

# Welcome to **HOTEL at WATER SQUARE**

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## **COMMUNITY BENEFITS MEETING**



DEPARTMENT OF  
Planning &  
Development



January 30, 2024 - CBO Meeting #3

# **AGENDA**

**Welcome & Introductions**

**Neighborhood Advisory Council (NAC) Introductions + Roles**

**Visit Detroit Overview**

**Project Economic Benefit and Tax Incentives**

**NAC Discussion / Q & A**

**General Public Comment**

**Next Steps**

# ANTICIPATED PUBLIC CBO MEETING SCHEDULE

Meetings	January 2024				February 2024
	WK 1	WK 2	WK 3	WK 4	WK 5
<b>Meeting 1 - Introduction to CBO and Tier 1 Project</b>	9-Jan				
<b>Meeting 2 - NAC Selection</b> <i>(2 members selected by the public)</i>		16-Jan			
<i>Bye Week - Confirm Council and PDD NAC Selections / Hold NAC Orientation</i>			<i>Week of January 22</i>		
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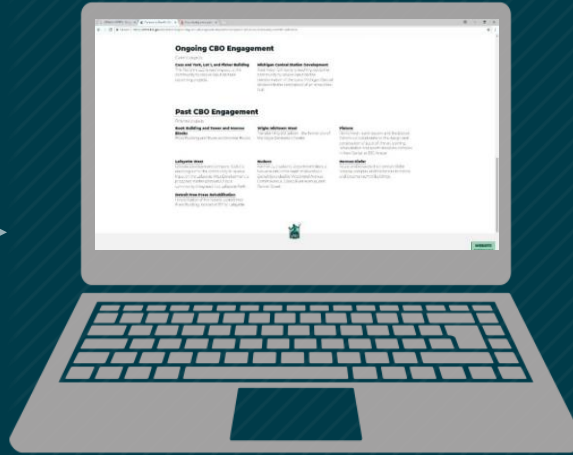
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\*Please note that this schedule might change and will be updated as we progress.

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**[WWW.DETROITMI.GOV/HOTELWATERSQUARE](http://WWW.DETROITMI.GOV/HOTELWATERSQUARE)**

# DETROIT CITY COUNCIL MEMBERS

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**Council Member  
Gabriela Santiago -  
Romero**  
*District 6*



**Council Member  
Coleman A. Young II**  
*At-large*



**Council Members  
Mary Waters**  
*At-large*

# CITY OF DETROIT DEPARTMENTS & AGENCIES

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**PLANNING AND DEVELOPMENT DEPARTMENT**  
**MAYOR'S OFFICE + JOBS & ECONOMY TEAM**  
**DEPARTMENT OF NEIGHBORHOODS**



