
- ❖ Downtown Development – From
East to West
- ❖ Desire to Leverage Existing
Planning Efforts and Create a
District Plan
- ❖ Number of Individual Efforts
Planned without the Benefit of a
Common Reinvestment Strategy

West District Reinvestment Strategy

- ❖ First phase is to collect information regarding each building in the District
 - ↪ Plans
 - ↪ Building condition
 - ↪ Need for improvement
 - ↪ Potential reinvestment
 - ↪ Create a base map for all of the properties
- ❖ Second phase is to define, to the extent possible, the desired future for all of the West District properties
 - ↪ Summary of assets and opportunities in the area
 - ↪ Recommendations for specific properties
 - ↪ Implementation agenda

Retail Floor Analysis

-  No Action Required
-  Existing Retail/Restaurant/Entertainment
-  Improve Occupancy/Upgrade existing Space
-  Redevelop - Convert to Retail
-  Redevelop - Convert to Restaurant/Entertainment



Woodward/Capitol Park Existing Capacity



- ❖ Residential: 1,538 new
 - ↳ Existing: 426 (19.2 UPA)
 - ↳ Total: 1,964 (90.6 UPA)
- ❖ Retail: 90
 - ↳ Existing: 14 (24 % occ.)
 - ↳ Vacant: 53 (225K SF)
 - ↳ Potential: 20 (40K SF)
- ❖ Commercial Office: 50K SF
 - ↳ Existing: 50K SF (0% occ.)
 - ↳ Potential: 0 SF
- ❖ Parking: 4,012 Spaces
 - ↳ Existing: 4,012
 - ↳ Proposed: 0

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Woodward/Capitol Park Recommendations



- ❖ Residential:
 - ↳ Acquire contiguous parcels
 - ↳ Residential on Hudson's block
- ❖ Retail:
 - ↳ Comprehensive retail strategy
 - ↳ Start with Woodward
 - ↳ Destination retail - Woodward
- ❖ Commercial Office:
 - ↳ No additional
- ❖ Parking:
 - ↳ No additional
 - ↳ Develop shared parking strategy between existing decks

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West District - Outcomes



- ❖ Programming for All First Floor West District Property
- ❖ Programming for All Upper Floors with an Emphasis on Housing
- ❖ The Creation of District Overlays Including:
 - ↳ Retail, Commercial, Housing, Entertainment
 - ↳ Public Space
- ❖ Financing Plan for the District Based on Individual Property Strategy Including:
 - ↳ Federal, State, and Local Public Support
 - ↳ Banks, Pension Funds, Non-Traditional Lenders, Tax Credit Equity, Foundations, Etc.

Implementation Agenda



Existing Assets Support Program

- ❖ Support businesses that already contribute to the West Districts desired character



Code/Police Enforcement

- ❖ Focus code enforcement efforts in the West District
- ❖ Eliminate the crime element in the district



Residential Development

- ❖ Artist Housing
- ❖ Market-rate rental
- ❖ Senior Housing

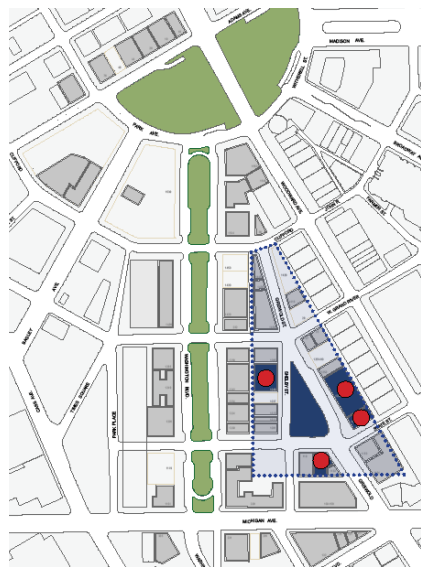
Capital Park Renovation



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Catalytic Projects – Capitol Park



- ❖ The Griswold Building
- ❖ 1145 Griswold
- ❖ Farwell Building
- ❖ 1212 Griswold

