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## THE ECONOMIC IMPACT OF ROCK VENTURES' PROPOSED PROJECT IN DOWNTOWN DETROIT

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### Executive Summary

The economic value of a development should be measured in at least two ways. First, it is important to identify the *economic and fiscal impact* of a proposed development. Second, it is necessary to understand a *project's contribution* to an area's overall economic development strategy.

Rock Ventures is proposing to invest a total of \$1.462 billion in the 15-acre Gratiot Avenue development in downtown Detroit. The new justice center, to be located at an alternative site, is expected to cost \$420 million. The total expected investment is \$1.882 billion. As the construction will take place across 5 years, the value today of this investment is \$1.8 billion dollars. This amount will be used in calculations throughout the analysis.<sup>1</sup>

The total economic impact from the construction of the combined projects are as follows:

- The total economic impact of the combined projects, taking into account the indirect and induced effects, is estimated to be \$2.39 billion. By contrast, the total economic impact of completing the jail on the Gratiot Avenue site is estimated at \$352 million, or \$2.04 billion less than the impact of Rock Ventures' proposal.
- The combined projects are projected to support 32,133 jobs over the construction period. Completing the jail at the Gratiot Site is projected to support 3,810 jobs, a difference of 29,323 construction jobs.
- The construction phase will generate an estimated \$51.9 million in new income tax revenue for local and state government, consisting of \$44.8 million in state income taxes and \$7.1 million in City of Detroit income taxes.
- The project will also generate long-term economic impacts. At full build-out, the Gratiot Avenue development is projected to support 2,106 permanent jobs within the site. These jobs are estimated to generate \$6.4 million in annual income tax revenues, including \$4.9 million in state income taxes and \$1.5 million in City of Detroit income taxes per year.
- There are potential property tax benefits, especially over the long-term. Currently, the Gratiot Avenue site is not generating any property tax revenue. Any additional revenue would be incremental to Wayne County and other jurisdictions.

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<sup>1</sup> To calculate the present value, an annual inflation rate of 2.2 percent was used (see Table 1 for breakdown).

- To estimate the incremental property tax benefits, the analysis assumes full use of available or potentially available tax abatements and tax increment financing (TIF) mechanisms.
- Under current law, existing abatements and TIF authorities could likely be utilized to abate or capture Wayne County property taxes for approximately 15 to 17 years.
- After this period, the Gratiot Avenue development is estimated to start generating \$4.3 million per year in annual property tax revenue for Wayne County and \$46.7 million for all taxing jurisdictions (all figures in current dollars).

There will be additional fiscal benefits for local and state government from the economic activity at the Gratiot Avenue site, but they are difficult to quantify at this time. These benefits include new sales tax revenue generated from economic activity in and around the proposed sports and entertainment complex, as well as business income taxes from new or expanded businesses in and around the development.

In addition to these specific impacts, the second section of this report discusses how the project advances the city and region’s overall economic development strategy and complements other private and public sector initiatives related to the creation of a nationally competitive “live, work, play” urban core.

## Key Findings of Economic Impact Study



**32,133 jobs**

supported over the construction period



**\$2.39 Billion**

in total construction impact



**2,106 permanent jobs**

supported by the proposed Bedrock development

## The Economic and Fiscal Impact of Rock Ventures' Proposed Project

Rock Ventures is proposing a private sector development of the Gratiot Avenue site in downtown Detroit and a new justice center with a total estimated project cost of \$1.8 billion (see Table 1).