**DETROIT ECONOMIC GROWTH CORPORATION**

# HOTEL AT WATER SQUARE DEVELOPMENT TEAM

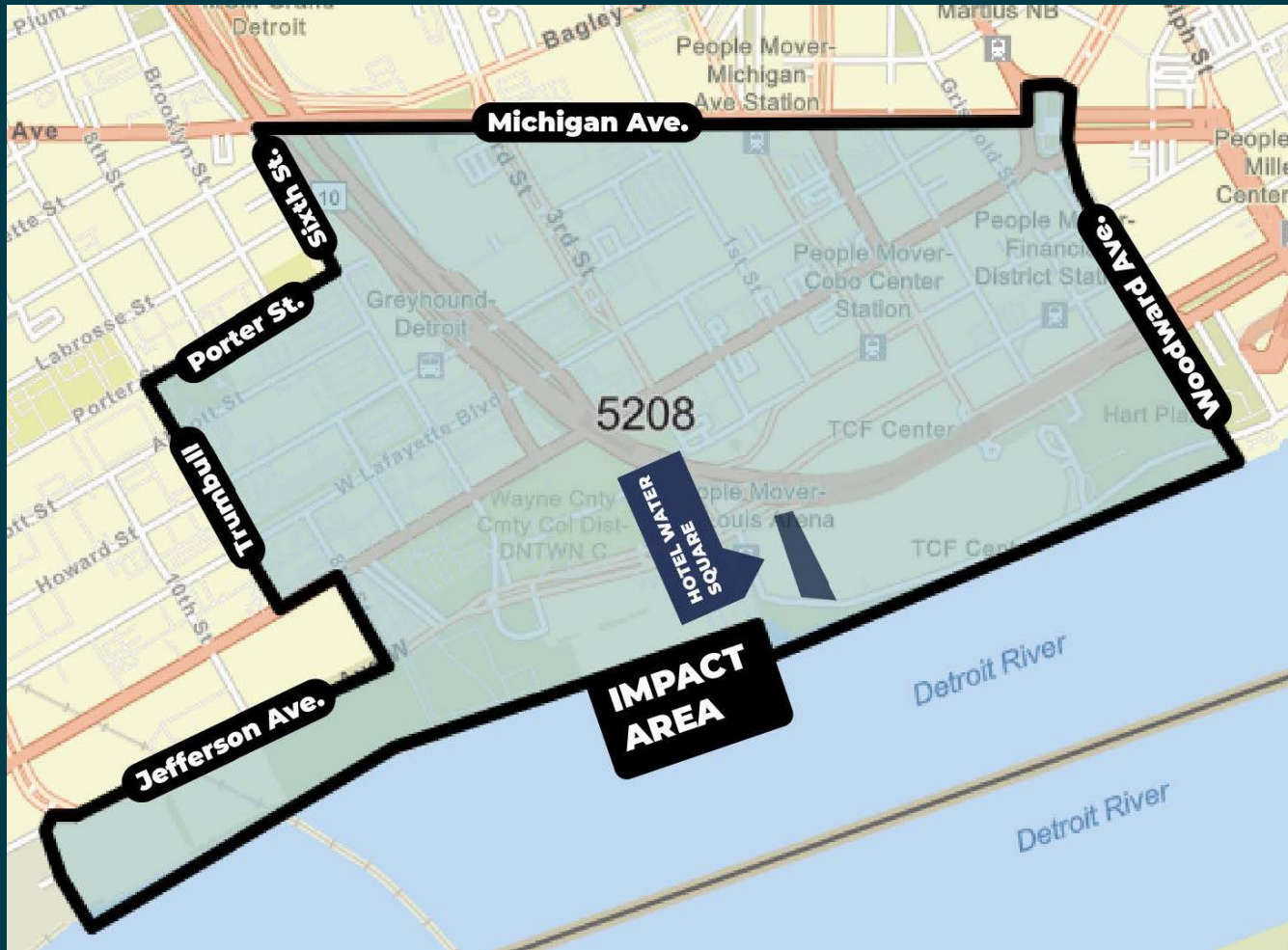
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Sterling Group