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Key Stakeholders



- ❖ Michigan State Housing Development Authority (MSHDA)
- ❖ Michigan State Land Bank
- ❖ City of Detroit Downtown Development Authority
- ❖ Wayne County EDGE
- ❖ Wayne County Land Bank
- ❖ Invest Detroit

Property Acquisition Opportunities



Key District Buildings and Infrastructure Information Consortium Properties

No.	Property	Purchase Price	Use	Area
1	1249 Griswold (The Farwell)	\$3,300,000	Vacant (Former Retail)	96,000 sf 8 Stories
2	1212 Griswold (Former United Way)	\$1,750,000	Vacant (Former Offices)	100,800 sf 12 Stories
3	1145 Griswold (Capitol Park Building)	\$1,950,000	Vacant (Former Retail/ Offices)	67,5000 sf 10 Stories

The Farwell Building - 1249 Griswold



- ❖ Total Building Area: 110,000 sq feet

- ❖ Current Use: 100% Vacant

- ❖ Former Use: Office / Retail

- ❖ Height: 8 Stories

- ❖ Year Built: 1913

- ❖ Anchors the west side of Capitol Park

- ↳ represents both the greatest challenge, and the great opportunity for redevelopment of the district

- ↳ Louis Tiffany designed interior, multiple floors of well-lit office suites

- ❖ Mixed-used property including residential, commercial and first floor retail



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The Chamber of Commerce Building



- ❖ Total Building Area: 100,000 sq feet

- ❖ Current Use: 100% Vacant

- ❖ Former Use: Office

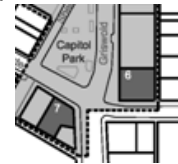
- ❖ Height: 12 Stories

- ❖ Year Built: 1895

- ❖ 1212 Griswold housed the headquarters for United Way for Southeastern Michigan until its move to the First National Building in May 2009.

- ❖ Its excellent condition and unique design creates an opportunity for retail or commercial uses on the lower floors and apartments above around an enclosed courtyard atrium.

- ❖ Mixed-used property including residential, commercial and first floor retail.



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The Capitol Park Building



- ❖ Total Building Area 72,000 sq feet
- ❖ Current Use: 100% Vacant
- ❖ Former Use: Office / Retail
- ❖ Height: 11 Stories
- ❖ Year Built: 1912
- ❖ 1145 Griswold was purchased by the Consortium in 2009.
- ❖ Its prominent façade facing both Griswold and State makes it a key gateway building into the district.
- ❖ The 11-story former retail and commercial building represents an ideal opportunity for conversion into 60-70 middle income rental apartment units, with first floor rental.
- ❖ Mixed-used property including residential, commercial and first floor retail



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Pre-Proposal Ground Work

- ❖ In 2009, Invest Detroit and DEGC worked with the State and Wayne County to identify NSP funds for the acquisition of the Farewell and partial acquisition of the 1212 Griswold building.
- ❖ In late 2010, Invest Detroit and DEGC successfully was able to pass special legislation that allowed for a district, consisting of multiple buildings to be eligible for an State Enhanced Historic tax credit. (15%)
- ❖ In late 2011, the DEGC prepared the Part 1 and Part 2 for SHPO for the buildings in the district which allowed them to be grandfathered for the State Historic tax credit. (5%)
- ❖ In late 2011, the DEGC prepared a Brownfield Plan for MSF for the buildings in the district which allowed them to be grandfathered for the State Brownfield tax credit. (12.5%)

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Requests for Proposals



Capitol Park Development Initiative

Request for Development Proposals



- ❖ Bidders can submit on one or all three buildings
- ❖ No Requirements (blank canvas)
- ❖ National Solicitation
- ❖ Received eight quality responses

The Successful Proposal



- ❖ Experienced historic rehabilitation developer
- ❖ All three buildings totally approximately 300,000 sq. ft.
- ❖ 204 one and two bedrooms lofts
- ❖ 45,000 sq. ft. of retail and office space
- ❖ Superior finishes including granite countertops and stainless steel appliances
- ❖ Included a non profit as a part owner

