

Real Estate Development and Reuse

September 12, 2024

MEDA Economic Development Course

Presented by:

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Presentation to
MEDA Economic Development Course

ECONOMIC DEVELOPMENT
BASIC COURSE

SEPT. 10-12 LANSING, MI

MEDA
Michigan Economic Developers Association

ASTI
Environmental

The slide features a central illustration of a man in a dark suit and tie, gesturing towards a large screen. The screen displays various data visualization icons including pie charts, bar graphs, and network diagrams. The background is light blue with a dark blue header and footer.

1

Real Estate Development and Reuse

MEDA Economic Development Course
September 12, 2024

ASTI
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The slide has a solid teal background. The title 'Real Estate Development and Reuse' is centered in a large, black, serif font. Below it, the course name and date are in a smaller, black, serif font. The ASTI Environmental logo is in the bottom right corner.

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Introduction

Tom Wackerman, CHMM, CET, EP
Director and Founder, ASTI Environmental
Member, Bell Tower LLC
Past-Chair, UM/ULI Real Estate Forum
Member ULI Urban Redevelopment Product Council

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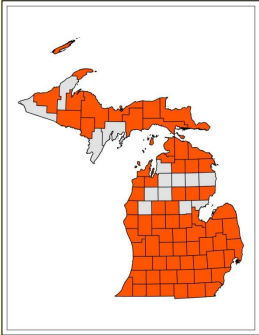
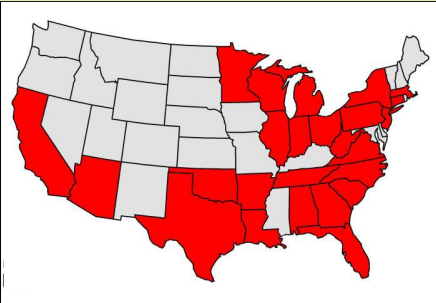
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ASTI Environmental

Established in 1985
Over 85% Repeat/Referral
Over 14,000 projects in the United States
Projects in Canada, Mexico, the
Czech Republic, and Kenya
Joined PEA Group 2024


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Investigations • Compliance
Remediation • Restoration • Incentives



Project Locations

Offices: Detroit, Grand Rapids, Brighton, Lansing, Auburn Hills, Washington, and Houston, Tx



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Class Objectives

- To understand the real estate development process
- To understand the role of economic developers in real estate development incentives for brownfield properties
- To understand the types and uses of incentives



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Outline

- Market Factors – Macro View
- The Mind of the Developer
- Impediments to Redevelopment
 - The Process
 - Incentives (One Perspective)
- Brownfield TIF (One Option)
- Key Points in Attracting Development
- Lessons Learned
- Q&A



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The Macro View

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Michigan Ranking?

US News (2023)

- #41 Overall State¹
- #29 Health Care
- #41 Education
- #28 Economy
- #41 Infrastructure
- #27 Opportunity²
- #32 Fiscal Stability
- #38 Crime
- #30 Natural Environment



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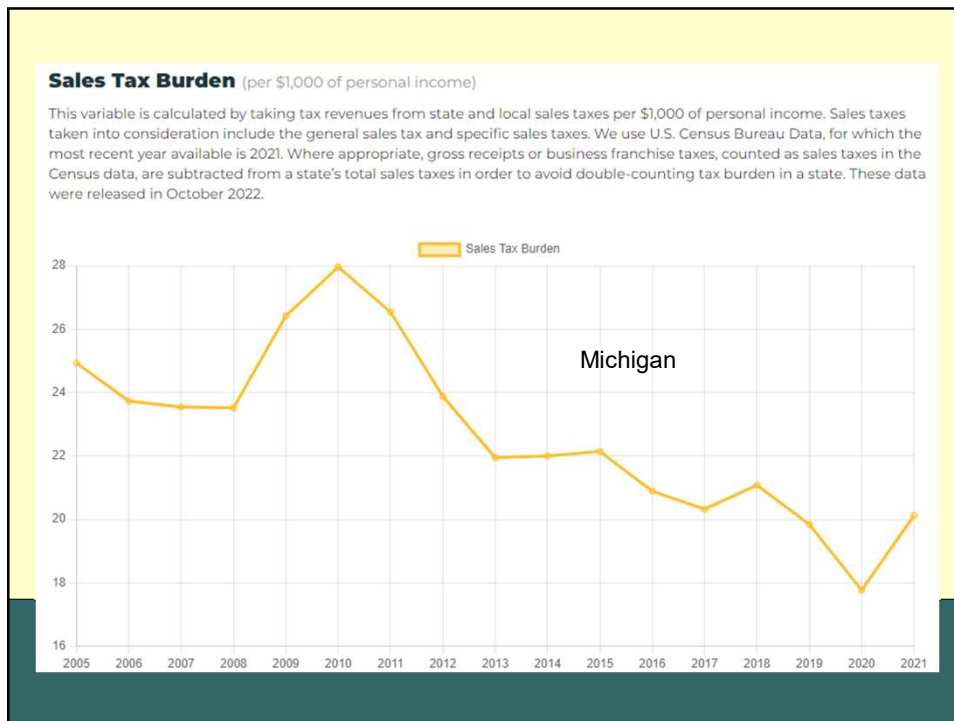
(1) 2017 #33, 2018 #37, 2019 #33, 2021 #38
(2) This ranking measures poverty, housing affordability and equality for women, minorities and people with disabilities.

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Scope of Influence

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Best Cities?!

- #1 Okemos
- #2 Troy
- #3 Novi
- #4 Birmingham
- #5 Beverly Hills



(1) Niche Best Places Awards 2024

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But ... Real Estate Is Local

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Best Cities?¹

- #1 Ann Arbor
- #2 Grand Rapids
- #3 Kalamazoo
- #4 Lansing
- #5 Marquette



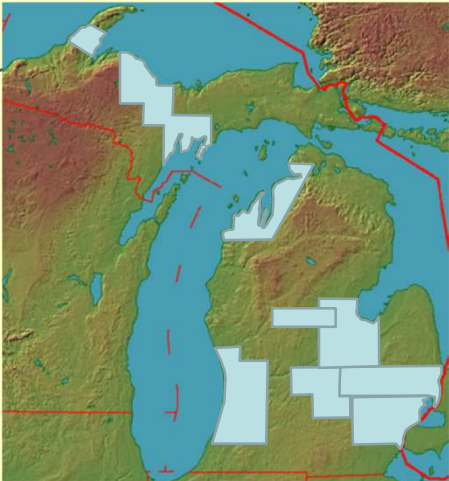

(1) Touropia 2024

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But ... Real Estate Is Local

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Best Regions?



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But ... Economic Development is Regional

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Market Factors

For Example:
Interest Rates
Demographics
Economic Cycles
Market Saturation
 Government Policies
 Subsidies
Neighborhood Condition
Social Environment
Infrastructure
Pandemics
Taxes

Local is where we all play.

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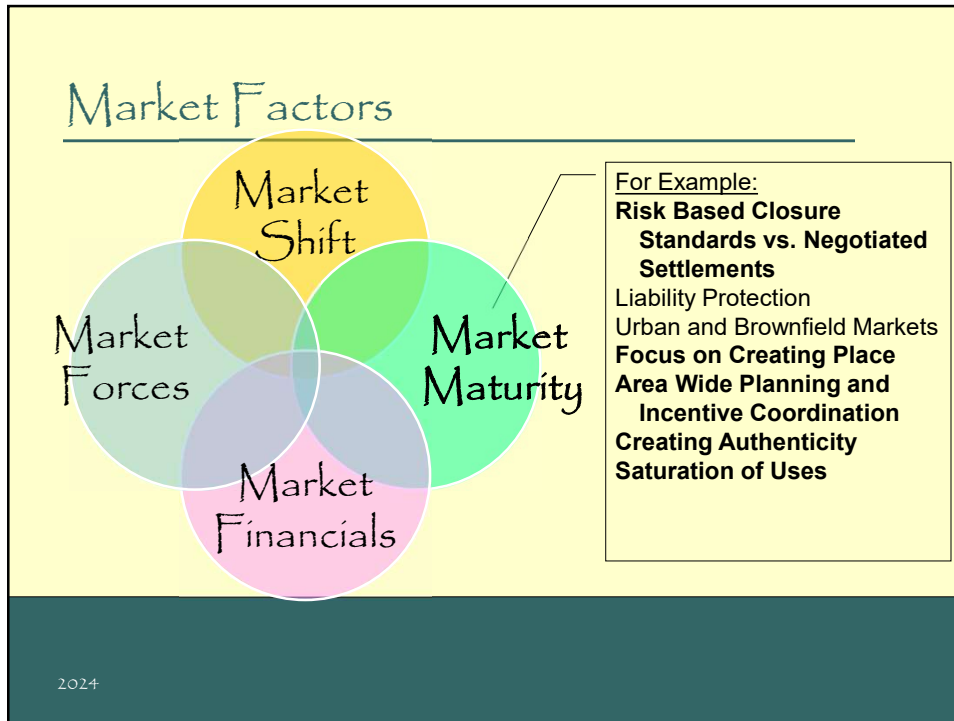
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Market Factors

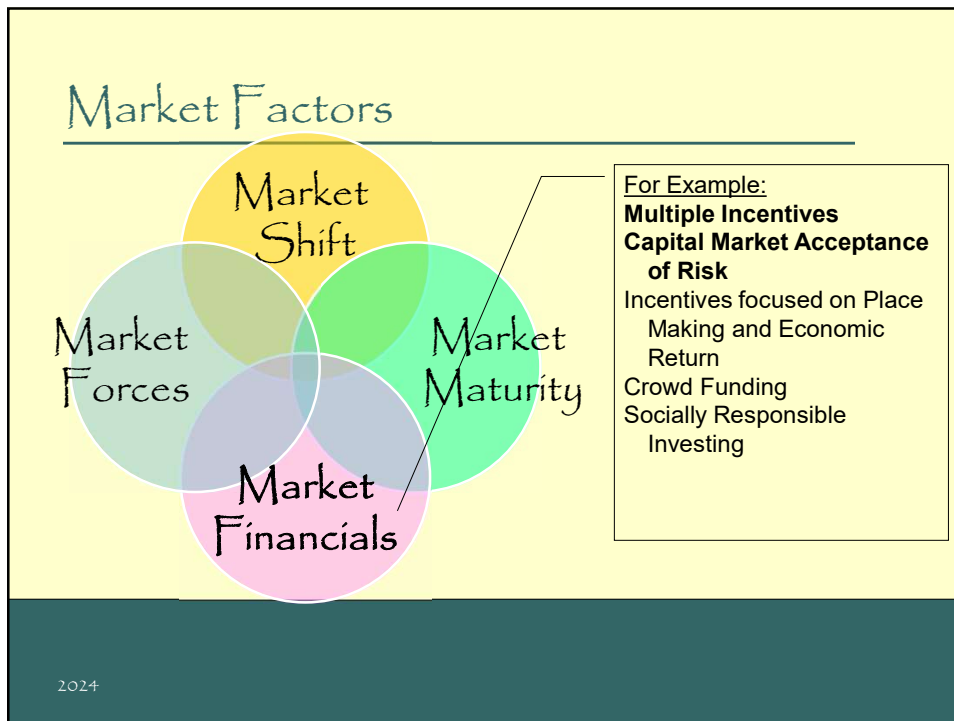
For Example:
Desire for Dense Social Experience, Vibrant Communities and Open Spaces
 Desire for Accessible Recreational Options
 Reduction in Auto Dependency
 Anti-Sprawl Focus
 Increased Ecological Awareness
Sustainability
Buy Local Movement
20-Minute Neighborhood

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The Mind of the Developer

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Real Estate Feasibility ~ Core Objectives

- Before Tax and After Tax Cash Returns
 - Target 8%-10%/yr and Yield 2%+ above Market Cap
- Overall IRR
 - Upvaluing Opportunities for best ROI
- Psychic Income
 - Create A Sense of Place
 - Create A Legacy
 - Create a Story
- Reducing Risk

From The Real Estate Feasibility Chart by Peter Allen

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Real Estate Feasibility – Key Concerns

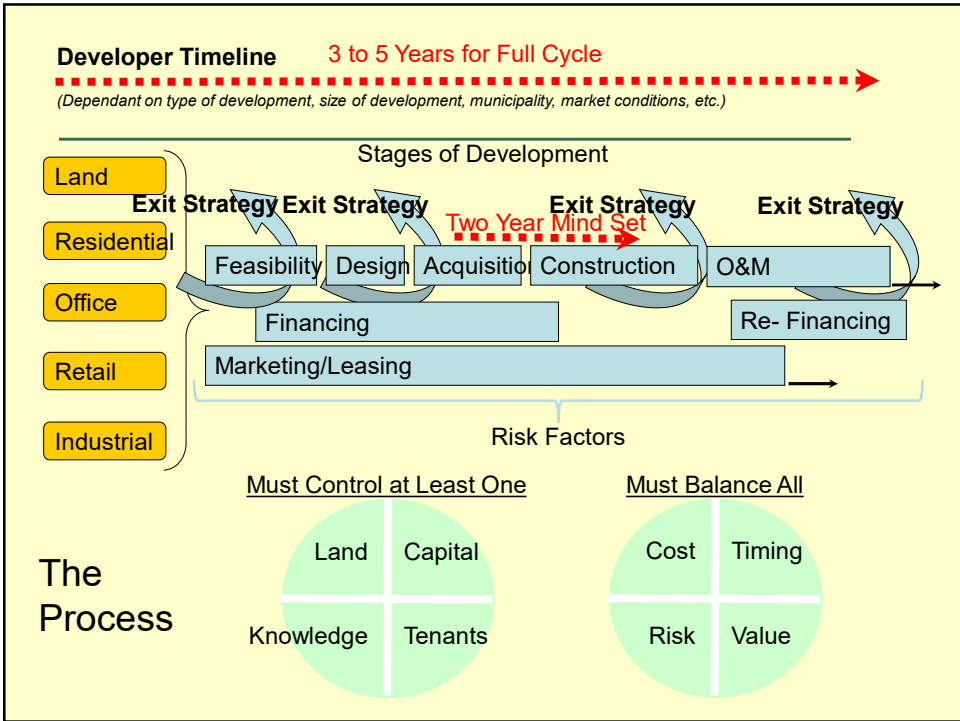
Unpredictability in Key Risk Factors
Macro and Micro Scale – 13 “Clusters”

Time

- Long Lead Times
 - 1 to 5 Years for Economic Cycles
 - 3 months to 2 years for Environmental Clearance
- Short Due Diligence Window
- Short Construction Window
- Short Contract Time on Subcontractors
 - Cost Increases for Lumber/Steel/Trades

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Circle of Risks (Pick 3 Top Issues)

“Clusters”

<p><u>Economic Cycles</u></p> <p>Market Research</p> <p><u>Environmental</u></p> <p>Arch./Eng.</p> <p>Construction</p> <p><u>Social/Community Goals</u></p>	<p>Political Approvals</p> <p><u>Equity and Debt</u></p> <p>Taxes</p> <p>Sales and Leasing</p> <p>Property Management</p> <p>Legal Relationships</p> <p>Personal and Family</p>
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Thanks to Peter Allen, University of Michigan Instructor, Mentor, and Developer

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Most Critical Risks for Your Development:

+

+

+

Development Success

4 Keys to Up-valuing:

- Before Tax and After Tax Cash Returns of at least 8%-10% per year
- Yield on Cost of 2% above Market Cap Rates
- Appreciation Doubles this Overall Yield
- “Psychic Income”

See Attached

Thanks to Peter Allen, University of Michigan Instructor, Mentor, and Developer

<http://www.ptallen.com/>

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Risk Management

Success Factors

Location

Leverage

Timing the Market

Time to Market

Fears

Uncertainty

Time (Delays)

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Forecasting

Macro and Micro Cycles

Cost of Capital

Market Demand

Community Development

Political Winds

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In The End - Does It "Pencil Out"?

SMART NAPKIN - April 26 2008

	Pessimistic	Realistic	Optimistic		Pessimistic	Realistic	Optimistic	
LAND COST ASSUMPTIONS								
Land Cost	\$1,155,000	\$1,100,000	\$1,045,000	FINANCIAL ASSUMPTIONS				
Land Area in sf	10890	10,890.00	10890	Interest Rate	8.00%	8.00%	7.20%	
Land Area in Acres	0.25	0.25	0.25	Pre const land holding duration - months	3.8	3	3	
		0.25		Construction duration - months	11.3	9.2	6.8	
		0.25		Months to sell after construction	6.0	3.0	1.5	
CONSTRUCTION (HARD) COST ASSUMPTIONS								
Demolition	\$11,000	\$10,000	\$0,000	GENERAL SALES DATA				
Cleaning	\$11,000	\$10,000	\$0,000	Sales Commissions (%)	3%	\$91,960	\$295,000	\$147,990
Utilities	\$44,000	\$40,000	\$38,000	Closing Costs		\$48,500	\$55,000	\$60,500
Landscaping	\$11,000	\$10,000	\$0,000	Title - Recording		\$13,500	\$15,000	\$16,500
Paving (% of lot cover)	10%							
Building cost / sf - units	\$4392	\$4,256	\$3,920	UNIT DATA				
Total cost - units	\$183	\$175	\$158	Description	SF/Unit	# of Units	Total SF	
Covered parking (if cars)	\$5,103,170	\$4,639,250	\$4,170,325	A - Old West Side Cafe & Bistro		3,270	3,270	
Building cost / sf - covered parking	9,900	9,000	8,160	B - Walkout/Garden live work units		1,770	2	
Total cost - covered parking	\$55	\$50	\$45	C - Below grade basement parking		375	24	
Common area (% of total)	\$84,500	\$450,000	\$394,500	D - smaller 1 bedroom on 2nd & 3rd floor		450	2	
Building cost / sf - common area	7,031	6,302	5,750	E - Larger 1 bedroom on 2nd & 3rd floor		750	14	
Total cost - common area	\$185	\$150	\$135	F - 2 bedroom on 4th flr with mezzanine Loft		1,000	7	
	\$1,186,112	\$956,770	\$776,004	G - small 2 bedroom with loft		900	1	
SOFT COST ASSUMPTIONS								
Survey	\$5,000	\$5,000	\$4,000	TOTALS		51	35,510	
Soil investigation	\$10,000	\$10,000	\$0,000	A - Sales Price Per sf		\$315	\$350	
Site Engineering	\$55,000	\$50,000	\$45,000	B - Sales Price Per sf		\$315	\$350	
Architectural (% of const)	\$322,250	\$403,343	\$425,457	C - Sales Price Per sf		\$168	\$190	
Environmental	\$11,000	\$10,000	\$9,000	D - Sales Price Per sf		\$293	\$325	
Legal	\$27,500	\$25,000	\$22,500	E - Sales Price Per sf		\$293	\$325	
Insurance	\$11,000	\$10,000	\$9,000	F - Sales Price Per sf		\$293	\$325	
Prop taxes/year (mill rate)	\$9,075	\$8,250	\$7,425	G - Sales Price Per sf		\$293	\$325	
Permits / fees	\$110,000	\$100,000	\$90,000					
PRO FORMA SUMMARY								
Gross sales income	\$8,879,400	\$9,866,000	\$10,852,000	AVE PRICE / SF		\$273	\$303	\$333
Land cost	\$1,155,000	\$1,100,000	\$1,045,000					
Sitework cost	\$81,792	\$74,356	\$66,920	A - Sales Price Per Unit	\$1,030,050	\$1,144,500	\$1,258,950	
Building cost	\$6,807,787	\$6,648,020	\$5,919,429	B - Sales Price Per Unit	\$557,550	\$619,500	\$681,450	
Soft cost	\$772,201	\$752,092	\$631,882	C - Sales Price Per Unit	\$40,500	\$45,000	\$49,500	
Pre const holding costs	\$244,184	\$197,320	\$0	D - Sales Price Per Unit	\$190,125	\$211,250	\$232,375	
Construction financing costs	\$337,741	\$333,628	\$213,814	E - Sales Price Per Unit	\$219,375	\$240,750	\$268,125	
Sales Financing Costs	\$422,348	\$169,438	\$65,458	F - Sales Price Per Unit	\$292,500	\$325,000	\$357,500	
Sales commission / closing costs	\$924,900	\$385,950	\$224,700	G - Sales Price Per Unit	\$263,250	\$292,500	\$321,750	
GROSS PROFIT (LOSS)	(\$1,796,732)	\$856,110	\$2,389,056	AVE PRICE / UNIT	\$370,479	\$411,643	\$452,807	
(Profit) %								
(low - unit)	\$22,447	\$21,559	\$20,497	Total sales - Unit A	\$1,030,050	\$1,144,500	\$1,258,950	
(on (Hard) costs)	\$8,044,578	\$7,222,376	\$6,426,349	Total sales - Unit B	\$1,115,100	\$1,228,000	\$1,341,900	
(in)	\$10,876,132	\$9,009,884	\$7,043,534	Total sales - Unit C	\$972,000	\$1,080,000	\$1,188,000	
				Total sales - Unit D	\$390,250	\$422,500	\$454,750	
Per Square Foot	\$31 SF	Floor Area Ratio	326%	Total sales - Unit E	\$2,071,250	\$2,412,500	\$2,753,750	
\$172 SF				Total sales - Unit F	\$2,047,500	\$2,275,000	\$2,502,500	
\$50 SF				Total sales - Unit G	\$263,250	\$292,500	\$321,750	
\$24 SF				TOTAL SALES	\$8,879,400	\$9,866,000	\$10,852,000	