# **NEIGHBORHOOD ADVISORY COUNCIL (NAC)**

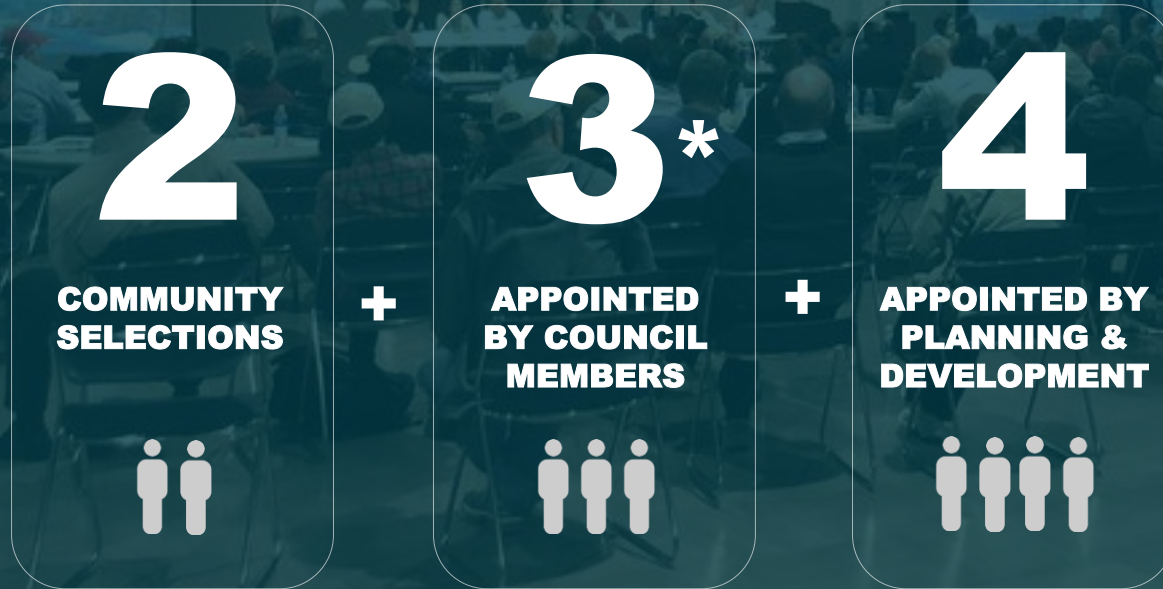
# HOTEL at WATER SQUARE: CBO IMPACT AREA



# **CBO TIER 1 PROCESS**

## **Neighborhood Advisory Council (NAC)**

### **Selection - 9 Members**



*\*Appointed by 2 At-Large Members and the Council Member whose district contains the largest portion of the Impact Area*

# **NAC – ROLES & RESPONSIBILITIES**

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## **ELIGIBILITY**

- Resident of the impact area.
- At least 18 years of age.
- No agents or employees / affiliates of the Developer or involved City Departments / Agencies.
- **MUST BE NOMINATED AT THE PUBLIC CBO MEETING ON JANUARY 16th**

## **REQUIRED DUTIES**

- Must attend all scheduled CBO meetings.
- Develop NAC impact list.
- Review Community Benefits Report written by the Planning and Development.
- Develop a letter of consensus of the proposed Community Benefits.
- Compliance: Review biannual compliance report to monitor progress and status of project.
- Compliance: Attend annual meeting to discuss the status of the project.

## **RESPONSIBILITIES**

- You cannot use this position for personal gain and must declare any conflicts of interest.
- You are agreeing to represent your fellow residents.
- You are agreeing to provide feedback for the community.
- You are agreeing to work together with fellow NAC members to make official recommendations to mitigate any negative impacts of the project.
- You are advising the City of Detroit and City Council on how best to mitigate impacts.

# **NEIGHBORHOOD ADVISORY COUNCIL (NAC)**

- **Angela Wright** - Elected by Impact Area Residents
- **Loretta Lloyd** - Elected by Impact Area Residents
- **Brandon Lewis** - Appointed by Council Member Gabriela Santiago-Romero
- **Richard Hosey** - Appointed by Council Member Coleman A. Young II
- **Timothy McKay** - Appointed by Council Member Mary Waters
- **Patricia Euseary** - Appointed by Planning & Development
- **Robert Garcia** - Appointed by Planning & Development
- **Robert Mazur** - Appointed by Planning & Development
- **Keely Smith** - Appointed by Planning & Development
- **Sidney Logemann** - Alternate appointed by Planning & Development

# **NAC MEMBER ROLES / POSITIONS**

## **CHAIRPERSON**

- Facilitates and guides the conduct of NAC meetings and activities
- Works with PDD staff to develop agenda and action items for NAC meetings
- Ensures effective participation of all NAC members

## **VICE-CHAIRPERSON**

- Assist the Chairperson in the above noted duties
- Facilitate and guide NAC activities in the Chairperson's absence

## **SECRETARY / NOTETAKER**

- Record notes, decisions, and action items at meetings or activities of the NAC
- Receive and respond to correspondence addressed to the NAC
- Maintain records and resources for the NAC

## **CONTACT THE NAC DIRECTLY**



**hotelwatersquareNAC@gmail.com**

A panoramic view of the Detroit skyline at dusk, with numerous skyscrapers and buildings reflected in the calm water of the Detroit River. The sky is a mix of blue and orange, with some clouds. The text 'VISIT Detroit' is overlaid on the upper part of the image.