**Table 1: Project Budget by Present Value for Economic Impact**

PROJECT COMPONENT COST	PRESENT VALUE
<b>DEVELOPMENT OF GRATIOT AVENUE SITE</b>	
Demolition	\$21,300,000
Plaza/Site Paving	\$29,279,314
Stadium	\$134,197,359
Training Facility	\$19,737,813
Podium Core and Shell	\$46,584,979
TI Allowance (non-owned retail/restaurant)	\$10,366,825
Restaurant Fit Out (Owned)	\$1,666,097
Retail Fit Out (Owned)	\$8,423,045
Fitness/Spa Fit Out	\$4,165,242
Conference Rooms	\$4,628,047
Hotel Tower	\$75,367,214
Residential Tower	\$53,266,254
Office (core and shell)	\$102,042,295
Office TI	\$17,494,017
Office Fit Out (Owned)	\$29,989,743
Above Grade Parking	\$53,602,911
Below Grade Parking	\$128,500,000
Elevated Walkways	\$2,776,828
Escalation and Contingencies	\$222,300,017
Soft Costs	\$292,500,000
Contractor Indirect Costs	\$127,662,923
<b>NEW JUSTICE CENTER AT E. FOREST AVENUE</b>	
Anticipated Total Cost	\$410,861,640 <sup>2</sup>
DEVELOPMENT OF GRATIOT AVENUE SITE ONLY	\$1,385,850,923 <sup>3</sup>
<b>TOTAL FOR ENTIRE PROPOSED PROJECT (JAIL SITE COST + GRATIOT AVE. SITE DEV)</b>	<b>\$1,796,712,563</b>

*\*Note: The initial cost of each project element was provided by Rock Ventures. The present value cost represents the cost for each element in the year it is to be completed within the projected timeline. For example, demolition will occur in the first year, whereas the plaza will likely be paved in year three, while other projects will occur over the entire build out process.*

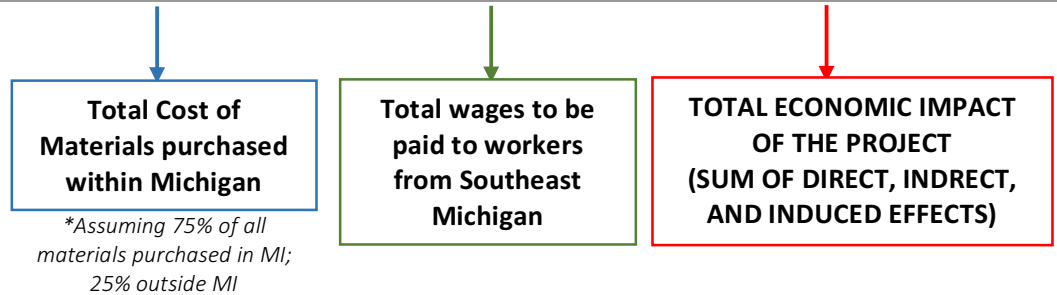
<sup>2</sup> The absolute cost of the new justice center is \$420 million.

<sup>3</sup> The absolute cost of the development of Gratiot Avenue site only is \$1.462 billion.

## Construction Impact Breakdown

**Table 2.** Total Economic Impact of Development for Southeast Michigan

Cost Category	Materials	Labor	Total
Total Direct	\$684,207,944	\$764,984,807	\$1,449,192,751
Indirect & Induced	\$293,217,314	\$646,641,657	\$939,858,972
<b>Grand Total</b>	<b>\$977,425,258</b>	<b>\$1,411,626,464</b>	<b>\$2,389,051,723</b>



## Construction Jobs

According to the latest U.S. Bureau of Labor and Statistics report, construction jobs in the Detroit metropolitan area offer an average salary of \$53,980. We projected that 15 percent of construction related jobs would involve architects, planners, lawyers, and analysts with an average salary for those jobs at \$90,000. Using these estimates and projections, it was calculated that direct spending would support **15,288 jobs during the construction** of the buildings on the Gratiot Avenue site in downtown Detroit and the justice center.

Using the U.S. Bureau of Economic Analysis' direct effect multiplier for jobs, it was estimated that an additional 15,868 jobs would also be supported *during the construction*. The total number of jobs supported *during construction* will be approximately **32,133**.