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Psychological ROI

Participation in Community
Lasting Value/Legacy
Creation of Place
Create a Story

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Creating Place ~ Community Attachment

Location	Strong Social Offerings
Economy	Aesthetics
Safety	Openness
Basic Services	Authenticity
	Sense of Discovery

What Makes Metro Detroit Stick (metromode)
<http://www.metromodemedia.com/features/knightfoundationsurveydetroit0210.aspx>

Knight Foundation "Soul of the Community" Survey
<http://knightfoundation.org/sotc/>

Common Goal, But Different Objectives

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Creating Place - Lifelong Communities

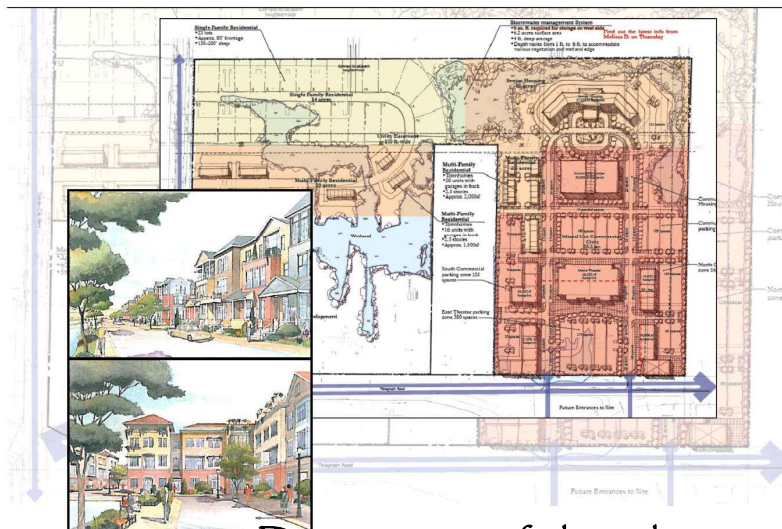
Local Focus
Neighborhood Centers
Walkability
Lots of Choices for Entertainment, Work,
Education
A Showstopper vs. The Economic Garden¹

Note 1: Economic Gardening
<https://economicgardening.org/>

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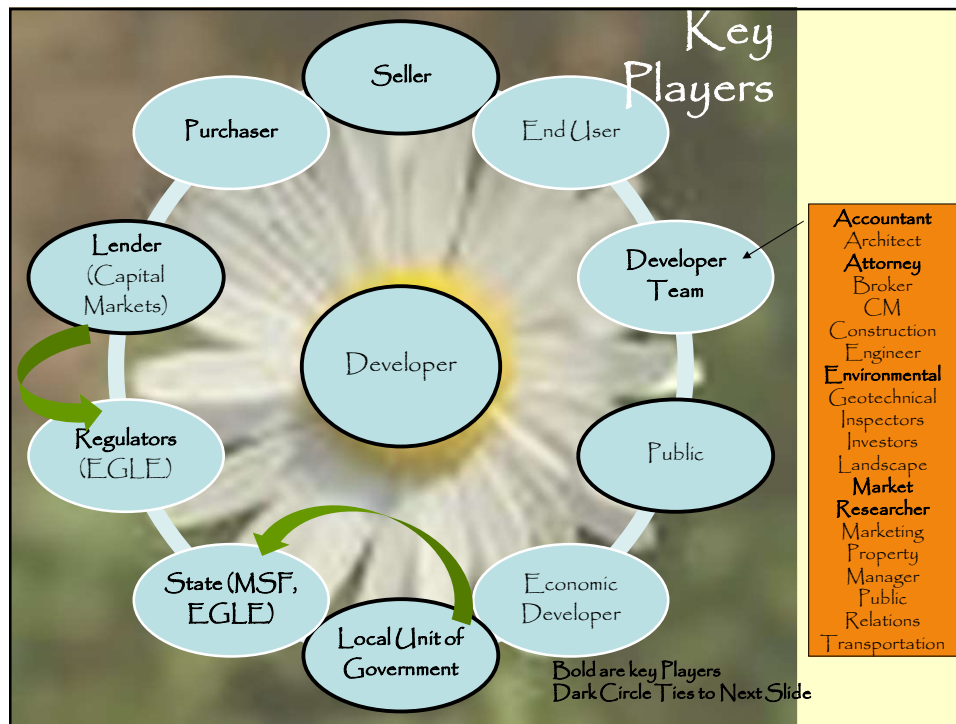
BROWNSTOWN CENTER



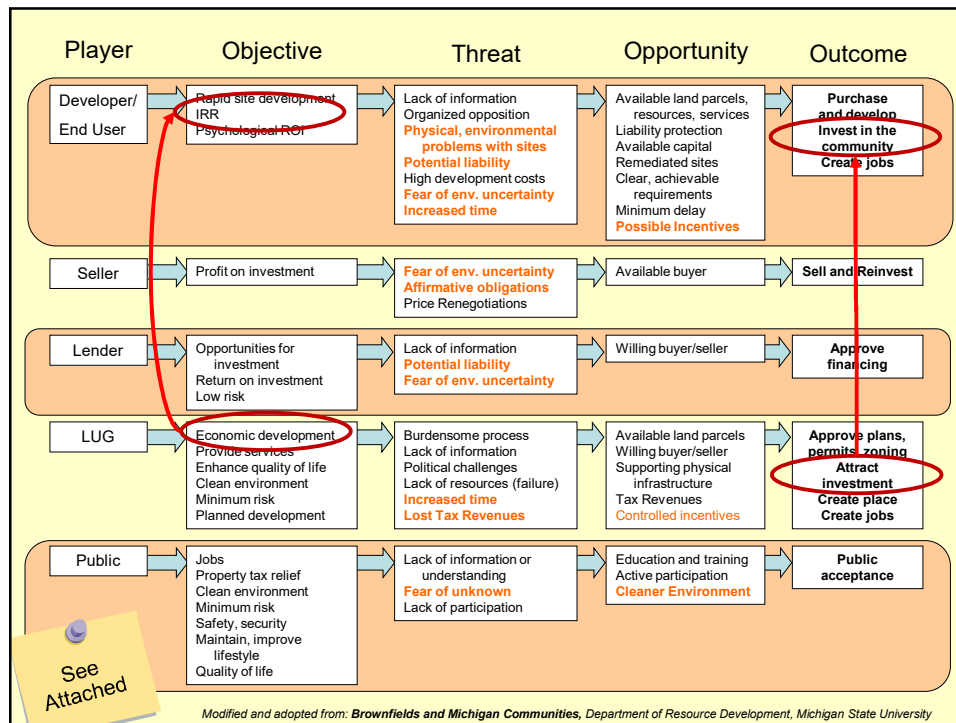
Does creation of place always work?

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Impediments to Redevelopment

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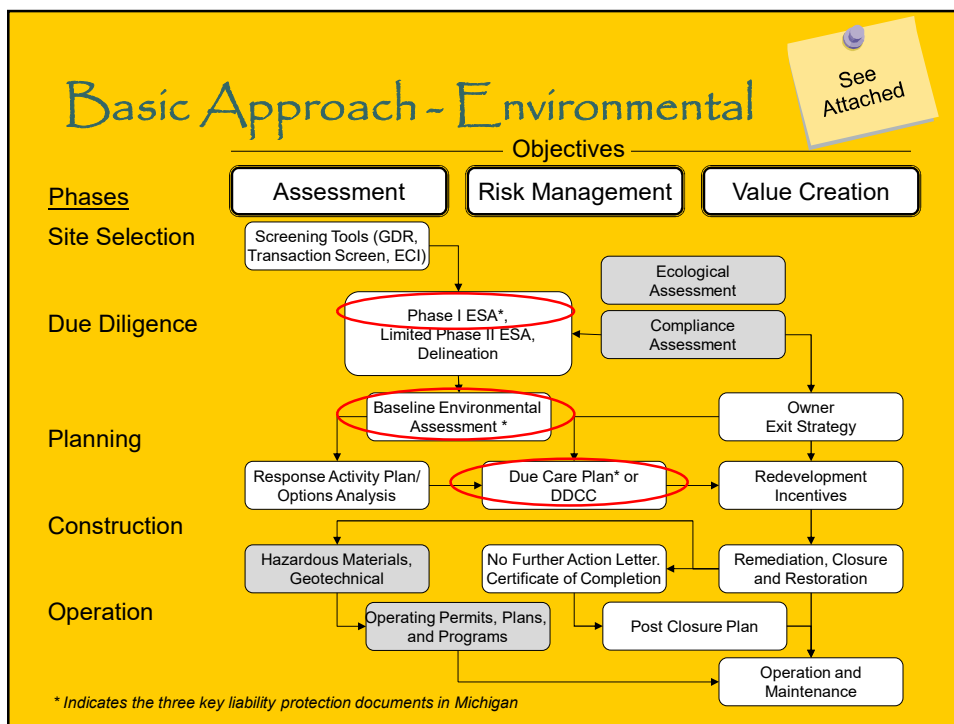
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The Process ~ Environmental Challenge

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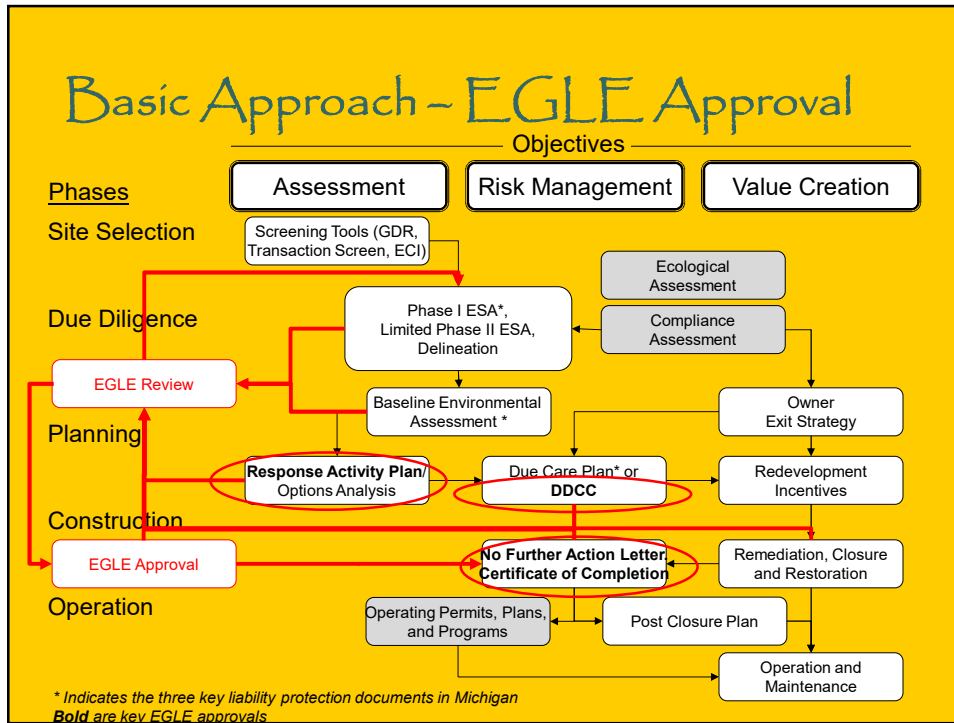
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EGLE Policies

- Restrictions on residential use when methane is present
- Requirements for clean fill
- Presumption of exceedance of direct contract criteria in urban surface soils
- Four quarters of soil gas sampling to prove that a presumptive remedy is not required
- The PFAS challenge
- Multiple revisions to documents – based on developing new information
- Modifications to negotiations

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Incentives (One Perspective)

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Incentive Objectives

Attracting New Investment (including jobs and additional investment)

Leveling the Playing Field or Enticing

Seeding a Vision

Creating a Catalyst

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Attracting New Investment

Tax Base and Jobs

Stretching Limited Funding

Demanding Performance

Claw Back Provisions

Remaining Competitive

Needs (Yours and Theirs) Based Screening

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Leveling the Playing Field

Goal: Soften impediments to (re)development

“It is a game of inches”

How do you make it work?

Creative purchasing and development

Public/private partnerships

- Use of financial incentives

Sequencing Purchase and Redevelopment

Area Wide Planning and Incentives

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Seeding a Vision

First In

Making a Vision Tangible

Determining When the Vision is Self-Sustaining

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Creating a Catalyst*

Popcorn Development v. Critical Mass
Area Wide Planning
Catalytic Project v. Market Demand
The Next Twenty Steps

*Not to be confused with the Michigan's "Transformational Project"

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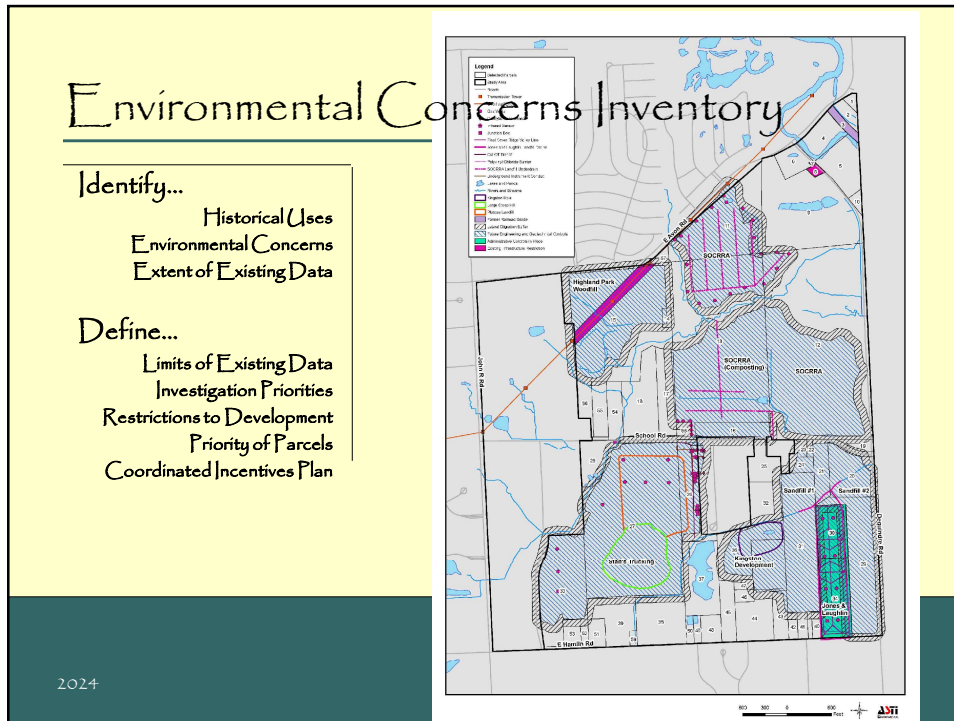
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Area Wide Planning

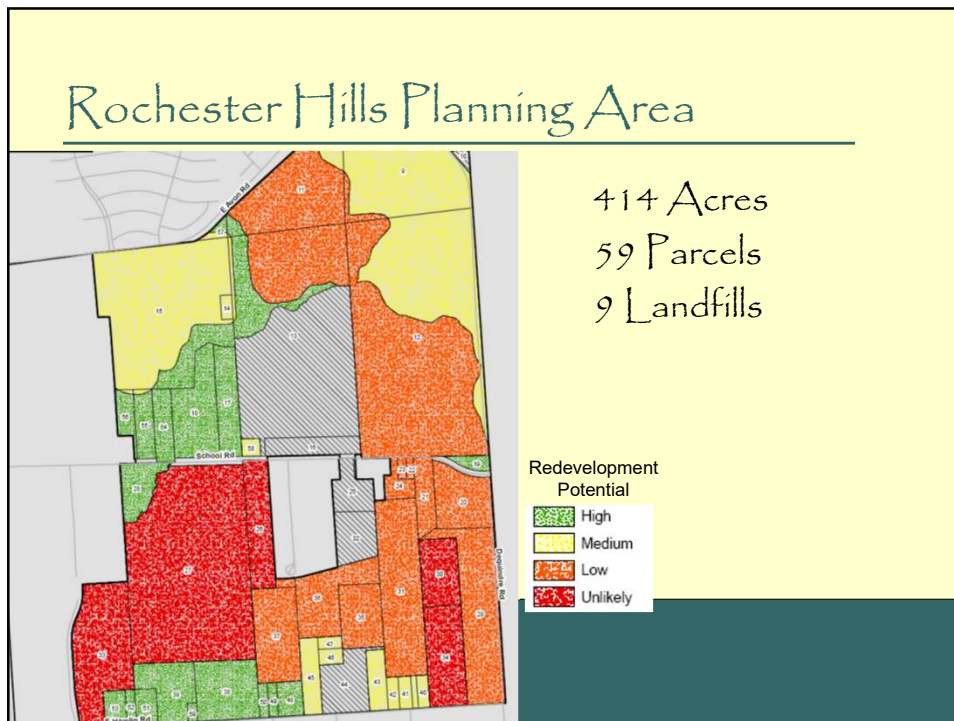
Stops "Popcorn" Development
Increases Chances for Synergy
Coordinates All Efforts
Coordinating Incentives Within An Area
Emphasis of Growing Number of Grants

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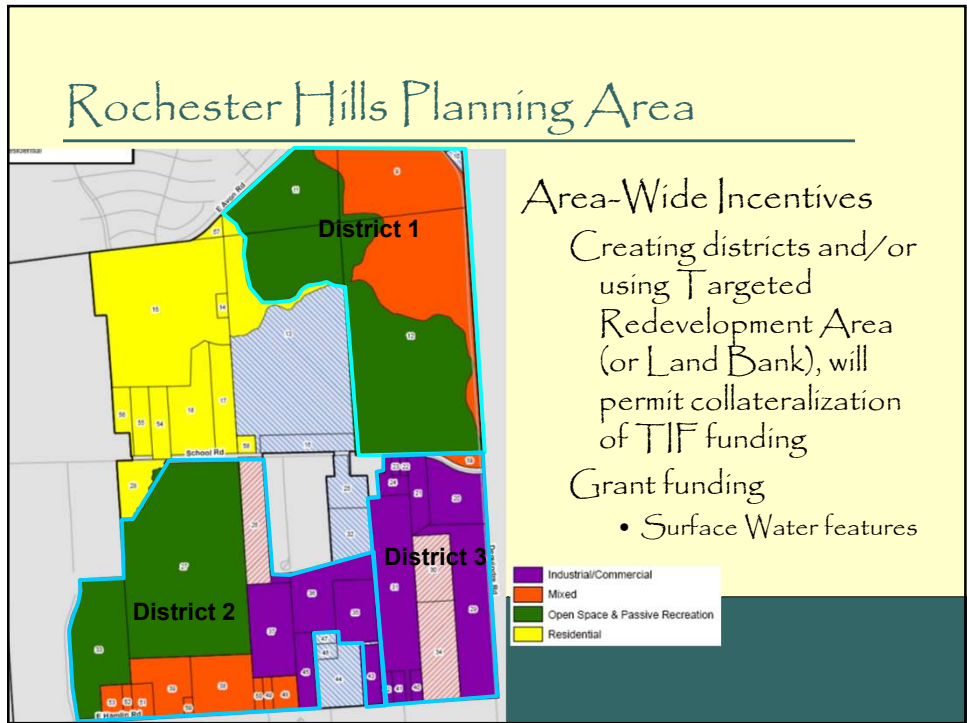
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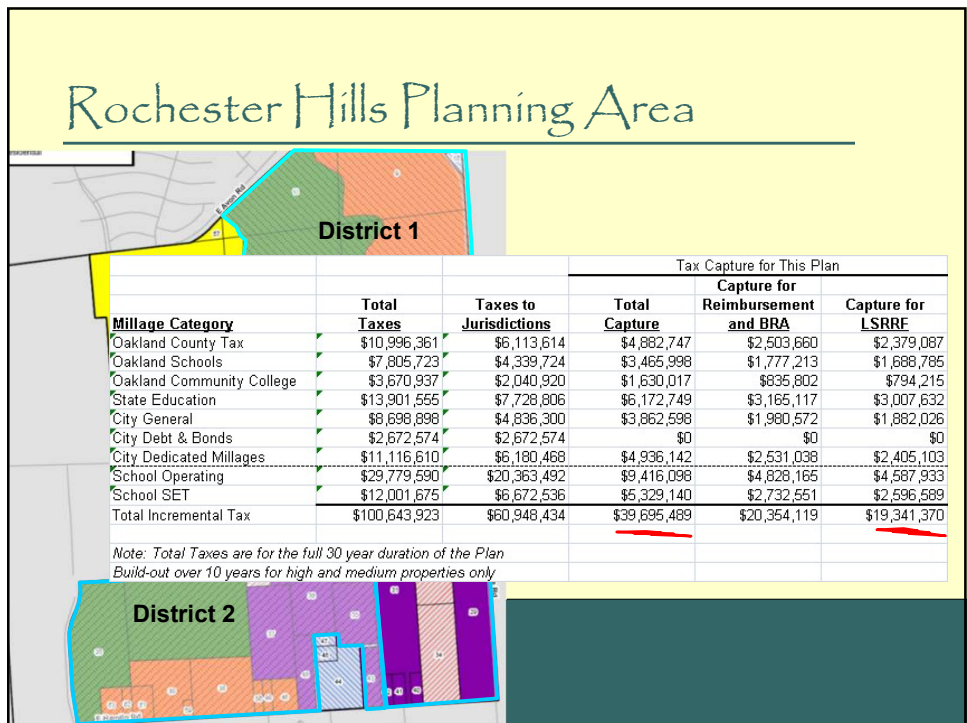
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The Challenges of Incentives

Uncertainty
Necessity
Applicability
Accuracy
Timing

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Getting Incentives

In general...