VISIT  
*Detroit*

**MEETINGS, CONVENTIONS, AND EVENTS  
DRIVE DETROIT'S ECONOMY**





**Hundreds of Meetings, Conventions, and Events Every Year**



**ABB**

**FANUC**

**ATI** INDUSTRIAL  
AUTOMATION

**SICK**  
Sensor Intelligence

**ATI** Industrial Automation

Robotic Deburring Tools

Robotic Pro

Robotic Tool Changers

Robotic Tool Changers | Complex Deburring Tools | Assembly Alignment Devices | Utility Co...

Engineered Products

**ATI**  
Industrial Automation

Network: BFF2022

BFF HOMECOMING ::

Password: Homecoming

# CAREER PATHWAYS

## MAP YOUR JOURNEY BACKWARDS



**DION  
WALCOTT**

DIRECTOR  
OF PARTNERSHIPS  
PLC



**GARRY  
THANIEL**

GENERAL MANAGER,  
SNEAKERS, EBAY



**DALEYNA  
ADKINSON**

DIRECTOR, MARKETING -  
BRAND HEAT & CULTURE,  
NORTH AMERICA, PUMA



**SARAH  
WASTON**

SR. COLOR AND MATERIALS  
DESIGNER, FORD



**CHUCK  
YOUNG**

FRANCHISE OPERATIONS  
MANAGER  
THE ATHLETES FOOT





# Creating Jobs For Detroiters











An aerial photograph of Huntington Place, a large convention center, situated on the waterfront of New York City. The building features a prominent circular structure. The sun is setting in the background, casting a warm glow over the city skyline, which includes several tall skyscrapers. The water of the harbor is visible in the foreground.

## Huntington Place

- **16<sup>th</sup> Largest Convention Center**
- **Can host 20-25 Citywide Conventions**
- **Currently hosts 10-12 a year**

**HUNTINGTON PLACE**

Photo Courtesy of Charles Falsetti

## Visit Detroit

- Bid on 160 events that preferred a connected hotel
- Didn't bid on additional 37
- Because Detroit doesn't have a connected hotel



**HUNTINGTON PLACE**

## **No Convention Center Hotel Means Detroit Has Lost Out On**

- **Over 1 Million visitors**
- **650,000 room nights**
- **\$524 million in spending**
- **10 additional events a year**

# National Society of Black Engineers and Scientists





**Women's Business Enterprise National Council**



**IEEE SC Conference**



Chicago



Minneapolis





**Columbus**



Indianapolis



# Cleveland





**Grand Rapids**



Lansing

HOTEL  
WATER SQUARE  
DETROIT

Hotel Water Square

**A Connected Hotel at Huntington Place Means**

**\$100 Million a Year in Visitor Spending for Detroit**

Skybridge to  
Convention Center

WATER SQUARE  
HOTEL

# CHAMPIONS





DETROIT



# FORD FIELD

2009  
NCAA  
FINAL  
FOUR  
DETROIT

THE ROAD ENDS HERE



# More Events at the Convention Center



More Visitors

# S&P Global Mobility

Intelligence to advance progress  
across from Cork & Grind on the main concourse



Markit™ now a part of **S&P Global**



MAJOR CONTRACTORS  
AAA of  
Emmett  
Detroit Council of Arts  
Detroit Public  
First Independence Bank  
Richard A. L.