*In contrast, the County's jail site development at Gratiot Avenue would support a total of **3,810 jobs**.*

**Table 3 and Table 4.**  
Jobs Supported by Respective Developments

ROCK VENTURES PROPOSED PROJECT			
Jobs Supported	Labor	Materials	Total
<i>Direct</i>	15,288	977	16,265
<i>Indirect &amp; Induced</i>	14,915	953	15,868
<b>Total</b>	<b>30,203</b>	<b>1,930</b>	<b>32,133</b>

WAYNE COUNTY JAIL SITE DEVELOPMENT			
Job Creation	Labor	Materials	Total
<i>Direct</i>	1,653	276	1,929
<i>Indirect &amp; Induced</i>	1,613	269	1,882
<b>Total</b>	<b>3,266</b>	<b>544</b>	<b>3,810</b>

The failure to permit Rock Ventures to privately develop the site and build the justice center at an alternative location will *likely* result in **the loss of support for 29,323 jobs (32,133 – 3,810 jobs = 29,323)**

## Construction and Long-Term Income Taxes

There are two components to the income taxes that will be produced as a result of Rock Ventures' proposal:

- 1.) Income taxes produced by payments to individuals who will be paid to build the venues included in the proposed project
- 2.) Income taxes calculated for those individuals working in the facilities built on the Gratiot Avenue site.

*\*Data from the U. S. Bureau of Labor Statistics and Major League Soccer were used to estimate the number of people working in the facilities on the Gratiot Avenue site.*

**Table 5. Income Tax from Construction**

INCOME TAX FROM CONSTRUCTION	
Income Tax from Total Direct Labor Shares	\$31,387,745.93
Income Tax from Total State Share of Indirect & Induced Labor	\$20,502,047.62
<b>COMBINED TOTAL</b>	<b>\$51,889,793.55</b>
Total State Share	\$44,756,214.90
State Share of Direct Labor	\$24,254,167.31
City Share of Direct Labor	\$7,133,578.62

The yellow box represents the income taxes calculated to generate the *total [combined] income taxes from construction*. The state shares, marked in blue, represent the state share of income tax produced by payments to labor involved with construction, and as a result of the indirect spending. The Detroit share is marked in green.

The payments to labor involved in the construction of the facilities was used to estimate the taxes that will be paid to the State of Michigan and to the City of Detroit. To produce a conservative estimate of the income taxes that will be collected, the tax rate for non-residents of Detroit was used. It is likely that some proportion of individuals involved with construction will live in Detroit; however, rather than speculating on that number and their salaries, the non-resident tax rate was used.

In addition, only the state of Michigan's income tax rate was applied to the earnings that will occur from the indirect and induced spending that will take place. That was done to remove any speculation as to where those dollars would be spent by workers employed throughout Southeast Michigan.

### Long Term Income Tax Analysis

It is estimated, at full build-out of the proposed development that approximately **2,106** employees will be working in the new facilities at the Gratiot Avenue site. Based on average salaries paid to the different classification of workers, each year there will be \$4.9 million in income taxes paid to the State of Michigan. The earnings taxes paid to the city of Detroit will amount to \$1.5 million each year.<sup>4</sup> The proposed private sector development will add \$6.4 million in income tax revenues to Michigan and Detroit each year after build out is completed.

**Table 6. Income Tax at Build-Out**

INCOME TAXES AT BUILD-OUT	
1. Michigan Total	\$ 4,862,243
2. Detroit Total	\$ 1,539,966
<i>Detroit Residents</i>	\$ 764,194
<i>Detroit Non-Residents</i>	\$ 775,772
<b>TOTAL INCOME TAXES</b>	<b>\$6,402,208</b>

<sup>4</sup> It was anticipated that two-thirds of the new employees will live outside of the City of Detroit. The salaries to players on a new Major League Soccer team were also adjusted to reflect the proportion of their income that paid for work out-of-the-state of Michigan.

## Property Taxes

Currently, the Gratiot Avenue site does not generate any property tax revenue. If Wayne County were to accept Rock Ventures' proposal, the future development will produce incremental property tax revenue.

In order to fairly represent the property tax benefits to Wayne County and the other taxing jurisdictions, this analysis assumes full use of available or potentially available tax abatements and tax increment financing (TIF) tools under current law. The applicable tax abatements can last for 10 to 12 years, and either terminate or phase out at that time.