Must be Eligible Property or Project

- In some cases applicant can not be responsible for impacts

At the Discretion of the Grant or Loan Administrator

Requires Public/Private Partnership

Some Provided for Specific Purpose, Others Flexible

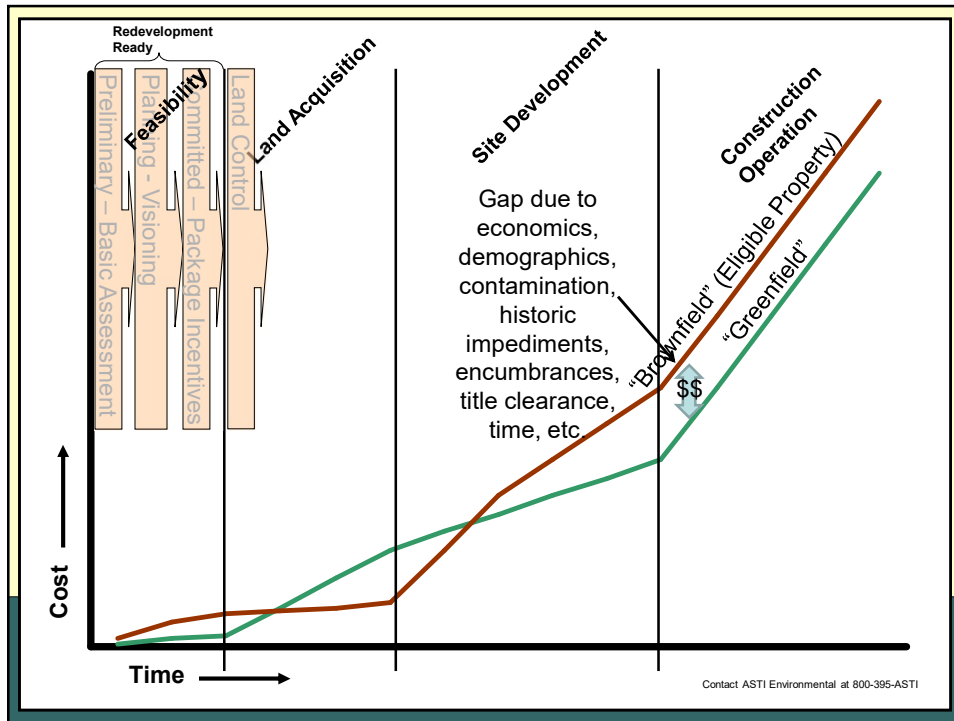
Some Are Incompatible (no Double Dipping)

Takes Time: 3 to 6 (24 for federal grants) months to complete process

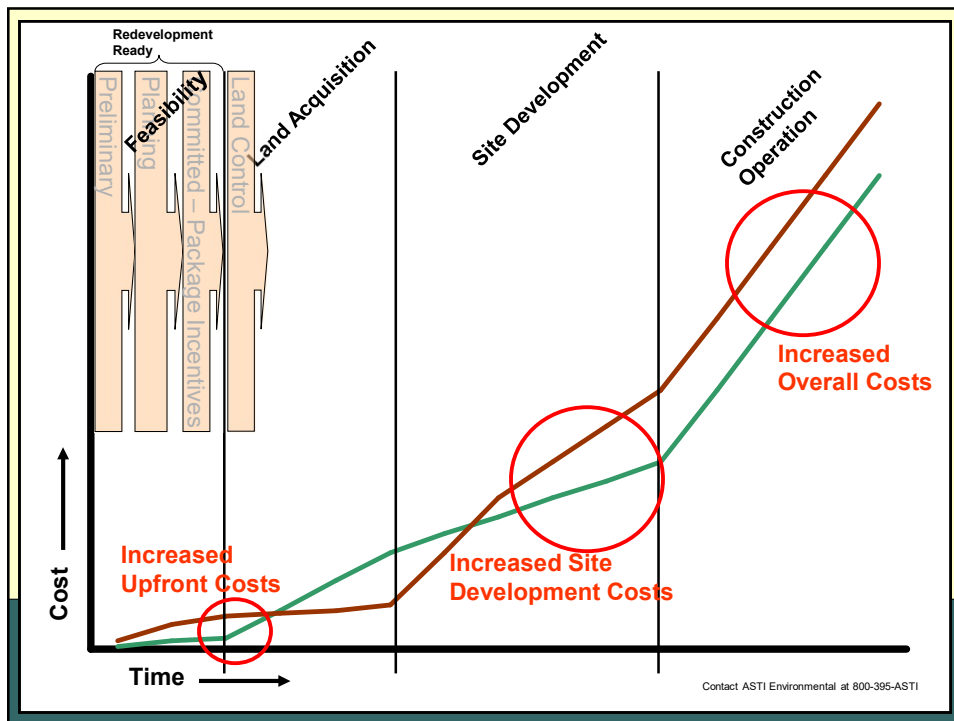
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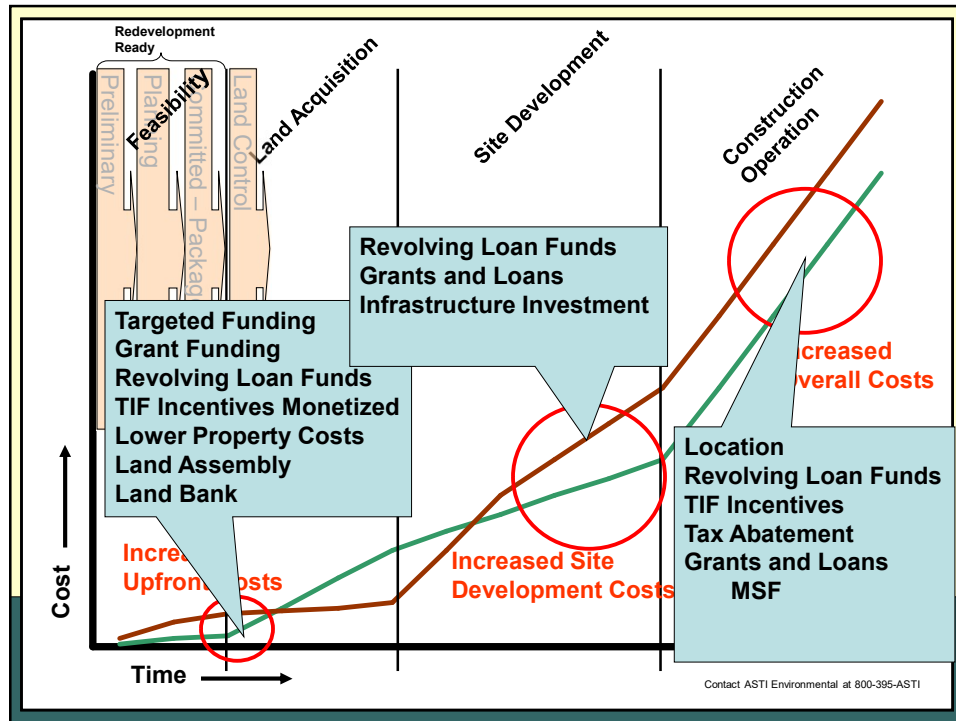


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The Key Ingredients for Incentives

Must be an...

E⁵

Eligible Property developed by an....

Eligible Investor who...

- Creates an **Eligible Project** that ...
- Incurs **Eligible Costs** after approval (with exceptions)...
- Can **complete the project (Execution)** within the defined time, investment or job creation goals

That meets the Threshold Needs of a Community

T⁴

- Targeted Location
- Targeted End Use
- Tangible Community Benefit
- Targeted Financial Need

$E^5 + T^4 + \text{Developer} = \text{PPP}$

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Eligible Properties Can Include....

- Perceived Contamination/Impairment
- “Traditional” Brownfields (aka contaminated)
- Blighted and Functionally Obsolete Properties
- Historic Resources
- Housing Resources
- Tax Reverted
- Owned by a Land Bank
- Properties in Targeted/Designated Areas/Zones/Districts
- Adjacent and Contiguous

Always ... Be Creative

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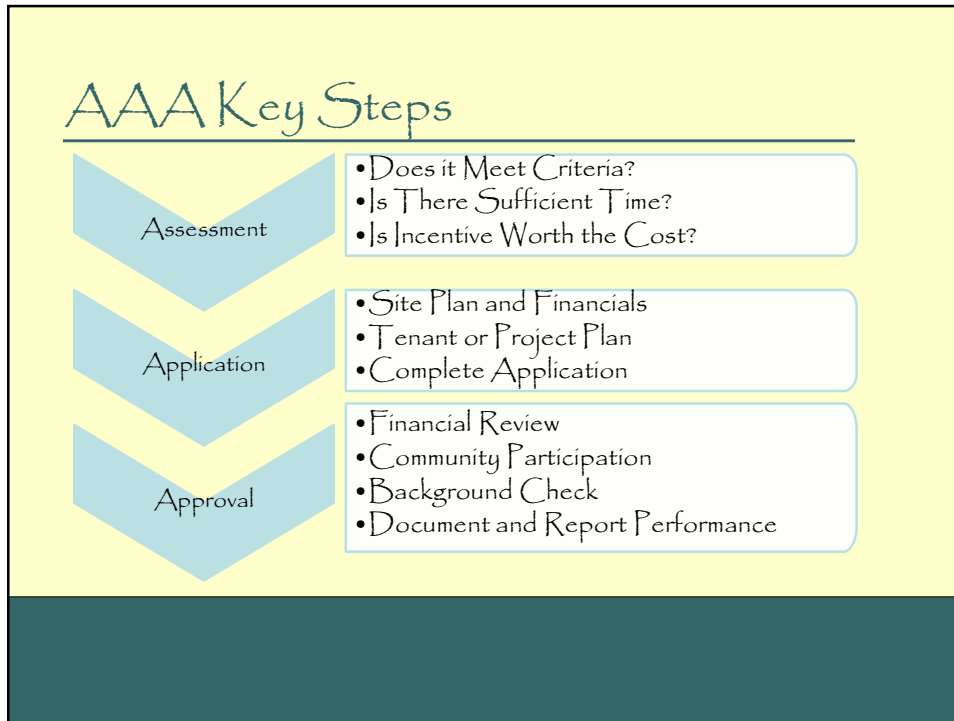
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Incentives Objectives

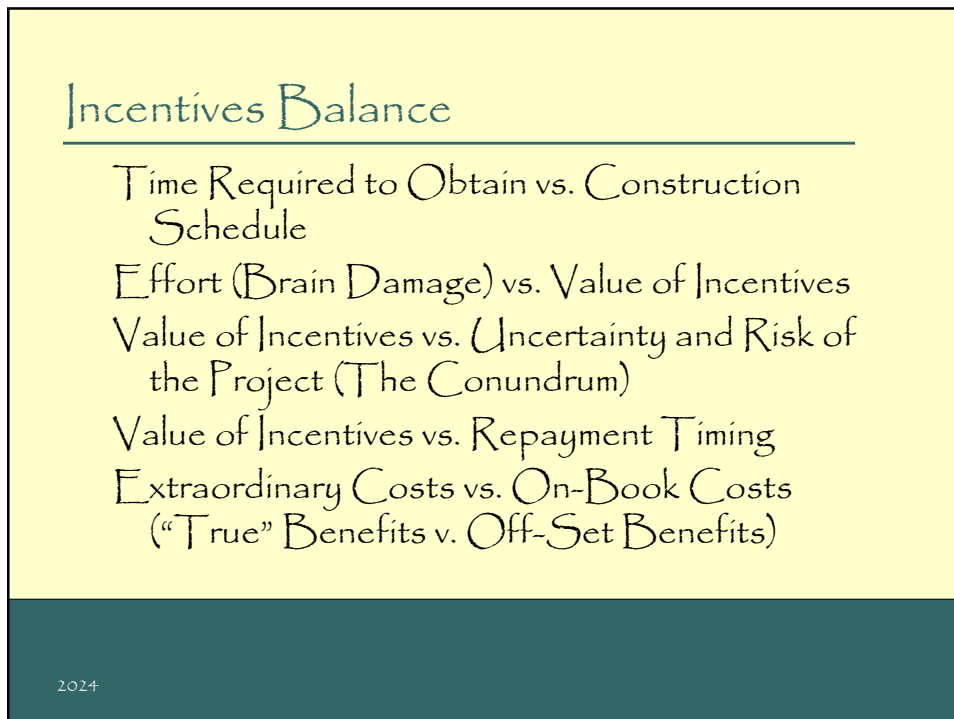
Developer	Recover Extraordinary Costs Obtain Development Incentives to Close Financing Gap and meet Target IRR
Community/Agency	Attracting New Investment and Creating Jobs Creating a Catalyst for Area Development Be Part of a Great Project Do it at a Reasonable Cost

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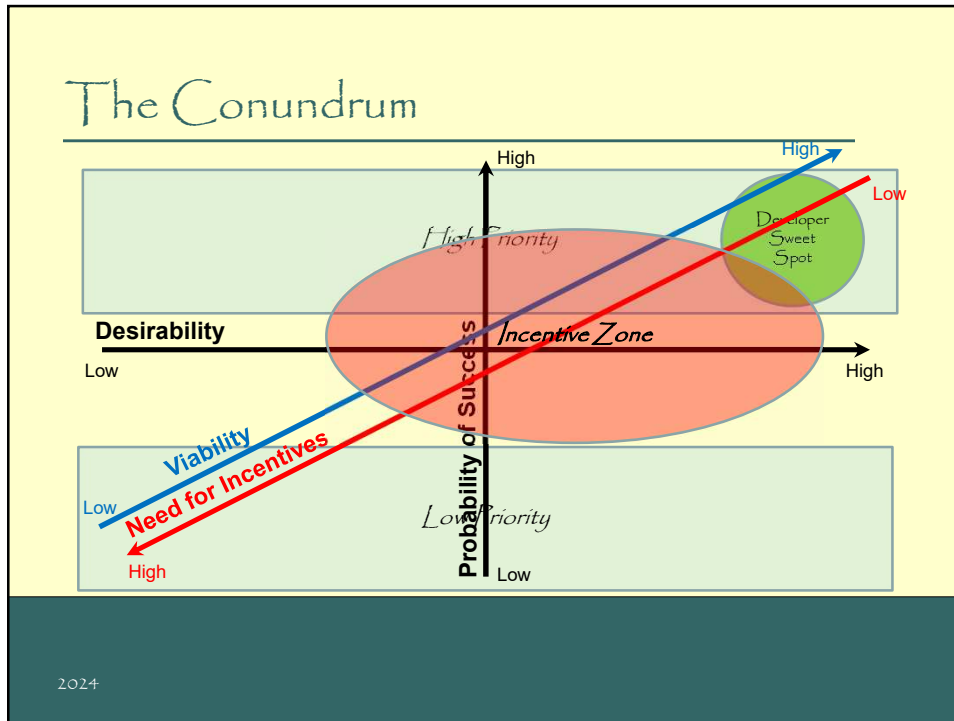
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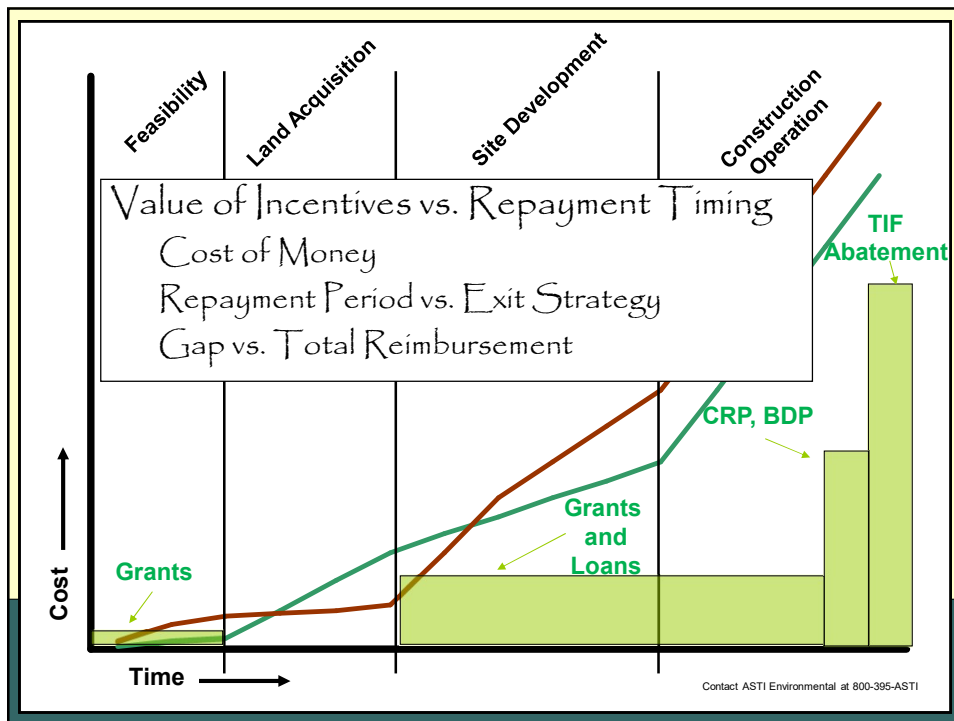
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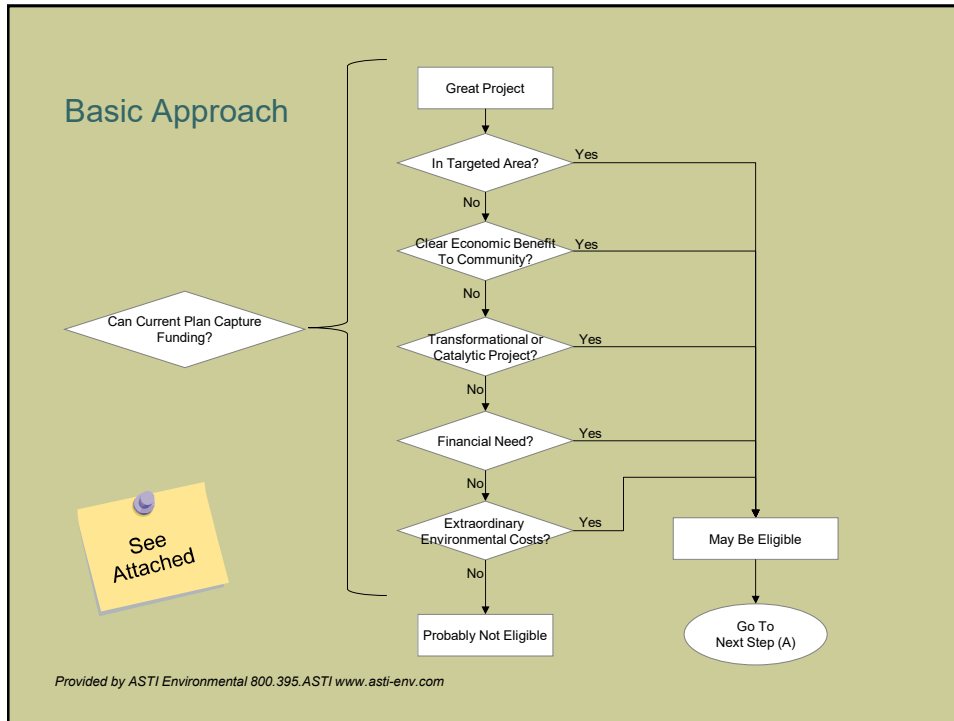