# More Economic Activity For Businesses





**More Jobs For Our Neighbors**

# A More Dynamic Riverfront





**A Vibrant Detroit**



# New Businesses Throughout Detroit





Baker's

AUDREY & JEROME SHOW 7 PM  
THE LATIN JAZZ 8 PM  
LOVING MEMORIES ARETHA RESPECT

JAZZ CLUB

Stronger Neighborhoods

# HOTEL WATER SQUARE

DETROIT

Hotel Water Square

WATER SQUARE  
DETROIT





# HOTEL WATER SQUARE

## DEGC Analysis

# **PRESENTATION OVERVIEW**

**01 PROJECT EXECUTIVE SUMMARY**

**02 WHO IS THE DEGC**

**03 TAX INCENTIVE OVERVIEW**

**04 BUT-FOR ANALYSIS**

**05 NET FISCAL IMPACT**

**06 WHY THIS IS A GOOD DEAL FOR DETROIT**



# HOTEL WATER SQUARE

## EXECUTIVE SUMMARY



**\$396.5M**

ESTIMATED  
INVESTMENT

**356**

NEW DIRECT  
FTE JOBS

**624**

CONSTRUCTION  
JOBS

**\$25.4M**

30-YEAR NET  
FISCAL BENEFIT

**\$2.6B**

NEW ANNUAL  
VISITOR SPENDING

### PROJECT DETAILS

- 600 Room Hotel
- 50,000 Square Feet of New Meeting Space
- 3 New Restaurants/Lounges
- Connection to Huntington Place

### REQUESTED INCENTIVES

- PA 376 – Michigan Strategic Fund (MSF) Designated Renaissance Zone
- PA 210 – Commercial Rehabilitation Act

**ALL INCENTIVES ARE PERFORMANCE BASED AND CONTINGENT ON THE PROJECT BEING COMPLETED**

# WHO IS THE DEGC?





# DETROIT ECONOMIC GROWTH CORPORATION (DEGC)

## WHO IS THE DEGC?

- Established in 1978 by Mayor Coleman Young as a private, non-profit organization
- Lead economic development organization supporting small businesses, real estate development, business attraction & retention in the City of Detroit
- Staff public authorities, including Downtown Development Authority (DDA) and Detroit Brownfield Redevelopment Authority (DBRA)

## WHY IS THE DEGC HERE?

- Review the development details to confirm:
  - Request for incentives is necessary (“but-for” analysis)
  - Incentives are in the City’s best financial interest (net fiscal benefits analysis)





# DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

## WHAT IS THE DDA?

- DDA TIF district was established by City in 1978 under state law, with strong advocacy from Mayor Coleman A. Young Jr.
- Designed to increase economic activity downtown.
- While the property taxes generated in the DDA District can only be used in the Downtown, the income tax revenues generated go to the City's General Fund and are used citywide.
- The DDA supports investments + business growth through:
  - Loans
  - Sponsorships
  - Grants
  - Infrastructure
  - Additional programs

**CITY REAL AND PERSONAL PROPERTY TAXES ARE CAPTURED BY DDA AND ARE CONSIDERED DDA BENEFIT AND NOT CITY BENEFIT**

# TAX INCENTIVE OVERVIEW



DO NOT take City money and give that money to developers. Developers pay less in taxes as they build.



ONLY recommended if there is a net benefit to the City.



ARE NOT granted without accountability or oversight.



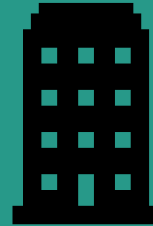
DO NOT deliver benefits until developments are completed.