Under current law, the proposed development at the Gratiot Avenue Site may also be eligible for Brownfield Tax Increment Financing (TIF) to reimburse the cost of eligible activities including demolition, site preparation, public infrastructure, and structured parking.

The Brownfield TIF can capture millage payments up until the amount of eligible expenses is reimbursed, with the exception of millages levied specifically to pay off debt ("debt millages") which cannot be captured. During the period the tax abatements are in place, the brownfield TIF can capture the reduced millages that are paid.

Based on the project budget on page 2, eligible expenses for demolition, public infrastructure, and structured parking (including allocated soft costs and escalation) are approximately \$295 million.

**Table 7 and Table 8** report the results of the property tax analysis with these assumptions. All figures are in current year dollars. The key conclusions are:

- Under these assumptions, there would be no incremental property taxes paid to Wayne County during the abatement period or the brief period after the abatements expire while the Brownfield TIF remains active.
- Once the abatements and TIF expire in an estimated 15 to 17 years after the project is complete:
  - Total property tax payments to all taxing jurisdictions are estimated to be \$46.7 million (in current dollars).
  - Wayne County is projected to receive an estimated \$4.3 million in annual property tax revenue from the site (in current dollars).

**Table 7.** Property Taxes Assuming Tax Abatements and Brownfield TIF (Initial 10 to 12 Years)

Development Type and Applicable Tax Abatement	Taxable Value <sup>5</sup>	Millage Rate – Abated	Annual Property Tax	TIF Recapture <sup>6</sup>	Net Payment (“Debt Millages”)
<b>Residential Rental</b> (PA 147, Neighborhood Enterprise Zone)	\$45,375,000	26.165	\$1,187,237	\$880,218	\$307,019
<b>Stadium</b> (PA 255, Commercial Redevelopment Act)	\$70,600,000	47.05	\$3,321,395	\$2,520,275	\$801,120
<b>Commercial</b> (PA 210, Commercial Rehabilitation Act)	\$413,702,250	24.00	\$9,928,854	\$9,928,854	\$0
<b>TOTAL</b>			\$14,437,486	\$13,329,347	\$1,108,139

During this period, the TIF would likely allow for up to **\$13.33 million** to be reimbursed per year, or approximately **\$150 million** over the 10-12 year period, to offset the \$295 million in brownfield-eligible expenses.

Once the tax abatements expire/phase-out, annual TIF recapture will increase because of the increase in taxes paid. As shown in **Table 8**, we project that the brownfield TIF could capture up to **\$34.6 million** annually at this time, and that the TIF could likely remain in place for another **4 to 7 years** until the eligible expenses are fully reimbursed.<sup>7</sup> The County would not receive incremental taxes from the Gratiot Site during this period.

**Table 8.** Property Taxes after Expiration of Tax Abatements but With Continuing TIF Recapture (Additional 4 to 7 Years)

Development Type and Applicable Tax Abatement	Taxable Value	Millage Rate – Full	Annual Property Tax	TIF Recapture	Net Payment (“Debt Millages”)
<b>Residential</b> (PA 147, Neighborhood Enterprise Zone)	\$45,375,000	88.0905	\$3,997,106	\$2,964,253	\$1,032,852
<b>Stadium</b> (PA 255, Commercial Redevelopment Act)	\$70,600,000	88.0905	\$6,219,189	\$4,612,151	\$1,607,038
<b>Commercial</b> (PA 210, Commercial Rehabilitation Act)	\$413,702,250	88.0905	\$36,443,238	\$27,026,305	\$9,416,932
<b>TOTAL</b>			\$46,659,533	\$34,602,710	\$12,056,822

Once the abatements and brownfield TIF expire, which is likely to occur approximately **15 to 17 years** after completion of the project, property taxes would go in full to all taxing jurisdictions. Total taxes at that point are estimated to be **\$46.7 million per year** (in current dollars). Of that amount, Wayne County would receive approximately **\$4.3 million** annually (in current dollars) under the County’s operating, jail, and parks millages.<sup>8</sup>

<sup>5</sup> True cash values were set at 75% of the construction cost for the residential and commercial development and 50% of the construction cost for the stadium. By law, the assessed or taxable value is 50% of the true cash value.