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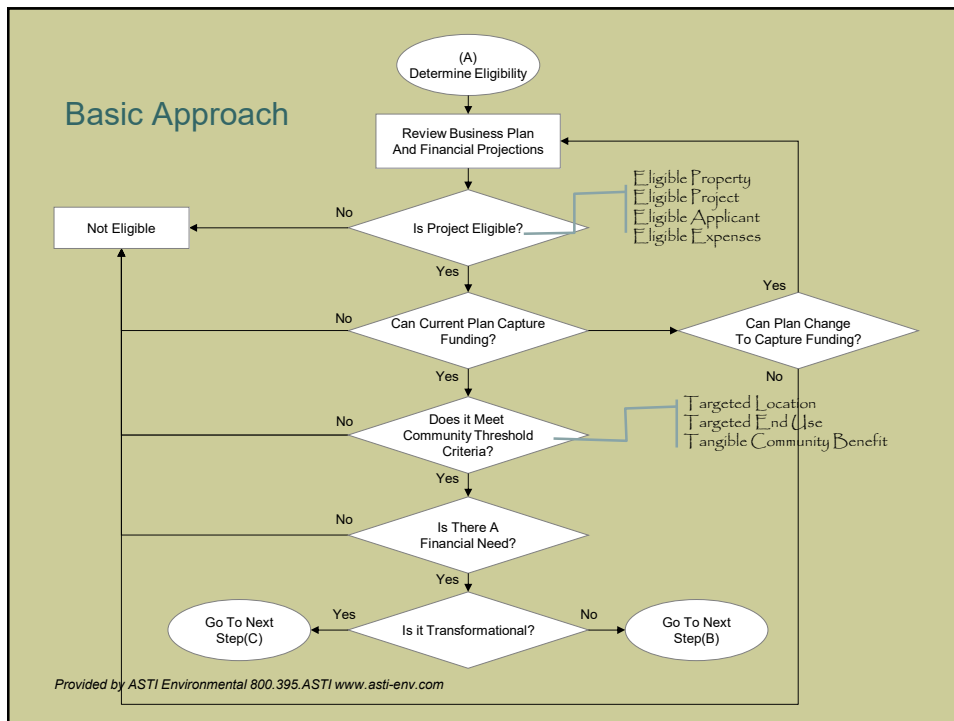


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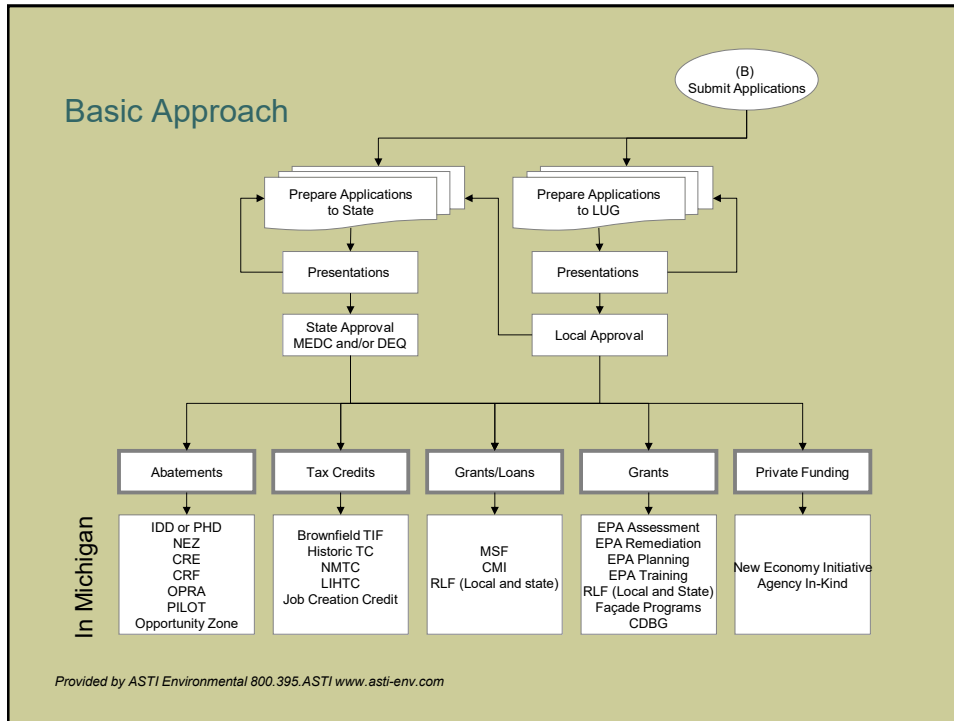


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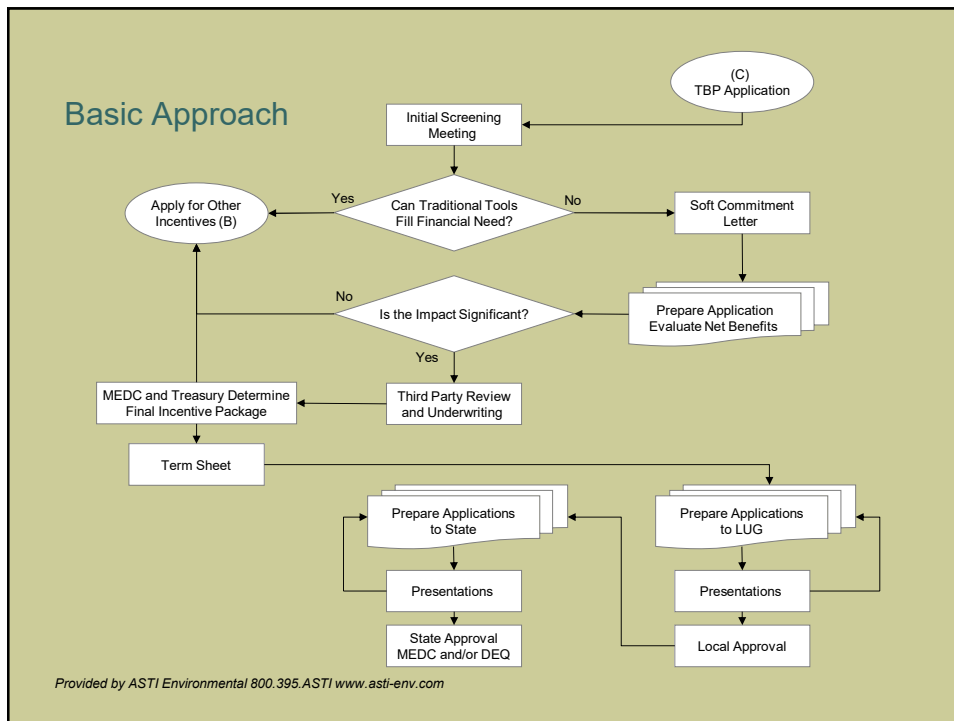


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“True” Benefits

When incentives are applied to non-extraordinary costs

When it can be used to secure or enhance a funding source

Offset Benefits

When incentives are applied to extraordinary costs

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Project Funding Offset Benefits “True” Benefits

Summary of Funding Sources

Investments	Total Cost	Grant Funded	Environmental TIF Funded	Redevelopment TIF Funded	CRP Grant MBT Credit	Developer Investment
Site Acquisition	\$3,402,500	\$0	\$0	\$0	\$0	\$3,402,500
Environmental Investigation Remediation	\$121,900	\$15,300	\$103,500	\$0	\$0	\$3,100
Site Preparation	\$55,000	\$0	\$0	\$0	\$0	\$55,000
Public Infrastructure	\$500,000	\$0	\$0	\$500,000	\$0	\$0
Demolition	\$183,000	\$0	\$0	\$183,000	\$0	\$0
Construction Costs	\$4,825,000	\$0	\$0	\$0	\$603,125	\$4,221,875
Other Construction Costs	\$1,594,600	\$0	\$0	\$0	\$2,500	\$1,592,100
Total Above	\$10,682,000	\$15,300	\$103,500	\$683,000	\$605,625	\$9,274,575
Contingency	15%	15%	15%	15%	15%	15%
	\$1,602,300	\$2,295	\$16,826	\$402,450	\$90,844	\$1,391,186
Total With Contingency	\$12,284,300	\$17,595	\$119,025	\$785,450	\$696,469	\$10,665,761

No “Double Dipping”

Example Small Project 1

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See Attached

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Project Funding

Developer Eligible Expenses \$404,475	} Developer Benefits
Developer Tax Credit \$696,469	
Public Infrastructure Costs \$500,000	
BRA Administrative Costs \$21,000	} LUG Benefits
Local RLF Funding \$1,304,206	
Increased Taxes to Jurisdictions \$9,259,461	

Example Small Project 1
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Incentive Options

- Grants
- Loans
- Loan Guarantees and Enhancement
- Tax Increment Financing
- Tax Abatement
- Tax Credits
- In Kind Contributions
- Insurance

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STEELCASE CAMPUS


203 Acres
4,700,000 sq ft - 18 heavy industrial buildings
Mixed Use Development
\$162 million investment
1,800,000 sq ft renovated industrial
500,000 sq ft new industrial
365,000 sq ft of commercial/80,000 R&D
400 housing units



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STEELCASE CAMPUS

\$32 million in Brownfield costs
\$13 million in TIF with 15 year payback
\$9.9 million in SBT Credit - Phased Purchase
MDOT Grant
Public Participation in Infrastructure
PRP Involvement
Green Objective



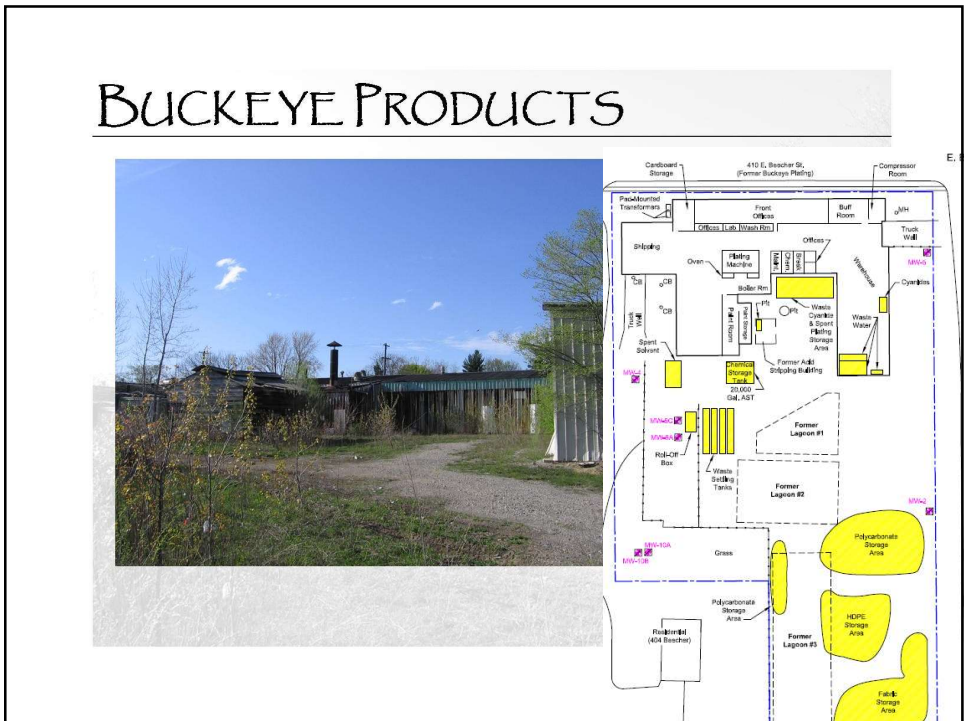
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Bread and Butter



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BUCKEYE PRODUCTS



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BUCKEYE PRODUCTS

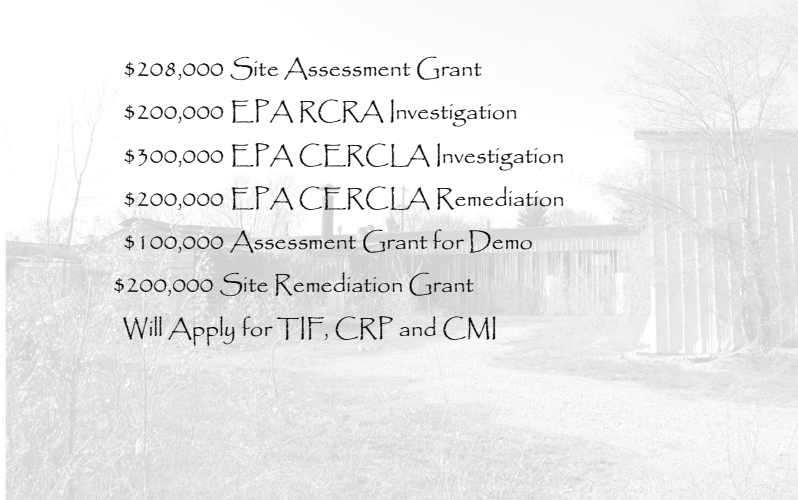
3.3 Acre Site
25,600 sq ft light industrial platting operation
RCRA Site
Soils and groundwater impacts
Corporate Office
\$5-10 million investment



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BUCKEYE PRODUCTS

\$208,000 Site Assessment Grant
\$200,000 EPA RCRA Investigation
\$300,000 EPA CERCLA Investigation
\$200,000 EPA CERCLA Remediation
\$100,000 Assessment Grant for Demo
\$200,000 Site Remediation Grant
Will Apply for TIF, CRP and CMI



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Trends

Limiting Incentives to Financial Need
High Density, Mixed Use, Walk-able, Transportation
Oriented Development Target
Job Creation and Investment Targets Must Be Met
Increased Competition for Less Incentives
TIF Backlash
Preference for Loans over Grants
Collaborative and Area-Wide Focus
Modifications to the Application (Be Ready to Do It
Many Times)

2024

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Assistance

MEDC Community Assistance Team
EGLE Brownfield Redevelopment Team
MSHDA Brownfield Redevelopment Team
Regional Economic Development Organizations
Other Communities
Private Companies
Professional Organizations (MEDA)
Consultants

2024

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5 Minute Break

Tom Wackerman
810-599-5763 (c)
twacker@asti-env.com
www.asti-env.com



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Brownfield TIF (One Option)

MEDA Economic Development Course



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Definitions

General

Greenfield: Undeveloped, un-impacted land

Greyfield: Previously developed land, not requiring special controls or procedures

Brownfield: Previously developed land requiring controls or special considerations

Orangefield: Where you can make money (green) on a Brownfield

2024

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Brownfield Definition

Federal (EPA)

“A brownfield is a property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant.”

www.epa.gov/brownfields

2024



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Brownfield Definition

Michigan

Contamination greater than the applicable
Residential Clean-up Criteria under Part 201, or
Is in a Land Bank Fast Track Authority
Blighted or
Functionally Obsolete
Historic Resource
Adjacent and Contiguous Properties
TOD Related Development

www.michigan.gov/deq

2024



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Adrian	Coldwater	Hart	Mount Clemens	Saint Louis
Albion	Coleman	Hartford	Mount Morris	Sault Sainte
Alma	Crystal Falls	Hazel Park	Mt. Morris Twp.	Marie
Alpena	Dearborn	Highland Park	(in Genesee Co.)	Southfield
Ann Arbor	Dearborn Heights	Holland	Mount Pleasant	Sturgis
Baldwin	Detroit	Inkster	Muskegon	Taylor
Bangor	Dowagiac	Ionia	Muskegon Heights	Three Rivers
Battle Creek	East Lansing	Iron Mountain	Norton Shores	Trenton
Bay City	Eastpointe	Iron River	Norway	Traverse City
Benton Harbor	Ecorse	Ironwood	Oak Park	Vassar
Benton Twp. (in Berrien Co.)	Escanaba	Ishpeming	Omer	Wakefield
Bessemer	Ferndale	Jackson	Onaway	Warren
Big Rapids	Flint	Kalamazoo	Owosso	Wayne
Bronson	Gaastra	Lansing	Pinconning	Wyandotte
Buena Vista Twp. (in Saginaw Co.)	Genesee Twp. (in Genesee Co.)	Lincoln Park	Pontiac	Wyoming
Burton	Gibraltar	Livonia	Portage	Ypsilanti
Cadillac	Gladstone	Ludington	Port Huron	
Carson City	Grand Haven	Manistee	Redford Twp. (in Wayne Co.)	
Caspian	Grand Rapids	Marquette	River Rouge	
Center Line	Grayling	Melvindale	Royal Oak Twp. (in Oakland Co.)	
Cheboygan	Hamtramck	Menominee	Saginaw	
	Harbor Beach	Midland		
	Harper Woods	Monroe		

Core Communities

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BFTIF Can Be Applied To...

All Brownfields for...

Environmental Investigations

Preparation of Due Diligence Documents

Remedial Activities

- Including Exposure Barriers
- Other Environmental Response Activities

Demolition and asbestos/lead abatement

Brownfield Plan preparation (max \$30,000, no contingency)

Brownfield Plan implementation (max \$30,000, no contingency)

Reasonable costs of environmental liability insurance

Interest

What?

2024

Eligible Expenses

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BRTIF Can Be Applied To...

Core Community Brownfields, or Property Currently Owned or Under Control of a Land Bank, for...

Infrastructure

- Parking Structures, Urban Storm Water Management

Site Preparation Not a Response Activity

Planning and Economic Strategies

Building Rehabilitation

Relocation of public buildings or operations for economic development purposes.

What?

2024

Eligible Expenses

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BFTIF Can Be Applied To...

Property Currently Owned or Under Control of a Land Bank, for...

Cost of clearing or quieting title to, or selling or otherwise conveying, property owned or under the control of a land bank fast track authority

Acquisition of property by the land bank fast track authority if the acquisition of the property is for economic development purposes

Note: 5/50 Rule Applies

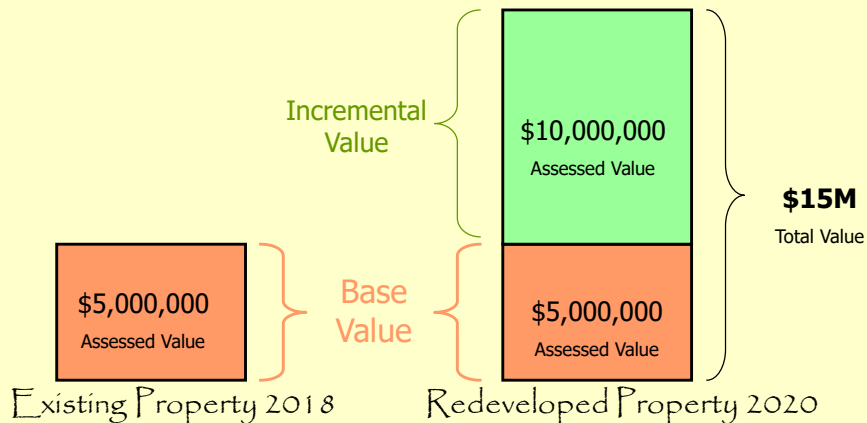
What?