Competitively Drive  
Business  
Attraction,  
Expansion & Job  
Creation



Support Financially  
Feasible  
Development;  
Offset Rising  
Construction Costs  
& Interest Rates  
through Financial  
Underwriting



Activate Vacant  
Land or Rehabs  
Blighted,  
Contaminated &  
Obsolete Structures



Generate Net New  
Fiscal Impact

# TAX INCENTIVE OVERVIEW

## HOTEL WATER SQUARE INCENTIVE REQUEST

Requested	---	Commercial Rehabilitation Act (PA 210)	+	MSF Designated Renaissance Zone (PA 376)
Benefit	---	Provides an exemption on the value of the improvements for new construction		Provides an exemption on real property, personal property, city corporate income, and utility user's tax
Length	---	Up to 10 years after construction		Up to 30 years after construction

**ALL INCENTIVES ARE PERFORMANCE BASED AND CONTINGENT ON THE PROJECT BEING COMPLETED**



# TAX INCENTIVE OVERVIEW

## TAX INCENTIVE SUMMARY

**PA 376:  
MSF DESIGNATED  
RENAISSANCE ZONE**

**\$82.1M**  
[Net Value]

**PA 210:  
COMMERICAL  
REHABILITATION ACT**

**\$11.6M**

# **BUT-FOR ANALYSIS**

**Q: COULD THIS PROJECT HAPPEN WITHOUT INCENTIVES?**

**A: THIS PROJECT COULD NOT HAPPEN WITHOUT INCENTIVES**

1. The project **would not** be able to receive financing without the incentives.
2. The project **would not** be worth investing in without the incentives.





# DEGC “BUT-FOR” ANALYSIS

## KEY UNDERWRITING METRICS

### **DEBT SERVICE COVERAGE RATIO (DSCR)**

The ability for the developer to pay its mortgage payments after accounting for revenues and expenditures.

### **RETURN ON INVESTMENT (ROI)**

An approximate measure of an investment’s profitability



# DEGC “BUT-FOR” ANALYSIS

## HOTEL WATER SQUARE UNDERWRITING

### DEGC Guidelines

DSCR: Not to Exceed 1.5x

Developer Return Less than 10%

### Project Analysis *without* Incentives

DSCR:  
1.14x\*

Returns:  
1.88%\*

### Project Analysis *with* Incentives

DSCR:  
1.31x

Returns:  
7.38%

*\*Figures have since been updated per DEGC memo on 3/14/24 (attached)*



# DEGC “BUT-FOR” ANALYSIS

## PREVIOUS YEAR’S RETURNS

**In 2022 & 2023 City Council voted to approve incentives on over \$3 billion of mixed-use projects:**

<b>Year</b>	<b>Average Return</b>	<b>Hotel Water Square</b>
<b>2022</b>	<b>7.1%</b>	<b>7.38%</b>
<b>2023</b>	<b>6.4%</b>	

# NET FISCAL IMPACT



# DEGC NET FISCAL IMPACT

## CITY OF DETROIT 30-YEAR FISCAL BENEFIT

CURRENT CITY BENEFIT		30-YEAR CITY BENEFIT	
*CITY PROPERTY TAX:	<b>\$0</b>	*CITY PROPERTY TAX:	<b>\$9.9M</b>
CITY INCOME TAX:	<b>\$0</b>	CITY INCOME TAX:	<b>\$16.5M</b>
UTILITY USER'S TAX:	<b>\$0</b>	UTILITY USER'S TAX:	<b>\$472K</b>
MISC. TAXES & FEES:	<b>NOMINAL</b>	MISC. TAXES & FEES:	<b>\$11.6M</b>
COST OF CITY SERVICES:	<b>NOMINAL</b>	COST OF CITY SERVICES:	<b>(\$13.1M)</b>
<b>TOTAL:</b>	<b>\$0</b>	<b>TOTAL:</b>	<b>\$25.4M</b>