<sup>6</sup> Approximately 74.14% of the NEZ millage is eligible for capture under the brownfield TIF, 75.88% of the Commercial Redevelopment Act millage is eligible for capture, and 100% of the Commercial Rehabilitation Act millage is eligible for capture. All capture is limited to the amount of eligible expenses.

<sup>7</sup> It is difficult to pinpoint exactly when the reimbursement would be complete, because it depends on factors including whether or not the brownfield authority approves reimbursement for interest payments on debt used to finance these activities. The outer figure here assumes reimbursement of interest costs.

<sup>8</sup> Wayne County’s millage for operating, parks, and jail millages total 8.122 mills or 9.22% of the total millages levied.

## The Economic Value of the Private Sector Development of the Gratiot Site for Wayne County

While Michigan and Detroit will each benefit from new income tax revenues, it is crucial to quantify the economic benefits of the project for Wayne County. Those benefits are the contributions the private sector development of the site will have for Wayne County's economy.

A variety of factors have contributed to a decrease in Wayne County's population over the past decades. In 1980, more than 2.34 million lived in the county. By 2015, the U.S. Census Bureau estimated that 1.76 million people lived in Wayne County (**580,000 fewer residents** than existed in 1980). With an average household size of 2.63, 580,000 fewer residents translates to **221,000 fewer households** in the county in 2015 than in 1980.

If household income in Wayne County was equal to the average salaries earned by Michigan workers in 2015 (\$45,140), 221,000 fewer households means the county's **economic base (as defined by household income) has shrunk by \$10 billion**. This loss means fewer jobs in the county, and lower levels of economic activity mean reduced tax revenues for every government in Wayne County.

The rebuilding of downtown Detroit has and will continue to rebuild Wayne County's economic base. For example, data from the Internal Revenue Service indicates that in 2014 the households moving into Wayne County had a total adjusted gross income (AGI, relative to Federal Tax obligations) of \$2.13 billion. There was of course an outflow of households, but those had an AGI of \$1.55 billion. This means that the development that is taking place in downtown, midtown, and elsewhere in the County has led to an increase in taxable income by \$580 million. That increment in taxable income (AGI), produced by Wayne County households, is an important increment in the work needed to grow the County's economic base.

The private sector development of the Gratiot site will increase the housing stock in Wayne County that is attractive to households and will continue to enhance the inflow of spending that takes place in Wayne County. The entertainment amenities planned for the area will increase the spending that takes place in the County and that too will mean an enhancement to the local economy. The development of commercial space will also mean that more businesses will be encouraged to locate in Wayne County.

An aggressive strategy to restore the County's economic base will generate immediate and long-term economic benefits. When the economic base grows there are more jobs and more people spending their discretionary income in Wayne County. As the estimates here indicate, Wayne County's support for the private sector development of the Gratiot site is an important step in accelerating the County's growth.



**PART TWO:**  
Downtown Detroit's Density & Urban Fabric

## Downtown Detroit's Density and Urban Fabric

Downtown Detroit is being redeveloped as the region's center for sports and entertainment, as a new urban neighborhood, as a bridge between the core community and Midtown, and as one of the region's major nodes for commercial activity. A jail does not fit with the current development and fails to capitalize on or complement other private and public sector initiatives.

In contrast, the project proposed by Rock Ventures has the potential to add a fifth professional team (soccer) to the downtown area.<sup>9</sup> The project will also add more commercial and retail space to the downtown area complementing investments made by other private sector developers. The project will also add to the residential character of the downtown area. **A jail complex will not achieve any of those objectives.**

The announcement on November 22, 2016 that the Detroit Pistons and Palace Sports and Entertainment will relocate to the new Little Caesars Arena makes downtown Detroit the only city in North America with four professional sports teams and three sport venues that are within walking distance of each other and woven into the urban fabric of the central city. Rock Ventures' proposal for a commercial complex that includes a new stadium for a Major League Soccer team could make downtown Detroit the only market in North America that is home to five major league teams playing in four facilities within walking distance of each other that are woven into a city's core and part of an effort to enhance the revitalization of a downtown area. The concentration of five professional teams, four venues, and several live entertainment locations will establish downtown Detroit as North America's most unique sport and entertainment center.