2024

Eligible Expenses

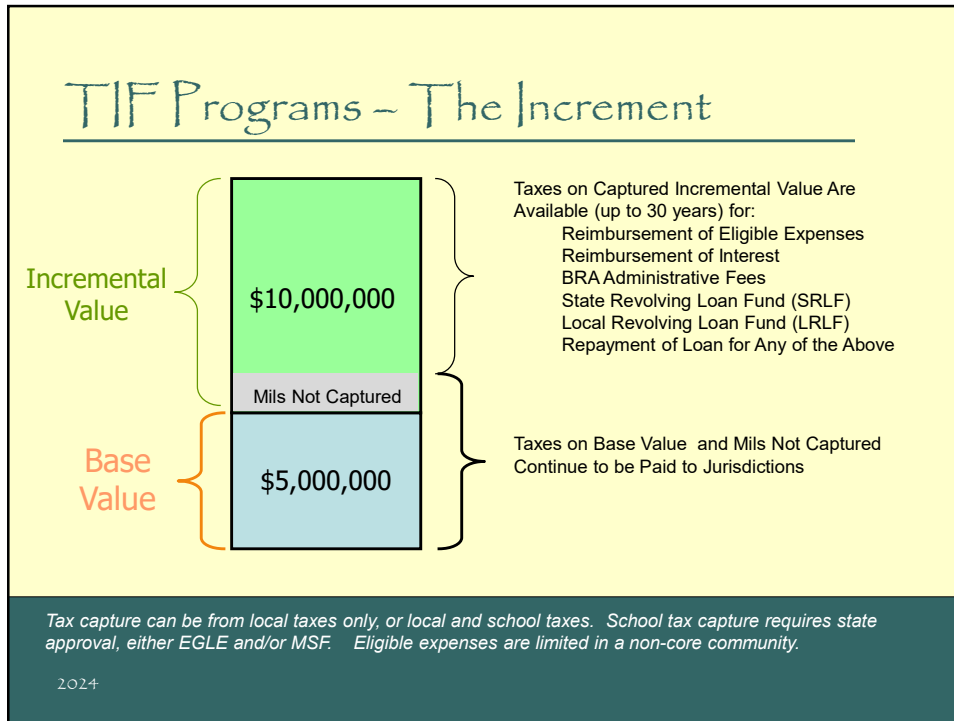
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TIF Programs - The Increment

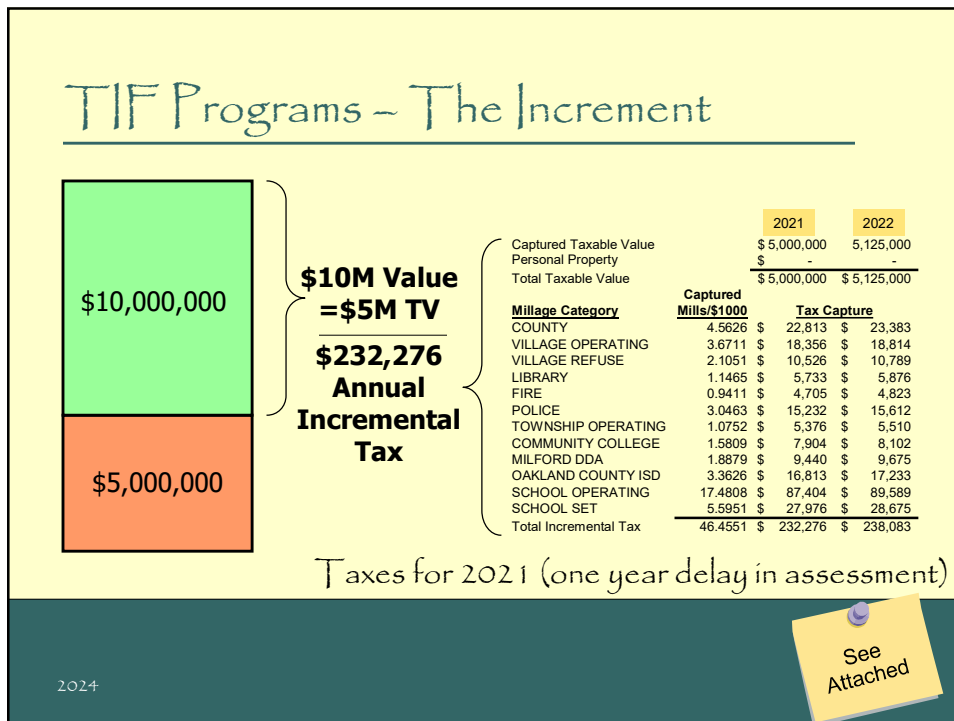


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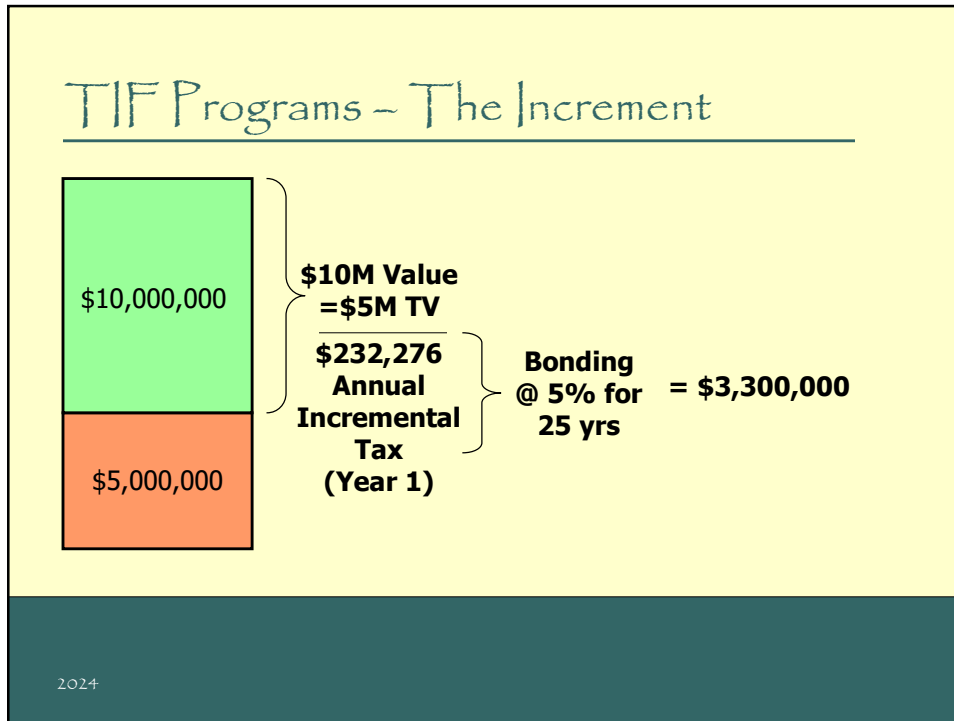
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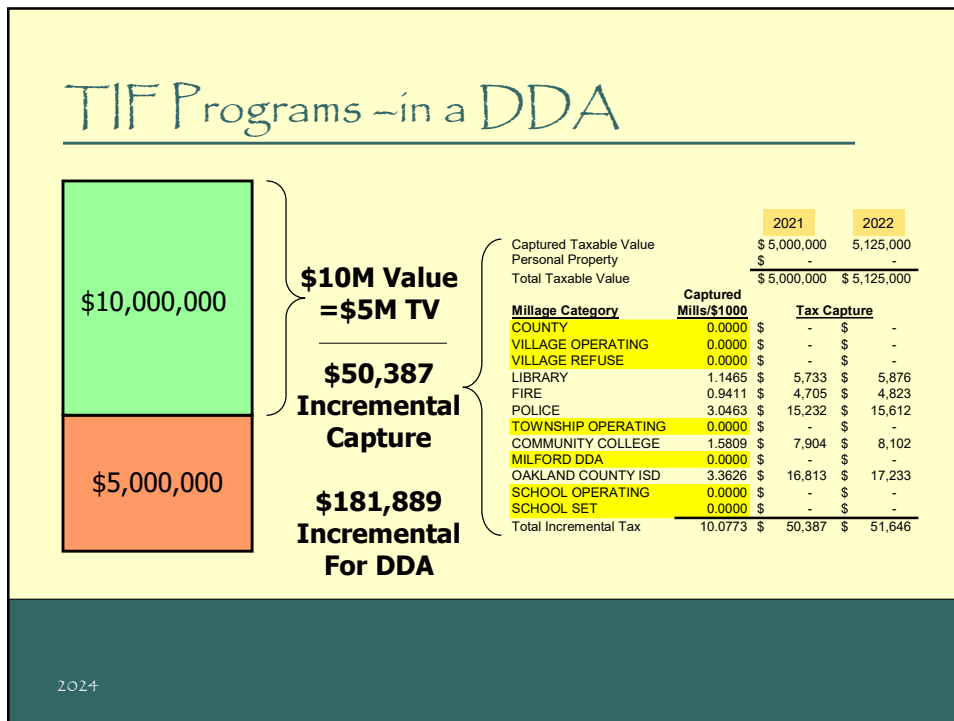
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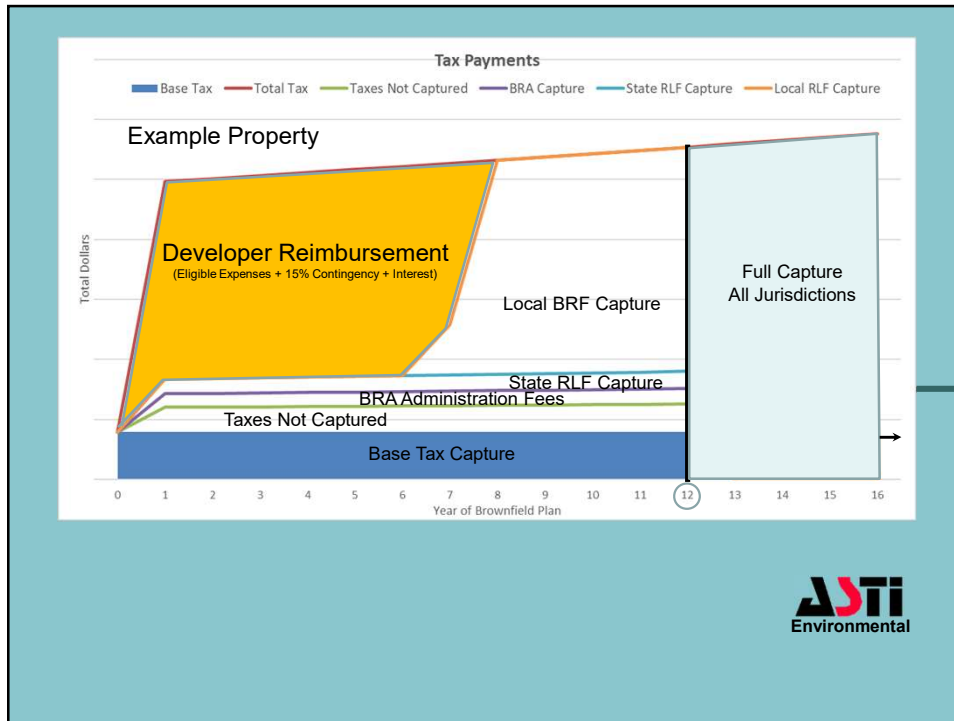


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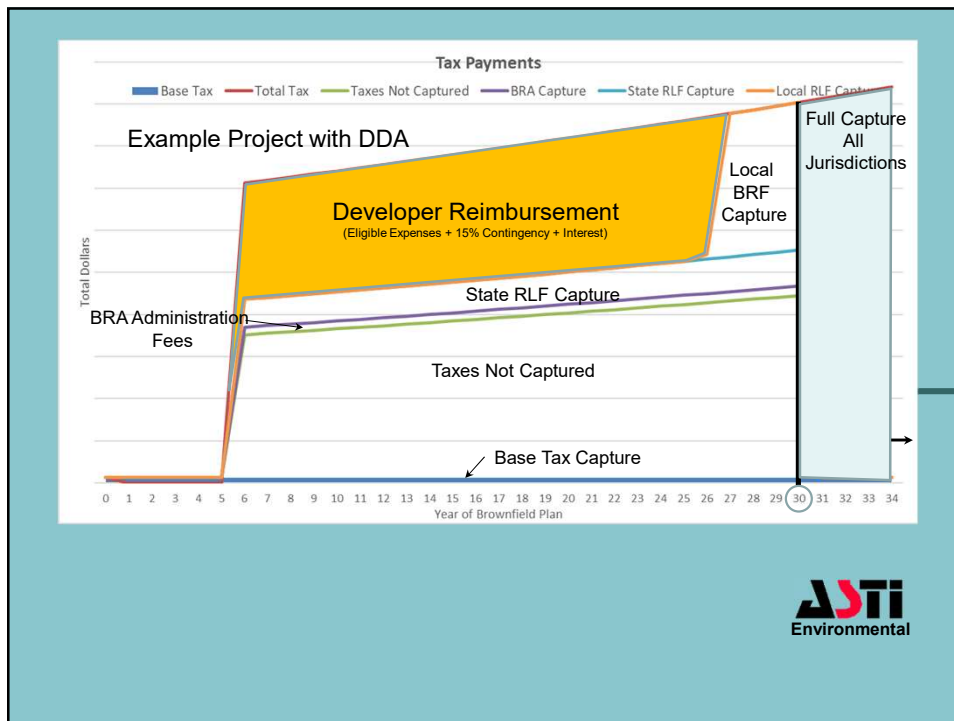


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Presentation to MEDA Economic Development Course



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Key Points in Attracting * Development

MEDA Economic Development Course

*Don't Forget Retaining



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A 12 Step Recovery Program

MEDA Economic Development Course



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12 Step Program Summary

1. Focus Efforts to Leverage Local Assets
2. Consider Area-Based Planning
3. Communicate Performance Expectations
4. Economic Considerations First
5. Have a Plan and Communicate It
6. See Who Has Skin in the Game
7. Look at Tax Impact with and without Project
8. Balance Incentives and Need
9. Leverage Local Commitment
10. Look at Tax Impact to All Jurisdictions
11. Consider Other Relevant Financial Contributions
12. Demand Performance

Thanks to the Subsidies Anonymous Recovery Program

2024

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Community Specific Objectives

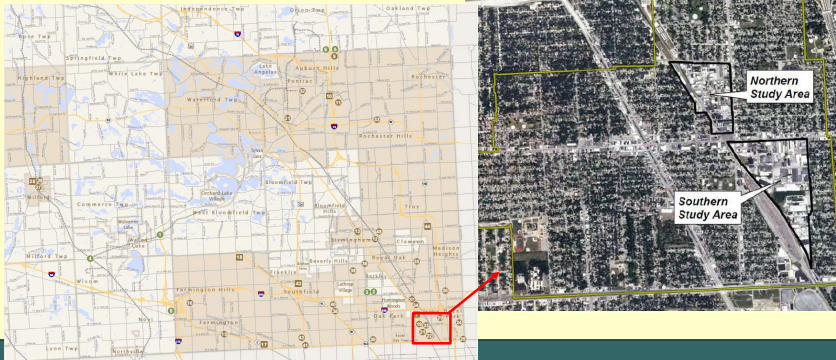
<h3>City of Flint</h3> <ul style="list-style-type: none"> A. Promote Economic Development and Job Creation Through the Reuse of Underutilized Properties B. Position Brownfield Redevelopment Projects to be Competitive with Traditional Development Projects C. Maximize the Impact of Incentives by Encouraging Brownfield Redevelopment that Complements Other Redevelopment Efforts D. Protect Human Health and the Environment Through the Use of Appropriate Remediation and Due Care Activities, and E. Maintain Transparency During the Approval Process" 	<h3>City of Rochester Hills</h3> <ul style="list-style-type: none"> 1. Incorporate a preference for source control, active remediation, or mitigation; 2. Create full time jobs; 3. Provide an increase in taxable value to the property and a potential beneficial effect in the area that would not have occurred without the incentives; and 4. Use these incentives only after all other sources of funding for eligible activities have been exhausted."
---	---

1 Focus Efforts to Leverage Local Assets

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Community Specific Objectives

Popcorn Incentives v. Catalytic Projects v. Area Planning



2 Consider Area-Based Impacts and Incentives

2024

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Return on Investment for Incentive

Threshold Criteria and Performance Criteria

"An eligible project **can be considered** for Brownfield incentives in the City if it meets all of the following criteria:

- The project Internal Rate of Return indicates that it requires incentives to be successful and would not occur without the incentives, and
- The development will ameliorate threats to public health or the environment that were caused by site conditions through remediation, mitigation or control or redevelopment of an historic resource."

"Projects **will be evaluated** based on, but not limited to, the following criteria:

- Amount of property tax generated
- Amount of investment on a square foot basis
- Job retention, creation and quality
- Location
- Existence of abandoned, blighted or functionally obsolete buildings
- Amelioration of threats to public health or the environment
- Whether the project will provide additional beneficial effects on the surrounding area and the community as a whole."

3 Communicate Performance Expectations

2024

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The Basic E+ Equation

Eligible Property + Eligible Activities +
Eligible Taxpayer = Eligible Project

(Brownfield+ Investment Listed as Eligible+
Innocent Landowner= Eligible Project)

2024

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The Basic E+ Equation Problem

Eligible Project (Brownfield):
Contaminated Above Residential
Functionally Obsolete
Blighted
Historic Resource
In a Land Bank
Adjacent and Contiguous

Desirable Project (Incentive Target Threshold Criteria):
Create Jobs
Sufficient Investment for Incentive
Defined Need (Financing Gap)
Contribute to Density and Area Wide Redevelopment
Can Will be Successfully Completed

2024

4 Economic Considerations First

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The Role of Policies and Procedures

- Setting Expectations for Applicants
- Collecting Review Fees
- Setting BRF Administrative Capture
- Funding a Revolving Loan Fund

5 Have a Plan and Communicate it

2024

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Anatomy of a Deal

- \$73M Investment
- 30 New Jobs
- \$8.2M TIF
- 12 Years
- \$10M MBT



3750 and 3800 Woodward, Detroit

2024

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But For Test

What is the Financing Gap?

Equity vs. Debt

Debt to Equity Ratio

Are Extraordinary Costs the Cause?

What are the Other Incentives and are They
"First In"?

2024

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But For Test

8% Equity
73% Debt
19% Incentives

Source	Total Cost	Summary of Funding Sources		
		Equity	Debt	Reimbursement
Developer Equity	\$ 5,940,844	\$ 5,940,844	\$ -	\$ -
Senior Debt	\$ 52,978,320	\$ -	\$ 52,978,320	\$ -
MBT Credit (w/o Contingency, Resale Value)	\$ 7,944,371	\$ 7,944,371	\$ -	\$ -
TIF Reimbursement (w/o Contingency)	\$ 5,938,450	\$ -	\$ -	\$ 5,938,450
Total Above	\$ 72,801,985	\$ 13,885,215	\$ 52,978,320	\$ 5,938,450

8.9:1 Debt to Equity

Uses	Total Cost	Summary of Funding Uses	
		Expended	Remaining
Site Acquisition	\$ 6,750,000		
Assessment and Brownfield Plan Costs	\$ 202,350		
Site Preparation Costs	\$ 636,600		
Site Improvements	\$ 2,146,475		
Infrastructure	\$ 7,920,600		
Demolition	\$ 1,174,500		
Construction/Renovation/Improvement	\$ 38,933,918		
Soft Costs and Fees	\$ 15,145,292		
Total Above	\$ 72,909,735		
Contingency	15%		
	\$ 10,936,460		
Subtotal With Contingency	\$ 83,846,195		
Financing Gap	\$ (107,750)		

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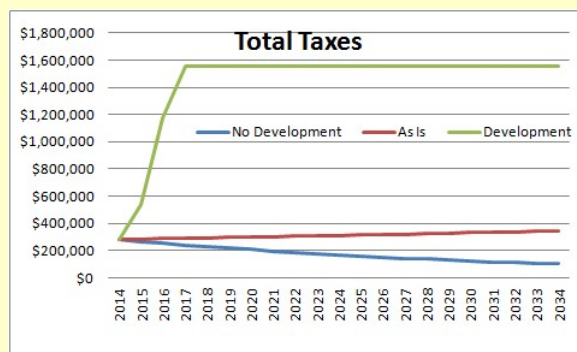
See Who Has Skin in the Game

See Attached

2024

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What If Not Test (the But Not Test)



7 Look at Tax Impact with and without Project

2024

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Evaluate Need v. Incentive

Assess Need Based on long term IRR not just Financing Gap

Determine a "Base Incentive" on Need

Adjust "Base Incentive" For Other Criteria

Be Consistent with Policy and Objectives

8 Balance Incentives and Financial Need

2024

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Presentation to MEDA Economic Development Course