CURRENT ANNUAL FISCAL BENEFIT  
**\$0/YEAR**

AVERAGE ANNUAL FISCAL BENEFIT  
**\$847K/YEAR**

NEW ANNUAL VISITOR SPENDING GENERATED WITHIN LOCAL DETROIT ECONOMY  
**\$108.1 MILLION/YEAR**

\*CITY REAL AND PERSONAL PROPERTY TAXES ARE CAPTURED BY DDA AND ARE CONSIDERED DDA BENEFIT AND NOT CITY BENEFIT



# DEGC NET FISCAL IMPACT

## HOTEL WATER SQUARE SUMMARY

### PA 376 MSF Renaissance Zone

City of Detroit	\$5.8M
Downtown Development Authority	\$59.5M
Other Taxing Jurisdictions	\$65.3M
<b>[Before reimbursement] Est. 30-Year Renaissance Zone Value</b>	<b>\$130.6M</b>
<b>Less State Reimbursement</b>	<b>\$48.5M</b>
<b>Net Final Value of 30 Yr. Renaissance After Reimbursement</b>	<b>\$82.1M</b>

### PA 210 Commercial Rehabilitation Act

City of Detroit	\$0
Downtown Development Authority	\$10.6M
Other Taxing Jurisdictions	\$1.0M
<b>Total 10-Year PA 210 Value</b>	<b>\$11.6M</b>

**ALL INCENTIVES ARE PERFORMANCE BASED AND CONTINGENT ON THE PROJECT BEING COMPLETED**



# DEGC NET FISCAL IMPACT

## HOTEL WATER SQUARE SUMMARY

### TOTAL TAX INCENTIVES CONTRIBUTED TO THE PROJECT

**Net MSF Renaissance Zone Value (PA 376)**

**\$82.1 MILLION**

**Property Tax Abatement (PA 210)**

**\$11.6 MILLION**

**Est. Total Incentives Over 30 Years**

**\$93.7 MILLION**

**30-Year City Net Fiscal Benefit<sup>[1]</sup>**

**\$25.40 MILLION**

**30-Year Total Economic Impact from Visitor Spending<sup>[2]</sup>**

**\$2.57 BILLION**

**30-Year Total Economic Impact**

**\$2.59 BILLION**

[1] Source: DEGC Estimates

[2] Source: HVS Proposed Convention Center Hotel Economic Study

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**WHY IS THIS A GOOD  
DEAL FOR DETROIT?**



# WHY IS THIS A GOOD DEAL FOR DETROIT?



## Hotel Water Square will:

- Make Detroit a more attractive location for major events and conventions
- Generate more visitor and tourism activity, leading to new spending within the local economy
- Create new direct jobs as well as new indirect and induced jobs to support new local spending
- Increase Downtown vibrancy by creating better physical connections within the Downtown landscape and reactivating vacant land

# NAC Discussion

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# General Q & A

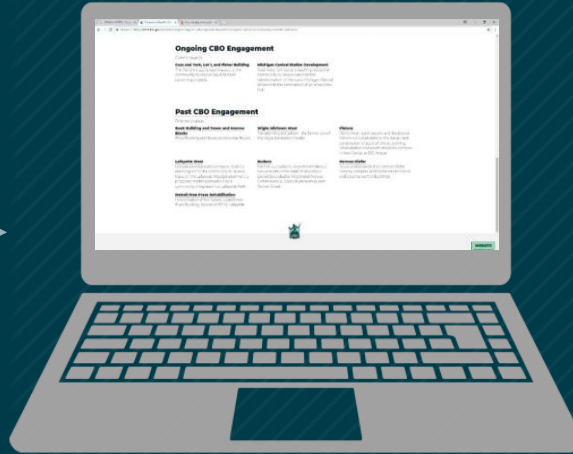
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*Comment cards also available*

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# CBO MEETING SCHEDULE – WINTER 2024

MEETING 1: TUESDAY, JANUARY 9 – INTRODUCTION TO CBO AND TIER 1 PROJECT

MEETING 2: TUESDAY, JANUARY 16 - INTRO / RESIDENT VOTE FOR 2 NAC MEMBERS

*REMAINING NAC APPOINTMENTS / BYE WEEK / NAC ORIENTATION*

MEETING 3: TUESDAY, JANUARY 30 - DEVELOPER PRESENTATION & DEGC PRESENTS INCENTIVES PACKAGE)