To truly comprehend the uniqueness of Detroit's potential position, it is important to look at other compact entertainment districts that play host to more than two teams from the four major leagues (see Table 9).

**Table 9. Number of Teams Sustained by Various Markets in the United States**

Market	Population (millions)	Teams				Total
		NFL	NBA	MLB	NHL	
<i>New York</i>	20.2	2	2	2	3	9
<i>Los Angeles-Anaheim</i>	18.6	1	2	2	1	6
<i>Chicago</i>	9.7	1	1	2	1	5
<i>Washington</i>	9.3	2	1	2	1	6
<i>San Francisco-Oakland-San Jose</i>	7.2	2	1	2	1	6
<i>Dallas</i>	7.1	1	1	1	1	4
<i>Houston</i>	6.5	1	1	1	0	3
<i>Philadelphia</i>	7.1	1	1	1	1	4
<i>Atlanta</i>	5.6	1	1	1	0	3
<i>Detroit/Toledo</i>	5.0	1	1	1	1	4
<i>Boston</i>	4.6	1	1	1	1	4
<i>Phoenix-Glendale</i>	4.3	1	1	1	1	4
<i>Minneapolis-St. Paul</i>	3.9	1	1	1	1	4
<i>Miami</i>	5.0	1	1	1	1	4
<i>Cleveland</i>	3.5	1	1	1	0	3
<i>Denver</i>	2.8	1	1	1	1	4
<i>Indianapolis</i>	1.4	1	1	0	0	2

<sup>9</sup> If an expansion franchise for a Major League Soccer team is not granted for Detroit, a stadium will not be built. A more dense mixed-use development would be built instead, which would have a greater economic impact than what is considered in this report.

It is important to remember that while these markets may host numerous teams, the presence of multiple teams and venues in a city does not equate a district; *where* the venues are located within each market, and their respective contribution to the area’s downtown density, is fundamental to an enriched cityscape.

Table 10 indicates the number of teams and venues in each market, as well as the area between the market’s venues. For the majority of the markets studied (and for those most comparable to Detroit), venue density was most accurately calculated by finding the area between each venue. Only one market, Philadelphia, has as many as four teams playing in venues within walking distance of each other. These venues, however, are not linked or adjacent to the city’s urban fabric (as will be illustrated later).

In downtown Denver, for example, four teams play in three venues, but the venues are not within walking distance of each other. Similarly, the New York market is home to nine franchises, but in only three counties are teams sharing the same venue. The New York Knicks and Rangers share Madison Square Garden in Manhattan (New York County). Several miles away in Kings County (Brooklyn), the Brooklyn Nets and New York Islanders play their home games at the Barclays Center. However, the Islanders are currently attempting to play their home games in a new arena to be built elsewhere in New York City or Nassau County. The New York Giants and Jets play their home games in MetLife Stadium in New Jersey, but that venue is 11.4 miles from the arena in Newark, New Jersey that is home to the New Jersey Devils. The New York Yankees play their home games in the Bronx and the New York Mets play in Queens. While some of these venues are integrated into mixed-use neighborhoods, several are not and there is no density of venues adjacent to each other.

**Table 10. Sport Venue Density: All Venues**

Market	Teams	Venues	Area (sq. mile)
<i>New York</i>	9	6	102.33
<i>Los Angeles-Anaheim</i>	6	4	145.45
<i>Chicago</i>	5	4	11.43
<i>Washington</i>	6	5	114.45
<i>San Francisco-Oakland-San Jose</i>	6	5	118.54
<i>Dallas</i>	4	3	175.50
<i>Houston</i>	3	3	3.63
<i>Philadelphia</i>	4	3	0.16
<i>Atlanta</i>	3	3	5.45
<i>Detroit</i>	4	3	0.11
<i>Boston</i>	4	3	10.2
<i>Phoenix-Glendale</i>	4	4	8.92
<i>Minneapolis-St. Paul</i>	4	4	3.18
<i>Miami</i>	4	4	54.84
<i>Cleveland</i>	3	3	0.52
<i>Denver</i>	4	3	0.60
<i>Indianapolis</i>	2	2	0.16