Developer Return Analysis

Year	Cash Investment	Net			Net Cash Investment	Land/Building Investment	Net Developer Investment
		Developer Fees Rec'd	Cash flow	Sale Proceeds			
0	\$3,459,795	\$2,300,000	\$0	\$0	(\$1,159,795)	\$7,762,500	(\$8,922,295)
1		\$0	\$0	\$0	\$0	\$0	\$0
2		\$0	\$1,601,469	\$0	\$1,601,469	\$0	\$1,601,469
3		\$0	\$1,708,728	\$0	\$1,708,728	\$0	\$1,708,728
4		\$0	\$1,818,409	\$0	\$1,818,409	\$0	\$1,818,409
5		\$0	\$1,930,570	\$0	\$1,930,570	\$0	\$1,930,570
6		\$0	\$1,405,090	\$0	\$1,405,090	\$0	\$1,405,090
7		\$0	\$1,522,385	\$0	\$1,522,385	\$0	\$1,522,385
8		\$0	\$1,642,338	\$0	\$1,642,338	\$0	\$1,642,338
9		\$0	\$1,604,524	\$0	\$1,604,524	\$0	\$1,604,524
10		\$0	\$1,272,997	\$0	\$1,272,997	\$0	\$1,272,997
11		\$0	\$692,893	\$0	\$692,893	\$0	\$692,893
12		\$0	\$453,468	\$0	\$453,468	\$0	\$453,468
13		\$0	\$546,533	\$0	\$546,533	\$0	\$546,533
14		\$0	\$641,419	\$0	\$641,419	\$0	\$641,419
15		\$0	\$738,164	\$0	\$738,164	\$0	\$738,164
16		\$0	\$836,802	\$0	\$836,802	\$0	\$836,802
17		\$0	\$937,370	\$0	\$937,370	\$0	\$937,370
18		\$0	\$1,039,906	\$0	\$1,039,906	\$0	\$1,039,906
19		\$0	\$1,144,447	\$0	\$1,144,447	\$0	\$1,144,447
20		\$0	\$1,251,033	\$0	\$1,251,033	\$0	\$1,251,033
	\$3,459,795	\$2,300,000	\$22,788,544	\$0	\$22,788,544	\$7,762,500	\$22,788,544

MEDC IRR Worksheet

IRR = 12.47%

See Attached

2024

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Eligible Costs Included

Threshold IRR v. Extraordinary Costs Using Interest

Total Eligible Activities		Total Cost	Eligible Cost
1	Environmental Investigation and BEA/Due Care	\$ 107,350	\$ 107,350
2	Brownfield Plans (Brownfield Plan and 381 Work Plan)	\$ 95,000	\$ 20,000
3	Demolition	\$ 1,174,500	\$ 1,174,500
4	Site Work	\$ 636,600	\$ 636,600
5	Infrastructure	\$ 7,920,600	\$ 4,000,000
6	Contingency 15% (Excluding Task 2))	\$ 1,475,858	\$ 887,768
Total Eligible Activities		\$ 11,409,908	\$ 6,826,218
7	Interest	\$ 1,367,957	\$ 1,367,957
8	Capture for Authority	\$ 1,245,524	\$ 1,245,524
9	Capture for State BRF	\$ -	\$ -
10	Capture for Local LSSRF	\$ 3,015,537	\$ 3,015,537
Total Additional Capture		\$ 5,629,018	\$ 5,629,018
Total Above		\$ 17,038,925	\$ 12,455,235

} Extraordinary Costs

} Limited by Threshold IRR

} Interest Included Based On MEDC Calculation

See Attached

2024

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Local Share

Coordinating with
State Programs

Millage Category	Total Mills/\$1000	Total Capture
Wayne County Operating	0.9897	\$ 234,207
Wayne County Jail	0.9361	\$ 221,995
Wayne County Parks	0.2459	\$ 58,177
Wayne County HCMA	0.2146	\$ 50,783
Wayne County RESA (ISD)	0.0965	\$ 22,832
WCCC	3.2408	\$ 766,952
Wayne County Zoo	0.1000	\$ -
General City Operating	19.9520	\$ 4,721,775
Debt Service (City)	8.9962	\$ -
Library	4.6307	\$ 1,095,875
School Debt	13.0000	\$ -
Wayne County Tax (Winter)	5.6483	\$ 1,336,696
Wayne County RESA Sp Ed	3.3678	\$ 797,003
Wayne County DIA	0.2000	\$ -
School Judgment	0.1423	\$ -
School Operating	18.0000	\$ 2,361,716
School SET	6.0000	\$ 787,224
Total Incremental Tax	85.7619	\$ 12,455,236
Brownfield Tax Capture		
		Total
Tax Capture for Reimbursement		\$ 6,826,218
Interest Payment to Developer		\$ 1,367,957
Capture for Brownfield Authority		\$ 1,245,524
Capture for State BRF		\$ -
Capture for LSRRF		\$ 3,015,537
Total Capture:		\$ 12,455,236
Total Tax Capture		
		Total
Local Tax Capture		\$ 9,306,295
School Tax Capture		\$ 3,148,941
Total		\$ 12,455,236

Additional Local Capture

Proportional Local Share

See Attached

9 Leverage Local Commitment

2024

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State Share

Consider Entire
Incentive Package

Millage Category	Total Mills/\$1000	Total Capture
Wayne County Operating	0.9897	\$ 234,207
Wayne County Jail	0.9361	\$ 221,995
Wayne County Parks	0.2459	\$ 58,177
Wayne County HCMA	0.2146	\$ 50,783
Wayne County RESA (ISD)	0.0965	\$ 22,832
WCCC	3.2408	\$ 766,952
Wayne County Zoo	0.1000	\$ -
General City Operating	19.9520	\$ 4,721,775
Debt Service (City)	8.9962	\$ -
Library	4.6307	\$ 1,095,875
School Debt	13.0000	\$ -
Wayne County Tax (Winter)	5.6483	\$ 1,336,696
Wayne County RESA Sp Ed	3.3678	\$ 797,003
Wayne County DIA	0.2000	\$ -
School Judgment	0.1423	\$ -
School Operating	18.0000	\$ 2,361,716
School SET	6.0000	\$ 787,224
Total Incremental Tax	85.7619	\$ 12,455,236
Brownfield Tax Capture		
		Total
Tax Capture for Reimbursement		\$ 6,826,218
Interest Payment to Developer		\$ 1,367,957
Capture for Brownfield Authority		\$ 1,245,524
Capture for State BRF		\$ -
Capture for LSRRF		\$ 3,015,537
Total Capture:		\$ 12,455,236
Total Tax Capture		
		Total
Local Tax Capture		\$ 9,306,295
School Tax Capture		\$ 3,148,941
Total		\$ 12,455,236

Additional State Capture

Proportional State Share

See Attached

2024

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Presentation to MEDA Economic Development Course

Match Payment Period to Prediction

See Attached

		2014	2015	2016	2017	2025	2026	2027
Assumptions								
Estimated True Cash Value:						\$ 45,433,918		
Projected Taxable Value:						\$ 18,173,567		
Initial Taxable Value:						\$ 3,209,468		
Incremental Taxable Value:						\$ 14,884,099		
Eligible Activity								
Environmental Activities:						\$ 133,453		
Redevelopment Activities:						\$ 6,892,755		
Total Eligible Expense:						\$ 6,826,218		
Year		2014	2015	2016	2017	2025	2026	2027
Percent Complete		20%	70%	100%	100%	100%	100%	100%
Incremental Taxable Value		\$ -	\$ 2,976,820	\$ 10,418,869	\$ 14,884,099	\$ 14,884,099	\$ 14,884,099	\$ 14,884,099
New Personal Property		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Incremental Taxable Value		\$ -	\$ 2,976,820	\$ 10,418,869	\$ 14,884,099	\$ 14,884,099	\$ 14,884,099	\$ 14,884,099
Millage Category								
	Total							
Wayne County Operating	\$ 234,207	\$ -	\$ 2,946	\$ 10,311	\$ 14,730	\$ 14,730	\$ 14,730	\$ 14,730
Wayne County Jail	\$ 221,995	\$ -	\$ 2,792	\$ 9,773	\$ 13,962	\$ 13,962	\$ 13,962	\$ 13,962
Wayne County Parks	\$ 58,177	\$ -	\$ 731	\$ 2,561	\$ 3,659	\$ 3,659	\$ 3,659	\$ 3,659
Wayne County HCMA	\$ 50,783	\$ -	\$ 638	\$ 2,236	\$ 3,194	\$ 3,194	\$ 3,194	\$ 3,194
Wayne County RESA (ISD)	\$ 22,832	\$ -	\$ 287	\$ 1,005	\$ 1,436	\$ 1,436	\$ 1,436	\$ 1,436
WCCC	\$ 766,952	\$ -	\$ 9,647	\$ 33,765	\$ 49,236	\$ 49,236	\$ 49,236	\$ 49,236
Wayne County Zoo	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General City Operating	\$ 4,721,775	\$ -	\$ 59,393	\$ 207,877	\$ 296,967	\$ 296,967	\$ 296,967	\$ 296,967
Debt Service (City)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Library	\$ 1,095,875	\$ -	\$ 13,784	\$ 48,246	\$ 68,923	\$ 68,923	\$ 68,923	\$ 68,923
School Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wayne County Tax (Winter)	\$ 1,336,696	\$ -	\$ 16,813	\$ 58,848	\$ 84,069	\$ 84,069	\$ 84,069	\$ 84,069
Wayne County RESA Sp Ed	\$ 797,003	\$ -	\$ 10,025	\$ 35,088	\$ 50,126	\$ 50,126	\$ 50,126	\$ 50,126
Wayne County DIA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School Judgment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School Operating	\$ 2,361,716	\$ -	\$ 53,582	\$ 187,539	\$ 267,913	\$ 16,208	\$ 10,804	\$ 5,237
School SET	\$ 787,224	\$ -	\$ 17,860	\$ 62,513	\$ 89,303	\$ 5,402	\$ 3,601	\$ 1,745
Total Incremental Tax	\$ 12,456,236	\$ -	\$ 188,498	\$ 659,761	\$ 942,518	\$ 606,912	\$ 599,706	\$ 592,284
Brownfield Tax Capture								
	Total							
Tax Capture for Reimbursement	\$ 6,826,218	\$ -	\$ (0)	\$ 403,426	\$ 672,772	\$ 500,164	\$ 165,351	\$ -
Interest Payment to Developer	\$ 1,367,957	\$ -	\$ 169,649	\$ 190,357	\$ 175,494	\$ 39,366	\$ 19,974	\$ (0)
Capture for Brownfield Authority	\$ 1,245,524	\$ -	\$ 18,650	\$ 65,976	\$ 94,252	\$ 60,691	\$ 69,471	\$ 59,228
Capture for State BRF	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capture for LSRRF	\$ 3,015,537	\$ -	\$ -	\$ -	\$ -	\$ 6,680	\$ 354,411	\$ 533,056
Total Capture:	\$ 12,456,236	\$ -	\$ 188,498	\$ 659,761	\$ 942,518	\$ 606,912	\$ 599,706	\$ 592,284

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Evaluate Revenues v. Incentive

\$8.4M In Base Taxes Means \$23.2M in Additional Tax Revenue (176% Increase)

Look at 30-yr Tax Revenues

Millage Category	Total Taxes	Taxes to Jurisdictions	Tax Capture for This Plan		
			Total Capture	Capture for Reimbursement and BRA	Capture for LSRRF
Wayne County Operating	\$508,657	\$274,450	\$234,207	\$159,025	\$75,182
Wayne County Jail	\$482,137	\$260,142	\$221,995	\$150,733	\$71,262
Wayne County Parks	\$126,380	\$68,203	\$58,177	\$39,501	\$18,676
Wayne County HCMA	\$110,294	\$59,511	\$50,783	\$34,481	\$16,302
Wayne County RESA (ISD)	\$49,596	\$26,764	\$22,832	\$15,503	\$7,329
WCCC	\$1,765,610	\$898,658	\$766,952	\$520,755	\$246,197
Wayne County Zoo	\$51,395	\$51,395	\$0	\$0	\$0
General City Operating	\$10,274,339	\$5,532,564	\$4,721,775	\$3,206,051	\$1,515,724
Debt Service (City)	\$4,623,087	\$4,623,087	\$0	\$0	\$0
Library	\$2,379,950	\$1,284,075	\$1,095,875	\$744,091	\$351,784
School Debt	\$6,681,355	\$6,681,355	\$0	\$0	\$0
Wayne County Tax (Winter)	\$2,902,946	\$1,566,250	\$1,336,696	\$907,607	\$429,089
Wayne County RESA Sp Ed	\$1,740,862	\$933,879	\$797,003	\$541,159	\$255,844
Wayne County DIA	\$182,790	\$102,790	\$0	\$0	\$0
School Judgment	\$73,111	\$73,111	\$0	\$0	\$0
School Operating	\$9,251,107	\$6,889,391	\$2,361,716	\$2,340,605	\$21,112
School SET	\$3,083,702	\$2,296,478	\$787,224	\$780,189	\$7,035
Total Incremental Tax	\$44,077,339	\$31,622,104	\$12,455,236	\$9,439,699	\$3,015,537

\$31.6M to Jurisdictions (71%) \$8.2M to Applicant (19%)

10 Look at Tax Impact to All Jurisdictions

See Attached

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Evaluate Total Impact

Look at Impact Beyond Property Taxes (Net Benefits Analysis)

	No.	20-Yr Impact		20-Yr Impact
Income Tax Direct Jobs	190	\$ 3,350,400	Brownfield TIF	\$ 6,826,218
Income Tax Indirect Jobs	285	\$ 6,700,800	Interest	\$ 1,367,957
Income Tax Construction Jobs	300	\$ 225,000	MBT Credit	\$ 10,000,000
Real Net Property Tax		\$ 20,297,176		
Personal Property Tax		\$ 4,200,000		
Corporate Income Tax		\$ 907,863		

\$35.7M Impact

\$18.2M Incentive
\$9.3M Local Taxes

11 Consider Other Relevant Financial Contributions

2024

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Timing

“Unless otherwise agreed to in writing by the BRA, this Plan will expire and no longer be valid if the applicant does not execute a Reimbursement Agreement within **one hundred and eighty days** of the date the Plan is approved by City Council. To remain eligible for the approved incentives, eligible activities must start within **eighteen months** of Plan approval, construction must start within **five years** of the executed Reimbursement Agreement, and construction must be completed within **three years** of the estimated completion date.”

12 Demand Performance

2024

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Clawback Provisions

How much investment is substantially compliant?
Rigorous review of content and date of
reimbursement requests

2024

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Lessons Learned

MEDA Economic Development Course



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Focus on Process

Single Point of Contract for Entire Process
Transparent, Predictable and Timely Process
Early Screening of Incentives
Build Incentives Team with State
Communicate Advantages
Listen to Advantages

2024

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Be Developer Ready

Reduce Uncertainty
Publish and Implement Policies and Procedures
Manage Timelines
Coordinate Meetings
Only Real Incentives Count
Control the Incentives = Control the Conversation
The Real Estate Essentials Have Not
Changed

2024

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Keep in Mind the Final Outcome

Create Sense of Place and Great Design
Drive Appropriate Clean-Up
Drive Appropriate Site Design
Leverage Incentives
Catalytic Projects v. Consistent Development

2024

123

Focus on Area-Wide Planning

Single Sited-ness Is Out
Coordinate Efforts Around Redevelopment
Hubs
Economic Gardening on Local Clusters
Coordinate Efforts Between Communities

2024

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Lessons Learned

For urban redevelopment, it's a question of **how much uncertainty**

The full financial benefits are **rarely available**

A bad deal is still a bad deal

2024

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Additional Reading

Building Small by Jim Heid (ULI Bookstore)

ULI Emerging Trends in Real Estate

The Option of Urbanism by Christopher
Leinberger

The Brookings Institute: Turning Around
Downtown: Twelve Steps to Revitalization
by Christopher Leinberger

2024



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Additional Reading

Last Harvest by Witold Rybczynski
Real Estate Development, Principles and
Process, Edited by Mike Miles et al
Northeast Midwest Institute: The
Environmental and Economic Impacts of
Brownfields Redevelopment
Energy Benefits of Urban Infill, Brownfields,
and Sustainable Urban Redevelopment

2024



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Additional Resources

- MEDA - www.medaweb.org/
- Michigan Laws - www.legislature.mi.gov
- MEDC - www.michiganbusiness.org
- EGLE Grants and Loans -
www.michigan.gov/egle/regulatory-assistance/grants-and-financing
- EPA Brownfields - www.epa.gov/brownfields

2024



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Additional Resources

- Urban Land Institute at www.uli.org/
- International Council of Shopping Centers at www.icsc.org/
- National Brownfield Conference at <https://gobrownfields.org/>
- Brookings Institute Metropolitan Policy Program at www.brookings.edu/programs/brookings-metro/

2024



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Q&A

Tom Wackerman
810-599-5763 (c)
twacker@asti-env.com
www.asti-env.com



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The Real Estate Development Feasibility Chart

The steps below represent the risks for the development of new or rehabilitated real estate.
The order outlines the steps required to properly conduct the feasibility process.

Most Critical Risks for Your Development:



SMART NAPKIN - April 26, 2008

LAND COST ASSUMPTIONS

	Pessimistic	Realistic	Optimistic
Land Cost	\$1,155,000	\$1,100,000	\$1,045,000
Land Area in sf	10890	10,890.00	10890
Land Area in Acres	0.25	0.25	0.25

CONSTRUCTION (HARD) COST ASSUMPTIONS

Demolition	\$11,000	\$10,000	\$9,000
Clearing	\$11,000	\$10,000	\$9,000
Utilities	\$44,000	\$40,000	\$36,000
Landscaping	\$11,000	\$10,000	\$9,000
Paving (% of lot cover)	10%	\$4,792	\$4,356
Building cost / sf - units	\$193	\$175	\$158
Total cost - units	\$5,103,175	\$4,639,250	\$4,175,325
Covered parking sf (cars)	24	9,900	9,000
Building cost / sf - covered parking	\$55	\$50	\$45
Total cost - covered parking	\$544,500	\$450,000	\$364,500
Common area (% of total)	18%	7,031	6,392
Building cost / sf - common area	\$165	\$150	\$135
Total cost - common area	\$1,160,112	\$958,770	\$776,604

SOFT COST ASSUMPTIONS

Survey	\$5,500	\$5,000	\$4,500
Soil Investigation	\$11,000	\$10,000	\$9,000
Site Engineering	\$55,000	\$50,000	\$45,000
Architectural (% of Const)	8.0%	\$532,226	\$483,842
Environmental	\$11,000	\$10,000	\$9,000
Legal	\$27,500	\$25,000	\$22,500
Insurance	\$11,000	\$10,000	\$9,000
Prop taxes/year (mil rate)	15	\$9,075	\$8,250
Permits / fees	\$110,000	\$100,000	\$90,000

PRO FORMA SUMMARY

	Pessimistic	Realistic	Optimistic
Gross sales income	\$8,879,400	\$9,866,000	\$10,852,600
Land cost	\$1,155,000	\$1,100,000	\$1,045,000
Sitework cost	\$81,792	\$74,356	\$66,920
Building cost	\$6,807,787	\$6,048,020	\$5,316,429
Soft cost	\$772,301	\$702,092	\$631,882
Pre const holding costs	\$244,184	\$197,320	\$0
Construction Financing costs	\$537,761	\$352,628	\$212,854
Sales Financing Costs	\$422,348	\$169,488	\$65,458
Sales commission / closing costs	\$654,960	\$365,980	\$224,990
GROSS PROFIT / (LOSS)	(\$1,796,732)	\$856,116	\$3,289,066
(Profit %)	-17%	10%	43%
(Ave Land cost / unit)	\$22,647	\$21,569	\$20,490
(Total Construction (Hard) costs)	\$8,044,578	\$7,222,376	\$6,428,349
(Total project costs)	\$10,676,132	\$9,009,884	\$7,563,534

Tota; Costs Per Square Foot

Land	\$31 SF	Floor Area Ratio	326%
Hard	\$172 SF		
Soft incl fin & cc	\$50 SF	Including financing and commissions	
Profit	\$24 sf		

FINANCIAL ASSUMPTIONS

	Pessimistic	Realistic	Optimistic
Interest Rate	8.80%	8.00%	7.20%
Pre const land holding duration - months	3.8	3	
Construction duration - months	11.3	9.0	6.8
Months to sell after construction	6.0	3.0	1.5

GENERAL SALES DATA

Sales Commissions (%)	3%	\$591,960	\$295,980	\$147,990
Closing Costs		\$49,500	\$55,000	\$60,500
Title - Recording		\$13,500	\$15,000	\$16,500

UNIT DATA

Description	SF/Unit	# of Units	Total SF
A - Old West Side Café & Bistro		3,270	1
B - Walkout/Garden live work units		1,770	2
C - Below grade basement parking		375	24
D - Smaller 1 bedroom on 2nd & 3rd floor		650	2
E - Larger 1 bedroom on 2nd & 3rd floor		750	14
F - 2 bedroom on 4th flr with mezzanine Loft		1,000	7
G - Small 2 bedroom with lofi		900	1
TOTALS			51