MEETING 4: WEDNESDAY, FEBRUARY 6 - NAC WORKING SESSION

MEETING 5: TUESDAY, FEBRUARY 13 - NAC PRESENTATION OF IMPACTS

MEETING 6: TUESDAY, FEBRUARY 20 - NAC WORKING SESSION

MEETING 7: TUESDAY, FEBRUARY 27 - DEVELOPER PRESENTS RESPONSES TO IMPACTS

MEETING 8: TUESDAY, MARCH 5 - FINALIZATION AND POTENTIAL NAC VOTE  
ON AGREEMENT *(IF NECESSARY)*

*ADDITIONAL MEETINGS IF REQUESTED BY NAC*



## **BEFORE PUBLIC MEETING #3**

PDD INFORMS NAC MEMBERS VIA EMAIL OR PHONE THAT THEY HAVE BEEN SELECTED & HOLDS AN ORIENTATION TO PROVIDE THE NAC WITH:

- MEETING AGENDAS
- ROLES & RESPONSIBILITIES
- PREVIOUS EXAMPLES OF CBOS
- NAC CONTACT LIST



# What Comes Next

## **Next CBO Meeting: Tuesday February 6th at 6pm**

*Doors at 5:30 for Registration and  
Refreshments*

- **Neighborhood Advisory Council  
Working Meeting**
- **In-person meeting at: Huntington Place  
– 1 Washington Blvd. Room 113**
- **Remote access via Zoom**
- **Meeting registration at:  
<https://bit.ly/hotel-water-square>**
- **All project notices and documents will be  
available at  
[www.detroitmi.gov/hotelwatersquare](http://www.detroitmi.gov/hotelwatersquare)**



**March 13, 2024**

**To:** Hotel Water Square Neighborhood Advisory Committee

**From:** Detroit Economic Growth Corporation (DEGC)

**Re:** Hotel Water Square Underwriting Analysis

Hotel Water Square NAC Members:

At the January 30<sup>th</sup>, 2024 Community Benefits meeting, the DEGC presented the underwriting and net fiscal benefit analysis for the Hotel Water Square project. In that meeting, the DEGC provided the investment returns and debt coverage ratio for the project. These values were presented both with and without the application of any tax incentives. Since that meeting, a slight inaccuracy in the formula used to calculate these values was discovered. The differences are outlined in the table below:

	Originally Presented Values	Current Updated Values	Difference
Rate of Return <b>Without</b> Incentives	1.88%	3.61%	+1.73%
Rate of Return <b>With</b> Incentives	7.38%	7.38%	No Difference
Debt Coverage Ratio <b>Without</b> Incentives	1.14x	1.12x	-0.02X
Debt Coverage Ratio <b>With</b> Incentives	1.31x	1.31x	No Difference

The updated values show no difference in the rate of return or debt coverage ratio for the project with incentives applied. The primary difference is noticed in the values without any incentives applied. The rate of return without incentives increases from 1.88% to 3.61%, while the debt coverage ratio decreases from 1.14x to 1.12x.

While these differences are worth noting, the outcome does not change the DEGC's recommendations for incentives. The rate of return without incentives is still considered below the 6.75% overall average return rate and is well below the DEGC's 10% maximum return threshold. The decrease in the debt coverage ratio further demonstrates this project's inability to obtain financing without the use of incentives. All other aspects of the DEGC's underwriting and fiscal impact analysis are unaffected by these changes.

We at the DEGC wanted to provide an update as soon as this error was discovered, as it is important to our organization that we present factual and transparent information regarding our work. Should you have any questions, please do not hesitate to contact me at [kbridges@degc.org](mailto:kbridges@degc.org) or 313.963.2940.

Sincerely,



Kenyetta Bridges  
Chief Operating Officer  
Executive Vice President, Economic Development & Investment Services



**Detroit Economic  
Growth Corporation**

500 Grisworld St.  
Ste. 2200  
Detroit, MI 48226  
313.963.2940

[degc.org](http://degc.org)