



## MEMORANDUM

Date: July 19, 2011

To: Michigan Economic Growth Authority

From: Deborah Stuart, MEDC – CA Team  
Katharine Czarnecki, MEDC

Subject: Act 381 Work Plan Approval  
Washtenaw County Brownfield Redevelopment Authority  
Packard Square Redevelopment Project  
City of Ann Arbor, County of Washtenaw

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### APPLICANT

Washtenaw County Brownfield Redevelopment Authority

Contact: Brett Lenart, Washtenaw County Planning Services Supervisor

### ACT 381 WORK PLAN REQUEST

The County of Washtenaw Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (hereinafter Work Plan) request for the approval of local and school tax capture for MEGA eligible activities in the amount of \$2,047,973.

### PROJECT DESCRIPTION

This project will involve the demolition of three vacant one-story buildings and the construction of a four-story mixed-use retail and residential building on approximately 6.7 acres of property located at 2502-2568 Packard Street in the City of Ann Arbor. The project includes approximately 21,000 square feet of commercial space on Packard Street and 230 apartments that will be located above and behind the retail space. In addition, the project will be constructed to meet LEED Silver qualifications and will be designed to increase walkability in the area.

Approximately 45 permanent full-time jobs are anticipated to be created by the commercial and residential portions of the project at an average hourly wage of \$28. The total capital investment will be approximately \$49 million.

### QUALIFYING CRITERIA

The project is located within the boundaries of the City of Ann Arbor, which is a Qualified Local Governmental Unit, and has been deemed a facility as verified by the Michigan Department of Environmental Quality (DEQ). The property is the subject of a Brownfield Plan, duly approved by the County of Washtenaw on May 18, 2011 and concurred with by the City of Ann Arbor.

### KEY STATUTORY CRITERIA

- a) Overall Benefit to the Public:  
This underutilized property will be transformed into a mixed-use retail and residential destination creating increased foot traffic, expansion of local economy through new retailers, and additional revenue to taxing jurisdictions once eligible activities have been reimbursed.

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- b) Jobs Created (Excluding Construction and other Indirect Jobs):  
This project is expected to create approximately 45 new, full-time jobs in commercial and residential portions of the project.
- c) Area of High Unemployment:  
The City of Ann Arbor unadjusted unemployment rate was 7.2% in May 2011.
- d) Level and Extent of Contamination Alleviated:  
Contaminated soil created from a dry cleaner will be removed as part of the project and the site will be cleaned to applicable State of Michigan criteria. Depending on soil conditions after source removal, a subslab vapor barrier with passive venting system under the building may also be necessary for the development.
- e) Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:  
The buildings on the site are considered functionally obsolete due to age, structural condition and inability to economically upgrade and modify the structures to serve commercial markets at general accepted market rates.
- f) Cost Gap that Exists between the Property and a Similar Greenfield Property:  
More than \$3 million in environmental response activities will be needed to alleviate Brownfield site conditions on this property. Such costs would not be associated with a comparable Greenfield site.
- g) Whether Project will Create a New Brownfield Property in the State:  
No new Brownfields will be created by this project.
- h) Whether the Project is Financially and Economically Sound:  
From the materials received, the MEDC infers that the Work Plan is financially and economically sound.
- i) Other Factors Considered:  
No additional factors need to be considered for this project.

OTHER STATE AND LOCAL ASSISTANCE

Washtenaw County has applied for \$1,000,000 in MDEQ grant funds to pay for certain eligible activities on the site including soil removal, subslab vapor barrier, and a portion of the building demolition. The project has also prepared an Act 381 Work Plan for State DEQ Eligible Activities estimated at \$1,180,377.

TAX CAPTURE BREAKDOWN

There are 55.9744 non-homestead mills available for capture, with school millage equaling 24 mills (42.88%) and local millage equaling 31.9744 mills (57.12%). The requested tax capture for MEGA eligible activities breaks down as follows:

|                          |                     |
|--------------------------|---------------------|
| School tax capture (43%) | \$ 878,104          |
| Local tax capture (57%)  | <u>\$ 1,169,869</u> |
| TOTAL                    | \$ 2,047,973        |

COST OF MEGA ELIGIBLE ACTIVITIES

|                                  |              |
|----------------------------------|--------------|
| Demolition                       | \$ 202,456   |
| Lead or Asbestos Abatement       | 303,100      |
| Infrastructure Improvements      | 588,705      |
| Site Preparation                 | + 364,300    |
| Sub-Total                        | \$ 1,458,561 |
| Contingency (15%)                | + 221,784    |
| Sub-Total                        | \$ 1,680,345 |
| Interest (5%)                    | + 356,628    |
| Sub-Total                        | \$ 2,036,973 |
| Brownfield/Work Plan Preparation | 10,000       |
| MEGA Review Cost                 | + 1,000      |
| TOTAL                            | \$ 2,047,973 |

RECOMMENDATION

The MEDC recommends approval of local and school tax capture for the MEGA eligible activities totaling \$2,047,973 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$ 886,680.