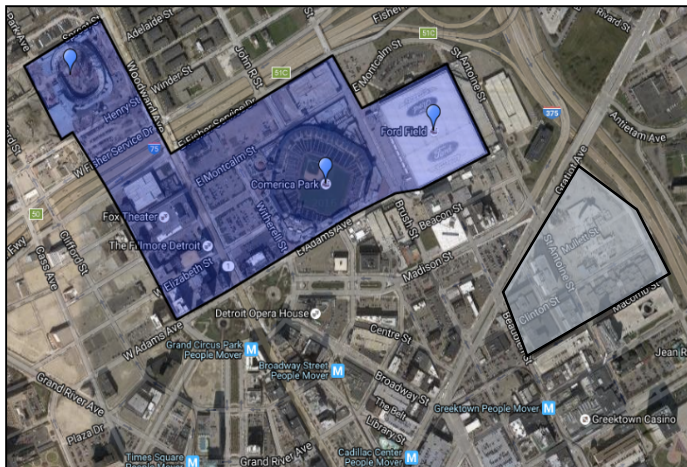
As mentioned, many markets’ teams and venues are dispersed throughout their respective metropolitan areas. Table 11 attempts to control for this factor, focusing only on those teams whose venues are located in the city’s core and removing those on the periphery. Note that although Philadelphia’s venue density is a close second, the environment surrounding the venues is entirely different.

**Table 11. Sport Venue Density: Centrally Located Venues**

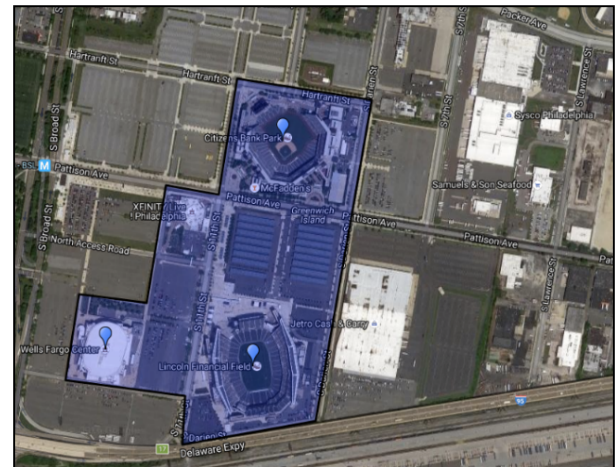
Market	Teams	Venues	Area (sq. mile)	Environment
New York	2	1	0.02	High Density Development
Los Angeles	3	1	0.16	High Density Development
Chicago	2	1	0.06	Parking Lots
Washington	2	1	0.02	High Density Development
San Francisco-Oakland-San Jose	3	2	0.17	Parking Lots
Dallas	2	1	0.29	Parking Lots/Bare Land
Houston	2	2	0.21	Mid Density Development
<b>Philadelphia</b>	<b>4</b>	<b>3</b>	<b>0.16</b>	<b>Parking Lots</b>
Atlanta	2	2	1.04	Mid Density Development
<b>Detroit</b>	<b>4</b>	<b>3</b>	<b>0.11</b>	<b>High Density Development</b>
Boston	2	1	0.05	Parking Lots
Phoenix	2	2	0.08	Parking Lots
Minneapolis-St Paul	3	3	0.43	Low/Mid Density
Miami	2	2	0.51	High Density Development
Cleveland	3	3	0.52	High Density Development
Denver	3	2	0.25	Low/Mid Density
Indianapolis	2	2	0.16	Mid Density Development

Contrasting Figures 1 and 2 of Detroit and Philadelphia’s sport districts, respectively, demonstrates the stark contrast between each market’s dedication to building sport venues that fit the surrounding urban fabric and to creating sport districts that contribute to the city’s density. The location of the proposed MLS stadium is shaded in grey and will be less than three city blocks from Ford Field and approximately 5 city blocks from Comerica Park.