A - Sales Price Per sf	\$315	\$350	\$385
B - Sales Price Per sf	\$315	\$350	\$385
C - Sales Price Per sf	\$108	\$120	\$132
D - Sales Price Per sf	\$293	\$325	\$358
E - Sales Price Per sf	\$293	\$325	\$358
F - Sales Price Per sf	\$293	\$325	\$358
G - Sales Price Per sf	\$293	\$325	\$358

AVE PRICE / SF	\$273	\$303	\$333
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A - Sales Price Per Unit	\$1,030,050	\$1,144,500	\$1,258,950
B - Sales Price Per Unit	\$557,550	\$619,500	\$681,450
C - Sales Price Per Unit	\$40,500	\$45,000	\$49,500
D - Sales Price Per Unit	\$190,125	\$211,250	\$232,375
E - Sales Price Per Unit	\$219,375	\$243,750	\$268,125
F - Sales Price Per Unit	\$292,500	\$325,000	\$357,500
G - Sales Price Per Unit	\$263,250	\$292,500	\$321,750

AVE PRICE / UNIT	\$370,479	\$411,643	\$452,807
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Total sales - Unit A	\$1,030,050	\$1,144,500	\$1,258,950
Total sales - Unit B	\$1,115,100	\$1,239,000	\$1,362,900
Total sales - Unit C	\$972,000	\$1,080,000	\$1,188,000
Total sales - Unit D	\$380,250	\$422,500	\$464,750
Total sales - Unit E	\$3,071,250	\$3,412,500	\$3,753,750
Total sales - Unit F	\$2,047,500	\$2,275,000	\$2,502,500
Total sales - Unit G	\$263,250	\$292,500	\$321,750

TOTAL SALES	\$8,879,400	\$9,866,000	\$10,852,600
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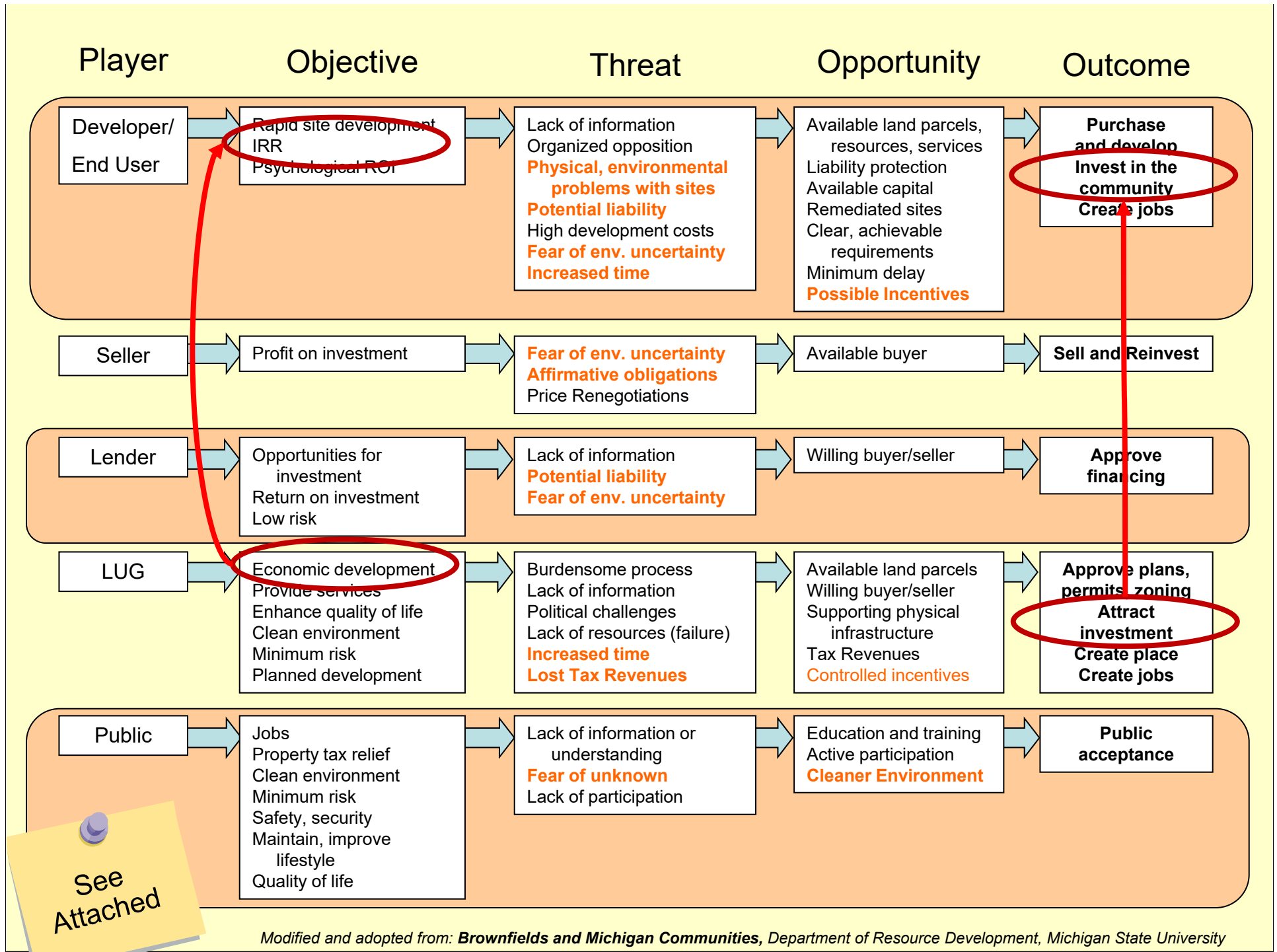
What Makes a Great Place?



- key attributes
- intangibles
- measurements

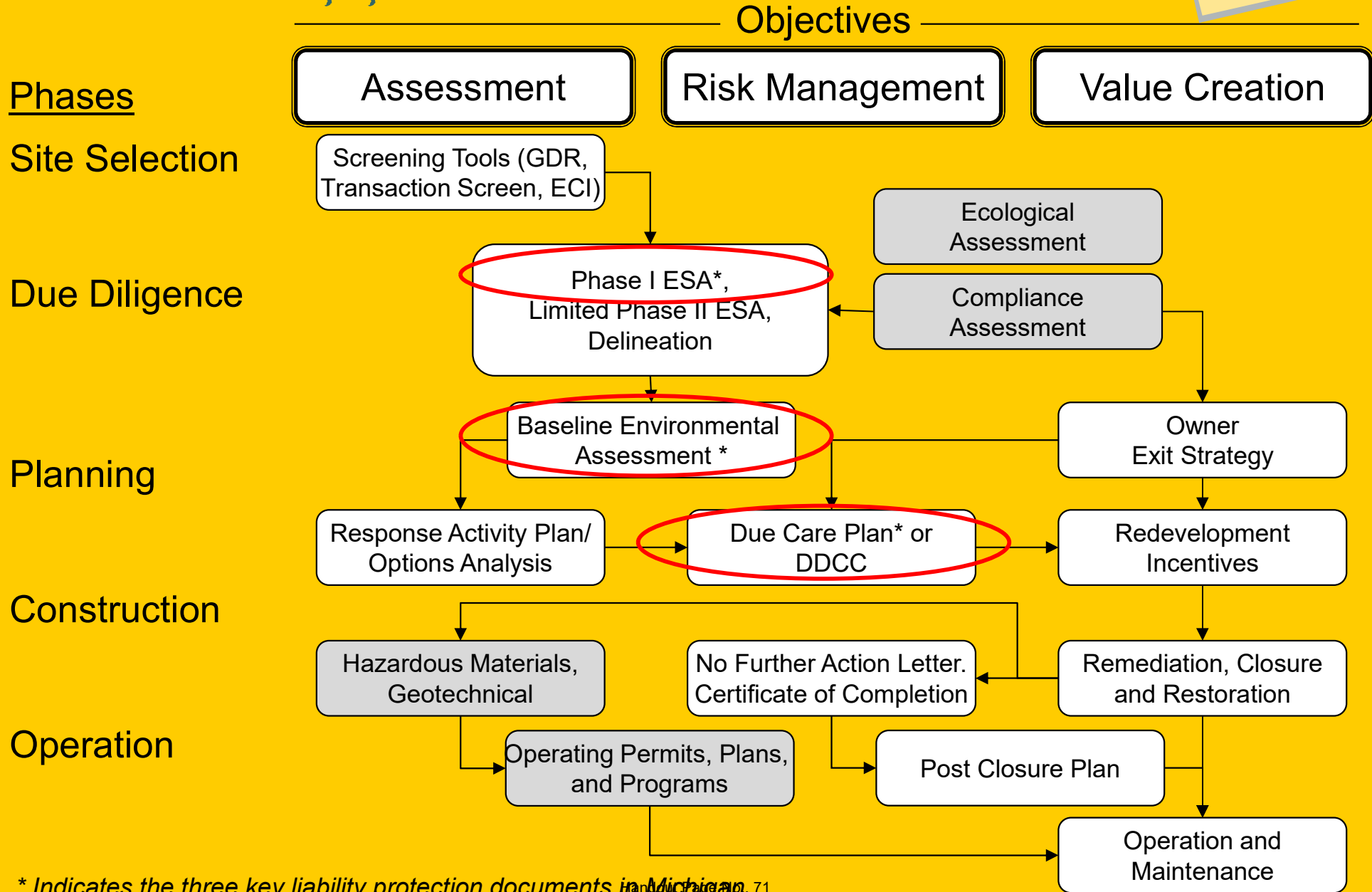


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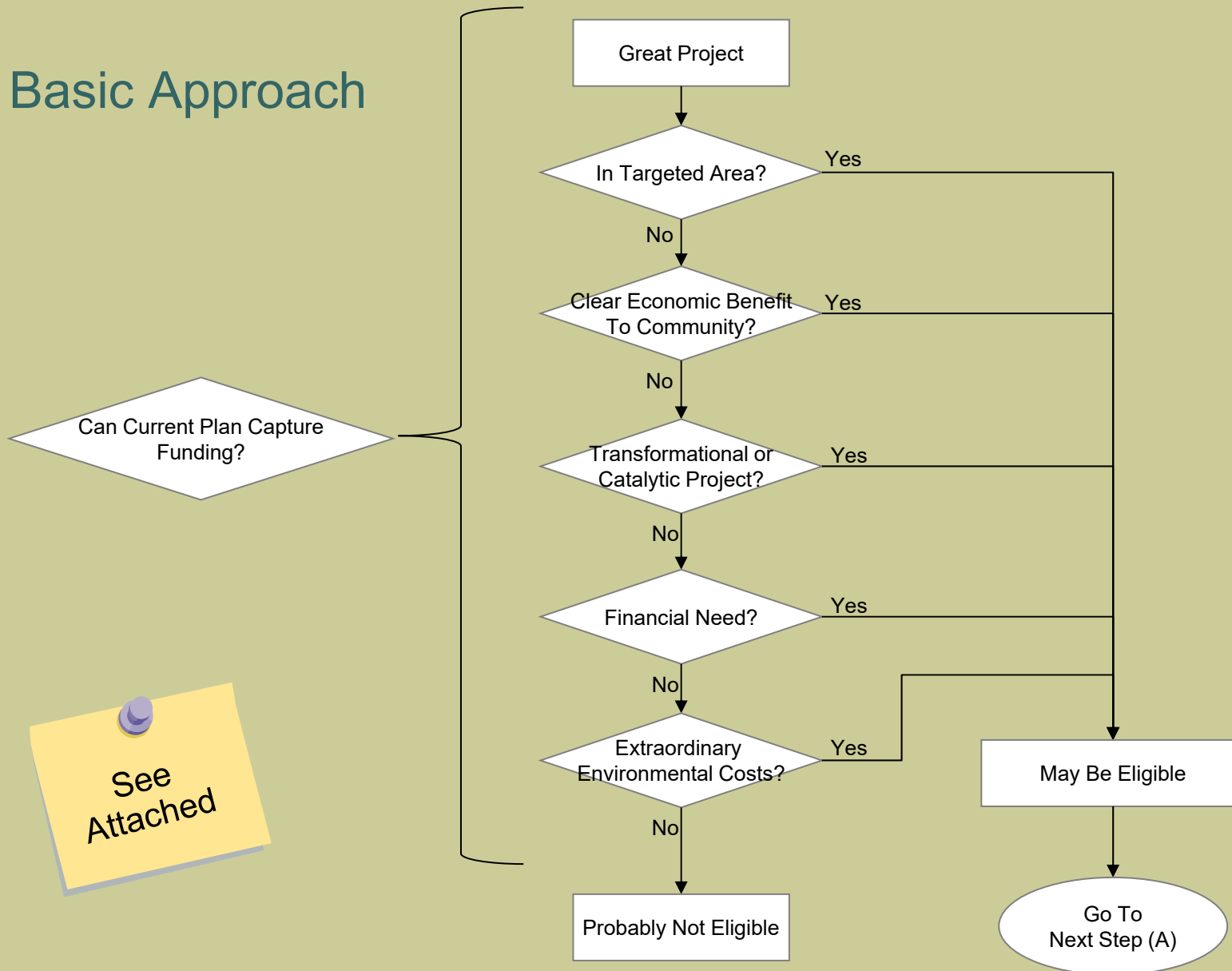
Modified and adopted from: *Brownfields and Michigan Communities*, Department of Resource Development, Michigan State University

Basic Approach - Environmental



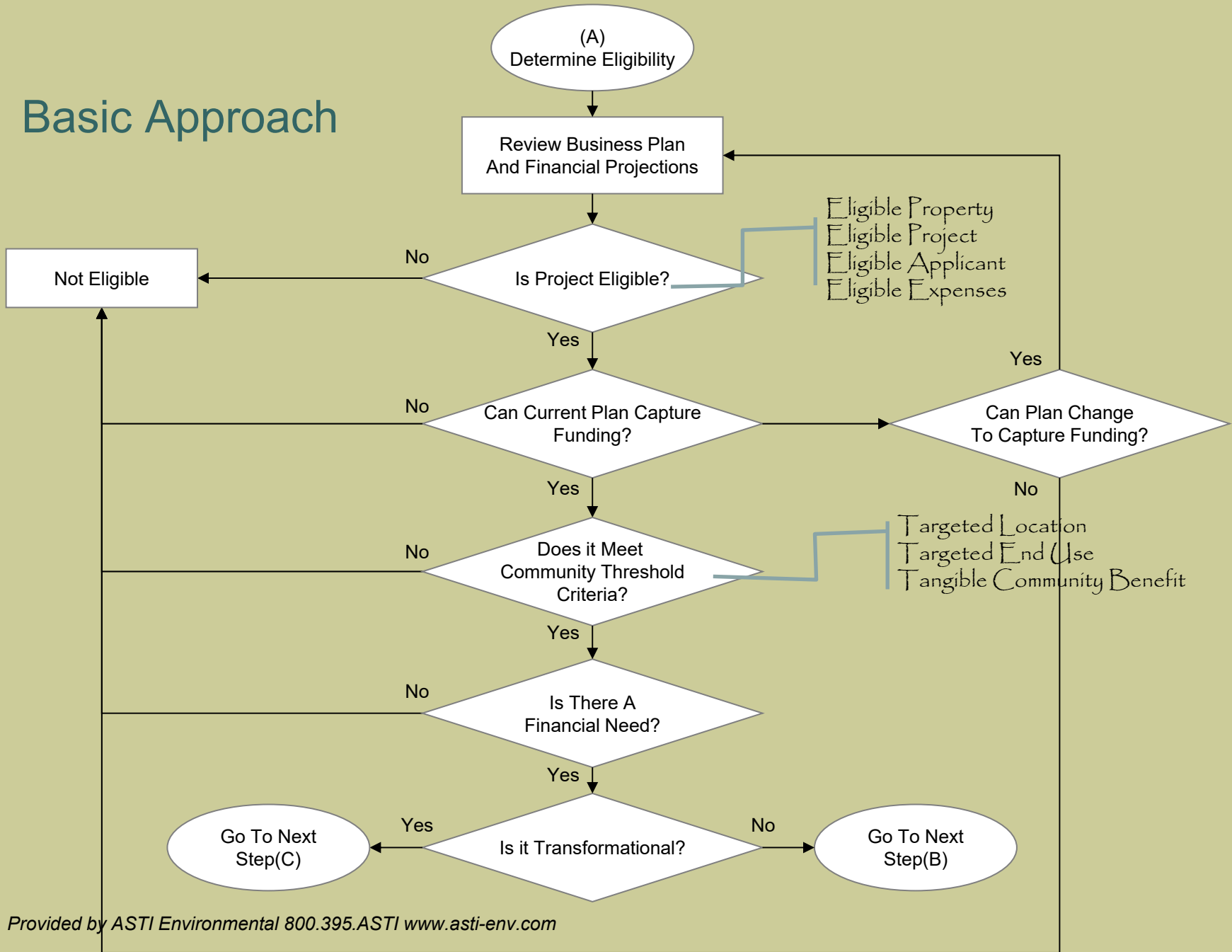
* Indicates the three key liability protection documents in Michigan. (Michigan Dept. of Environment & Natural Resources, 71)

Basic Approach



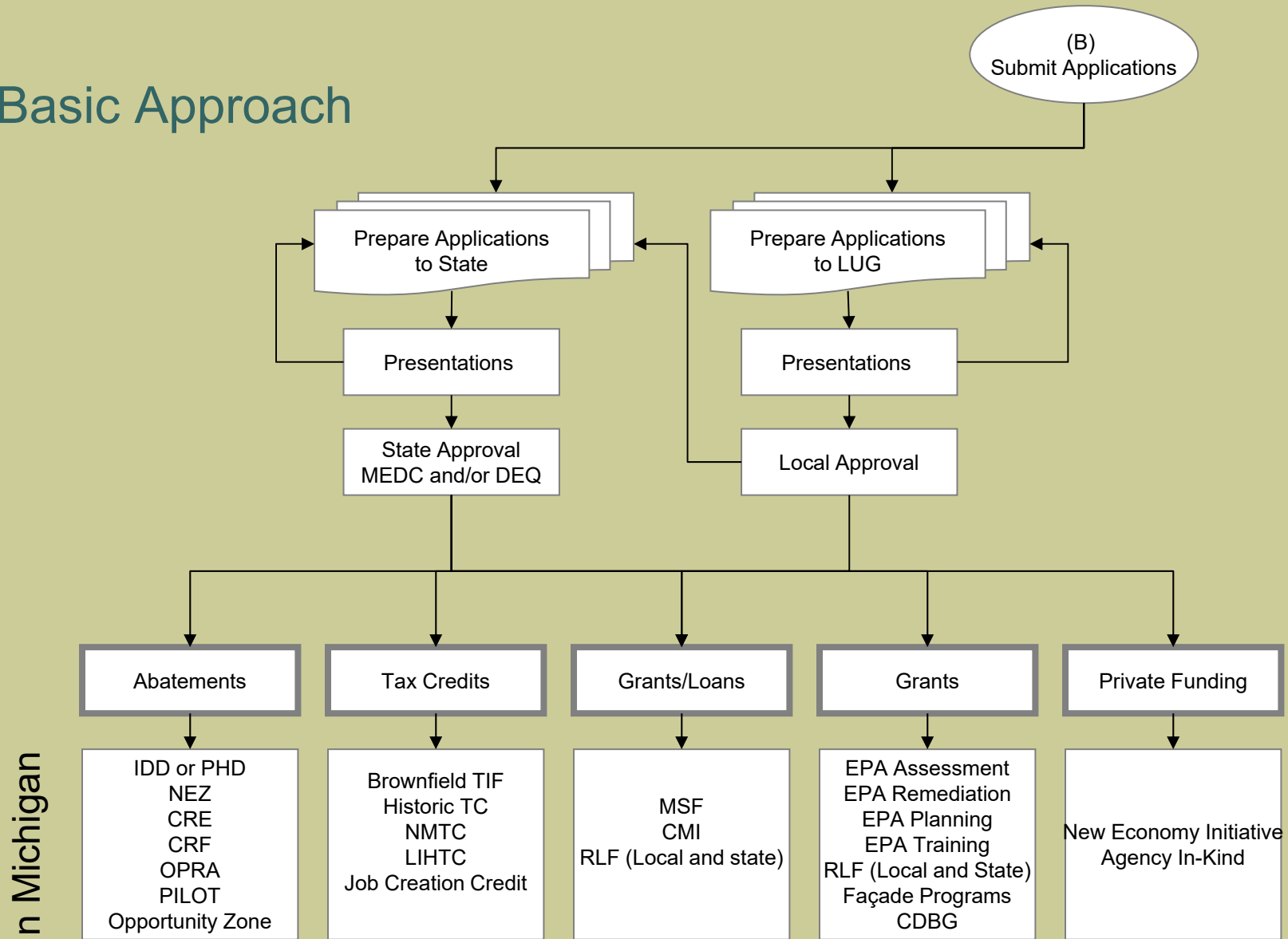
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Basic Approach