Sources and Uses



	1212 Griswold	1145 Griswold	1249 Griswold	Total
Sources				
NSP 2			\$ 3,300,000	\$ 3,300,000
Permanent Loan	\$ 2,350,000	\$ 3,840,000	\$ 5,000,000	\$ 11,190,000
State Historic Tax Credit - (5%)	\$ 1,175,727	\$ 881,800	\$ 1,312,546	\$ 3,370,072
State HTC - Enhanced - (15%)	\$ 3,527,182	\$ 2,645,399	\$ 3,937,637	\$ 10,110,217
Brownfield Credit - (12.5%)	\$ 2,619,461	\$ 2,002,522	\$ 3,033,473	\$ 7,655,456
New Market Tax Credit	\$ 4,881,706	\$	\$	\$ 4,881,706
Federal Historic Tax Credit - (20%)	\$ 5,945,612	\$ 4,459,230	\$ 6,637,498	\$ 17,042,340
Invest Detroit	\$ 500,000	\$ 1,500,000	\$	\$ 2,000,000
Downtown Development Authority	\$ 750,000	\$	\$	\$ 750,000
Deferred Developer Fee	\$ 5,014,706	\$ 3,596,251	\$ 1,300,000	\$ 9,910,957
Owner Equity (includes some deferred hard costs)	\$ 5,073,841	\$ 4,652,303	\$ 6,721,136	\$ 16,447,280
Total Sources of Funds	\$ 31,838,235	\$ 23,577,504	\$ 31,242,289	\$ 86,658,028
Uses				
Land and Building Acquisition	\$ 1,750,000	\$ 2,000,000	\$ 3,300,000	\$ 7,050,000
Hard Construction Costs	\$ 20,848,507	\$ 15,580,000	\$ 23,670,000	\$ 60,098,507
Soft Costs	\$ 1,671,000	\$ 1,532,999	\$ 1,739,000	\$ 4,942,999
Developer Fee - Deferred	\$ 5,014,706	\$ 3,596,251	\$ 1,300,000	\$ 9,910,957
Operating Reserves	\$ 2,554,022	\$ 868,254	\$ 1,233,289	\$ 4,655,565
Total Development Costs	\$ 31,838,235	\$ 23,577,504	\$ 31,242,289	\$ 86,658,028

Cash Flow Pro Forma



	1212 Griswold	1145 Griswold	1249 Griswold	Total
Gross Rents 1 and 2 BDRM - \$1.25/sf/month	\$ 710,340	\$ 996,480	\$ 830,205	\$ 2,537,025
Retail/Commercial - \$10/sf/year	\$ 252,000	\$ 93,810	\$ 101,190	\$ 447,000
Total Gross Revenue				\$ 2,984,025
Less:				
Vacancy and Collection Allowance - (5% of Gross Revenue)				\$ (149,201)
Operating Expenses - (approximately \$6k per unit)				\$ (1,259,485)
Replacement and Leasing Reserve				\$ (71,400)
Net Operating Revenue before Debt Service				\$ 1,503,939
Less:				
Debt Service - First Position				\$ (938,905)
Defer Development Fee				\$ (100,000)
Net Cash prior to Invest Detroit distribution				\$ 465,034
Less:				
Invest Detroit debt service - (25% excess cash flow)				\$ (116,258)
Net Cash Flow				\$ 348,775
Add: Tax Savings from Business Loss after Depreciation and Interest - (30% rate)				\$ 300,000
Total Equity Return				\$ 648,775

Keys to a Successful Project



- ❖ An experienced developer
- ❖ Adequate private financing
- ❖ Adequate equity in the project
- ❖ Support from the Foundation Community
 - ↳ Direct contribution to project/programs
 - ↳ PRI loans for specific projects
- ❖ Governmental loans with favorable terms
- ❖ Other development near the project
- ❖ Incentives
 - ↳ To increase cash flow (Abatements & TIF)
 - ↳ Provide a direct financing source to the project (tax credits, "gap" loans)

Questions & Comments