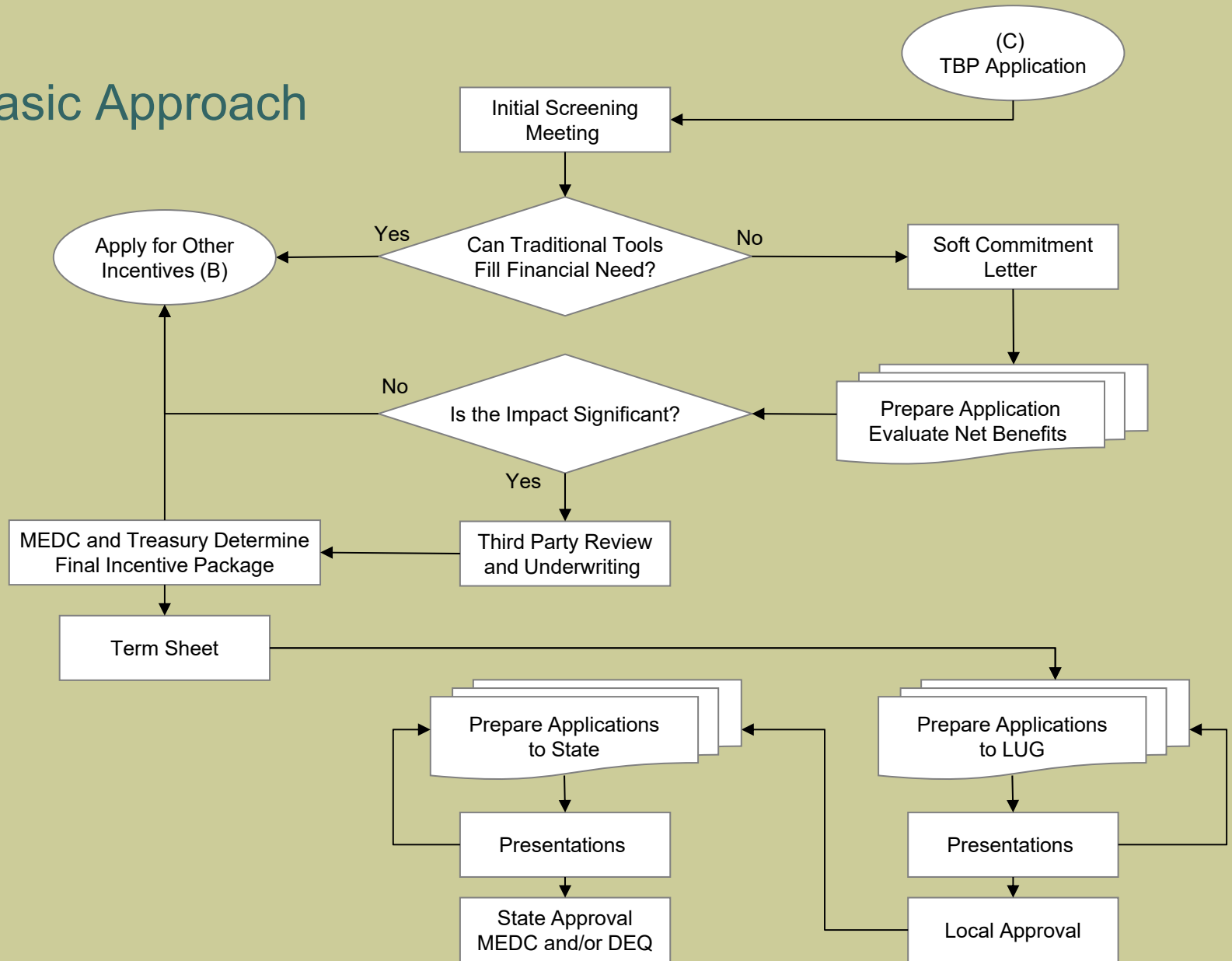
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Basic Approach



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Basic Approach



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Project Funding

Offset Benefits "True" Benefits

Summary of Funding Sources

Investments	Total Cost	Grant Funded	Environmental TIF Funded	Redevelopment TIF Funded	CRP Grant MBT Credit	Developer Investment
Site Acquisition	\$3,402,500	\$0	\$0	\$0	\$0	\$3,402,500
Environmental Investigation	\$121,900	\$15,300	\$103,500	\$0	\$0	\$3,100
Remediation						
Site Preparation	\$55,000	\$0	\$0	\$0	\$0	\$55,000
Public Infrastructure	\$500,000	\$0	\$0	\$500,000	\$0	\$0
Demolition	\$183,000	\$0	\$0	\$183,000	\$0	\$0
Construction Costs	\$4,825,000	\$0	\$0	\$0	\$603,125	\$4,221,875
Other Construction Costs	\$1,594,600	\$0	\$0	\$0	\$2,500	\$1,592,100
Total Above	\$10,682,000	\$15,300	\$103,500	\$683,000	\$605,625	\$9,274,575
Contingency	15%	15%	15%	15%	15%	15%
	\$1,602,300	\$2,295	\$15,525	\$102,450	\$90,844	\$1,391,186
Total With Contingency	\$12,284,300	\$17,595	\$119,025	\$785,450	\$696,469	\$10,665,761

No "Double Dipping"

Example Small Project 1
2021



But For Test

8% Equity
73% Debt
19% Incentives

Summary of Funding Sources					
Source	Total Cost	Equity	Debt	Reimbursement	
Developer Equity	\$ 5,940,844	\$ 5,940,844	\$ -	\$ -	\$ -
Senior Debt	\$ 52,978,320	\$ -	\$ 52,978,320	\$ -	\$ -
MBT Credit (w/o Contingency, Resale Value)	\$ 7,944,371	\$ 7,944,371	\$ -	\$ -	\$ -
TIF Reimbursement (w/o Contingency)	\$ 5,938,450	\$ -	\$ -	\$ 5,938,450	\$ -
Total Above	\$ 72,801,985	\$ 13,885,215	\$ 52,978,320	\$ 5,938,450	\$ -

8.9:1 Debt to Equity

Summary of Funding Uses			
Uses	Total Cost	Expended	Remaining
Site Acquisition	\$ 6,750,000		
Assessment and Brownfield Plan Costs	\$ 202,350		
Site Preparation Costs	\$ 636,600		
Site Improvements	\$ 2,146,475		
Infrastructure	\$ 7,920,600		
Demolition	\$ 1,174,500		
Construction/Renovation/Improvement	\$ 38,933,918		
Soft Costs and Fees	\$ 15,145,292		
Total Above	\$ 72,909,735	\$ -	\$ -
Contingency	15%		
	\$ 10,936,460		
Subtotal With Contingency	\$ 83,846,195	\$ -	\$ -
Financing Gap	\$ (107,750)	\$ -	\$ -

6 See Who Has Skin in the Game



Developer Return Analysis

Year	Cash Investment	Net Developer Fees Rec'd	Cash flow	Sale Proceeds	Net Cash Investment	Land/Building Investment	Net Developer Investment
0	\$3,459,795	\$2,300,000	\$0	\$0	(\$1,159,795)	\$7,762,500	(\$8,922,295)
1		\$0	\$0	\$0	\$0	\$0	\$0
2		\$0	\$1,601,469	\$0	\$1,601,469	\$0	\$1,601,469
3		\$0	\$1,708,728	\$0	\$1,708,728	\$0	\$1,708,728
4		\$0	\$1,818,409	\$0	\$1,818,409	\$0	\$1,818,409
5		\$0	\$1,930,570	\$0	\$1,930,570	\$0	\$1,930,570
6		\$0	\$1,405,090	\$0	\$1,405,090	\$0	\$1,405,090
7		\$0	\$1,522,385	\$0	\$1,522,385	\$0	\$1,522,385
8		\$0	\$1,642,338	\$0	\$1,642,338	\$0	\$1,642,338
9		\$0	\$1,604,524	\$0	\$1,604,524	\$0	\$1,604,524
10		\$0	\$1,272,997	\$0	\$1,272,997	\$0	\$1,272,997
11		\$0	\$692,893	\$0	\$692,893	\$0	\$692,893
12		\$0	\$453,468	\$0	\$453,468	\$0	\$453,468
13		\$0	\$546,533	\$0	\$546,533	\$0	\$546,533
14		\$0	\$641,419	\$0	\$641,419	\$0	\$641,419
15		\$0	\$738,164	\$0	\$738,164	\$0	\$738,164
16		\$0	\$836,802	\$0	\$836,802	\$0	\$836,802
17		\$0	\$937,370	\$0	\$937,370	\$0	\$937,370
18		\$0	\$1,039,906	\$0	\$1,039,906	\$0	\$1,039,906
19		\$0	\$1,144,447	\$0	\$1,144,447	\$0	\$1,144,447
20		\$0	\$1,251,033	\$0	\$1,251,033	\$0	\$1,251,033
	\$3,459,795	\$2,300,000	\$22,788,544	\$0	\$22,788,544	\$7,762,500	\$22,788,544

MEDC IRR Worksheet

IRR = 12.47%



Eligible Costs Included

Threshold IRR v. Extraordinary Costs Using Interest

Total Eligible Activities		Total Cost	Eligible Cost
1	Environmental Investigation and BEA/Due Care	\$ 107,350	\$ 107,350
2	Brownfield Plans (Brownfield Plan and 381 Work Plan)	\$ 95,000	\$ 20,000
3	Demolition	\$ 1,174,500	\$ 1,174,500
4	Site Work	\$ 636,600	\$ 636,600
5	Infrastructure	\$ 7,920,600	\$ 4,000,000
6	Contingency 15% (Excluding Task 2))	\$ 1,475,858	\$ 887,768
<i>Total Eligible Activities</i>		\$ 11,409,908	\$ 6,826,218
7	Interest	\$ 1,367,957	\$ 1,367,957
8	Capture for Authority	\$ 1,245,524	\$ 1,245,524
9	Capture for State BRF	\$ -	\$ -
10	Capture for Local LSSRF	\$ 3,015,537	\$ 3,015,537
<i>Total Additional Capture</i>		\$ 5,629,018	\$ 5,629,018
Total Above		\$ 17,038,925	\$ 12,455,235

All Eligible

} Extraordinary Costs

} Limited by Threshold IRR

} Interest Included Based
On MEDC Calculation

Local Share

Coordinating with State Programs

Millage Category	Total Mills/\$1000	Total Capture
Wayne County Operating	0.9897	\$ 234,207
Wayne County Jail	0.9381	\$ 221,995
Wayne County Parks	0.2459	\$ 58,177
Wayne County HCMA	0.2146	\$ 50,783
Wayne County RESA (ISD)	0.0965	\$ 22,832
WCCC	3.2408	\$ 766,952
Wayne County Zoo	0.1000	\$ -
General City Operating	19.9520	\$ 4,721,775
Debt Service (City)	8.9952	\$ -
Library	4.6307	\$ 1,095,875
School Debt	13.0000	\$ -
Wayne County Tax (Winter)	5.6483	\$ 1,336,696
Wayne County RESA Sp Ed	3.3678	\$ 797,003
Wayne County DIA	0.2000	\$ -
School Judgment	0.1423	\$ -
School Operating	18.0000	\$ 2,361,716
School SET	6.0000	\$ 787,224
Total Incremental Tax	85.7619	\$ 12,455,236
Brownfield Tax Capture		Total
Tax Capture for Reimbursement		\$ 6,826,218
Interest Payment to Developer		\$ 1,367,957
Capture for Brownfield Authority		\$ 1,245,524
Capture for State BRF		\$ -
Capture for LSRRF		\$ 3,015,537
Total Capture:		\$ 12,455,236
Total Tax Capture		
Local Tax Capture		\$ 9,306,295
School Tax Capture		\$ 3,148,941
Total		\$ 12,455,236

Additional Local Capture

Proportional Local Share



9 Leverage Local Commitment

2021

State Share

Consider Entire Incentive Package

Millage Category	Total Mills/\$1000	Total Capture
Wayne County Operating	0.9897	\$ 234,207
Wayne County Jail	0.9381	\$ 221,995
Wayne County Parks	0.2459	\$ 58,177
Wayne County HCMA	0.2146	\$ 50,783
Wayne County RESA (ISD)	0.0965	\$ 22,832
WCCC	3.2408	\$ 766,952
Wayne County Zoo	0.1000	\$ -
General City Operating	19.9520	\$ 4,721,775
Debt Service (City)	8.9952	\$ -
Library	4.6307	\$ 1,095,875
School Debt	13.0000	\$ -
Wayne County Tax (Winter)	5.6483	\$ 1,336,696
Wayne County RESA Sp Ed	3.3678	\$ 797,003
Wayne County DIA	0.2000	\$ -
School Judgment	0.1423	\$ -
School Operating	18.0000	\$ 2,361,716
School SET	6.0000	\$ 787,224
Total Incremental Tax	85.7619	\$ 12,455,236
Brownfield Tax Capture		Total
Tax Capture for Reimbursement		\$ 6,826,218
Interest Payment to Developer		\$ 1,367,957
Capture for Brownfield Authority:		\$ 1,245,524
Capture for State BRF		\$ -
Capture for LSRRF		\$ 3,015,537
Total Capture:		\$ 12,455,236
Total Tax Capture		
Local Tax Capture		\$ 9,386,295
School Tax Capture		\$ 3,148,941
Total		\$ 12,455,236

Additional State Capture

Proportional State Share



\$8.4M In Base Taxes Means \$23.2M in Additional Tax Revenue (176% Increase)

Evaluate Revenues v. Incentive

Look at 30-yr Tax Revenues

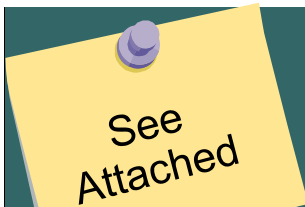
Not Captured

Millage Category	Total Taxes	Taxes to Jurisdictions	Tax Capture for This Plan		
			Total Capture	Capture for Reimbursement and BRA	Capture for LSRRE
Wayne County Operating	\$508,657	\$274,450	\$234,207	\$159,025	\$75,182
Wayne County Jail	\$482,137	\$260,142	\$221,995	\$150,733	\$71,262
Wayne County Parks	\$126,380	\$68,203	\$58,177	\$39,501	\$18,676
Wayne County HCMA	\$110,294	\$59,511	\$50,783	\$34,481	\$16,302
Wayne County RESA (SD)	\$49,596	\$26,764	\$22,832	\$15,503	\$7,329
WCCC	\$1,665,610	\$898,658	\$766,952	\$520,755	\$246,197
Wayne County Zoo	\$51,395	\$51,395	\$0	\$0	\$0
General City Operating	\$10,244,339	\$5,532,564	\$4,721,775	\$3,206,051	\$1,515,724
Debt Service (City)	\$4,623,087	\$4,623,087	\$0	\$0	\$0
Library	\$2,379,950	\$1,284,075	\$1,095,875	\$744,091	\$351,784
School Debt	\$6,681,355	\$6,681,355	\$0	\$0	\$0
Wayne County Tax (Winter)	\$2,902,946	\$1,566,250	\$1,336,696	\$907,607	\$429,089
Wayne County RESA Sp Ed	\$1,730,882	\$933,879	\$797,003	\$541,159	\$255,844
Wayne County DIA	\$102,790	\$102,790	\$0	\$0	\$0
School Judgment	\$73,111	\$73,111	\$0	\$0	\$0
School Operating	\$9,251,107	\$6,889,391	\$2,361,716	\$2,340,605	\$21,112
School SET	\$3,083,702	\$2,296,478	\$787,224	\$780,189	\$7,035
Total Incremental Tax	\$44,077,339	\$31,622,104	\$12,455,236	\$9,439,699	\$3,015,537

Future Incentive

\$31.6M to Jurisdictions (71%)

\$8.2M to Applicant (19%)



10

Look at Tax Impact to All Jurisdictions

FIRM PROFILE

ASTI ENVIRONMENTAL (ASTI)

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OVERVIEW

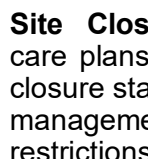
ASTI ENVIRONMENTAL (ASTI) has provided environmental and engineering services to industry and government since 1985. ASTI service groups are staffed by scientists, hazardous materials managers, regulatory compliance managers, professional geologists, environmental professionals, underground storage tank professionals, wetland scientists, environmental trainers, asbestos inspectors, environmental property assessors, building inspectors, and management planners.

We routinely provide services in the Great Lakes region and have completed projects throughout the United States and Canada and in Eastern Europe. For industry and business, ASTI provides **investigation, compliance, permitting, and remediation services** to assist in achieving compliance with federal, state, and local environmental regulations. For property acquisition and management, ASTI provides **assessment, inspection, and restoration services** to evaluate site impacts, provide documentation for liability protection, and manage natural features.

PROPERTY DEVELOPMENT SERVICES



Site Assessment Services include property assessments per the ASTM standards, Phase I site assessments, transaction screens, database searches, due care plans, mold investigations, indoor air equality evaluations, site closure, soil and groundwater investigations, baseline environmental assessments, asbestos inspections, remediation, wetlands identification and management, and GIS mapping.



Site Closure Services include due care plans, assessment of appropriate closure standards, engineered controls, management controls, deed restrictions, and corrective action.



Ecological Services include CE's and EA's for NEPA clearance, environmental assessments, environmental impact statements, floodplain/floodway analysis, historic surveys, natural features mapping, resource restoration, right of way clearance, SEE studies, threatened and endangered species surveys, wetland assessment, wetlands mitigation and permitting, ecological risk assessments, habitat management, and CAD/GIS mapping.



Brownfield Redevelopment Services include Brownfield financing assistance, Brownfield grant application assistance, asbestos management, remediation cost assessments, removal actions, soil and groundwater impact delineation, treatment system design and installation, contaminant mapping and modeling, evaluation of remediation alternatives, and groundwater and soils treatment.

Groundwater and Soils Investigations

include identification and mapping of groundwater and soils contamination, evaluation and implementation of remediation alternatives, and monitoring system installation and operation.



COMPLIANCE SERVICES



Compliance Assessment Services include compliance assessments, annual reporting, permit and plan assistance, EMS/ISO 14001 design and implementation, health and safety programs, training, industrial hygiene monitoring, spill and operations plans, noise assessment, routine water and process discharge monitoring, SESC permits, waste management unit closures, waste investigations, feasibility studies, risk assessments, disposal site audits, site assessment, and site remediation.

Operation and Maintenance Services include routine monitoring, temporary staffing, training, pollution control equipment O & M, and remediation equipment O & M.



Air Quality Services provide complete air emissions compliance services including permitting, Title V evaluations, worker exposure monitoring, emissions inventories, PSD demonstrations, ventilation studies, dispersion monitoring, and appropriate technology screening.



Site Remediation and Impact Investigations include the design of remediation systems, agency negotiation, feasibility studies, site specific risk assessments, groundwater modeling, remediation and removal actions, site reclamation, site restoration, and soil and groundwater remediation.



Underground Storage Tank Services include RBCA evaluations, tank investigations, UST and AST compliance, tank removal and recycling, remediation system operation and maintenance, and UST and LUST closures.



INFRASTRUCTURE SERVICES

Resources Assessment and Management Services include wetland delineation, permitting and mitigation, wetland mitigation banking, habitat management plans, threatened and endangered species surveys, natural features inventories, mining restoration plans, wetland and prairie restorations/recreations, floodplain determinations, hazard mitigation planning, and water quality assessments.



Clearance Services include comprehensive SEE studies and NEPA clearance including historic and archaeological preservation, air quality impacts, floodplain impacts, wildlife impacts, hazardous water management, water quality assessments, and wetland impacts.



Design Services include GIS/CAD services, engineering design, landscape planning, mining reserve analysis, pollution control system design, and remediation system design.



Treatment Alternatives include wetlands treatment systems, stormwater runoff control, wastewater treatments, and groundwater and soils remediation systems and closure.



Project Management Services are available for projects requiring multiple subcontractors and can include contract management, contractor/subcontractor evaluation, project implementation, quality assurance review, and site specific health and safety plans.



For more information on environmental programs for your business, please contact us at 800.395.2784

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