**Figure 1. Detroit’s Sport District**



**Figure 2. Philadelphia’s Sport District**



When the focus turns to fewer than three venues and only two teams, Indianapolis offers one of the best examples of integrating sport venues into the revitalization of a downtown area (see Figure 3). Since 2000, more than 3,000 multi-family units have been built in the central business district with 95 percent occupied (CBRE - Indianapolis, 2016). There has been more than \$8 billion in real estate development in downtown Indianapolis. Indianapolis’ outcomes, with regard to revitalizing a downtown area with multiple venues located near each other, provide insights into what the simultaneous venue projects (coupled with real estate development), could mean for Detroit.

## Study Methodology

**A.** The construction cost estimates used in this report were provided to the University of Michigan Center for Sport and Policy (UMCSP) by Rock Ventures. Using average construction cost estimates from the U.S. Department of Labor it was expected that 33.3 percent of the cost of each project element involved payments to labor, with materials accounting for the balance (66.7 percent of a project element).

It was anticipated that all labor would be local (including architects and planners). To predict where workers lived, a commute shed for Southeast Michigan was used. That commute shed, produced by UMCSP, utilized data produced by the U.S. Department of Labor. Given the cross-county commute patterns for construction workers it must be expected that some workers would be residents of Wayne County while many others would likely live in the surrounding counties in Southeast Michigan. As a result, all economic impacts refer to gains for Southeast Michigan as opposed to Wayne County or the City of Detroit. The economic impact of Wayne County's investment in a new jail in downtown Detroit would also be shared with each of the counties in Southeast Michigan.

**B.** It was expected that three-quarters of the materials purchased for construction would be manufactured outside the state of Michigan. Spending on materials produced elsewhere would not create any indirect or induced economic effects for Southeast Michigan. As a result, no indirect or induced spending effects were reported for those inputs (from outside of Michigan) in the study.

**C.** The induced and indirect effects were calculated using multipliers for Southeast Michigan developed by and purchased from the U.S. Bureau of Economic Analysis.

**D.** The analysis includes both a present value calculation in (2016 dollars) of direct and indirect/induced economic effects and a year-by-year breakdown of these anticipated effects. In each subsequent year, it was assumed that costs would increase by 2.2 percent per year. The 2.2 percent corresponds to an expected rate of inflation in the United States. Future changes in the inflation rate would permit small changes the projections made.

**E.** The estimate of the number of jobs created was produced using average wage rates for the metropolitan region reported by the U.S. Department of Labor.

## **APPENDIX A: POTENTIAL IMPACT OF TRANSFORMATIONAL BROWNFIELD LEGISLATION**

There is pending state legislation that would expand tax capture authority under the Brownfield TIF Act (PA381) for large-scale, transformational projects. To be approved, a project would have to be deemed transformational by the relevant brownfield authority and local governing body, and then would have to be selected and approved at the state level. The state cannot approve more than 5 projects per year.

As of this writing, the legislation has passed the Michigan Senate but not the Michigan House. In addition, no determination has been made as to whether Rock Ventures, working in partnership with the brownfield authority, will seek such a designation or whether the project would qualify and be selected based on the statutory criteria.

However, in the interests of providing the most comprehensive look at economic impacts under all potential scenarios, this Appendix briefly summarizes the impacts that a transformational brownfield TIF could have on the property and income tax results reported above.

### **Property Tax**

The transformational brownfield TIF expands the expenses eligible for reimbursement to make all construction and development costs eligible. However, total capture is limited to the amount required for the project to be economically viable.

Absent a financial and underwriting analysis, it is difficult to determine what additional tax capture may be appropriate under the transformational brownfield designation. However, it is clear that any additional tax capture would not “kick in” until approximately 15 to 17 years after project completion, as expenses eligible under current law are substantial enough to utilize all available tax capture until that time. Property tax capture cannot exceed 30 years in total.

Given what is known about the need for assistance to close the financial gap on projects of this nature, as well as the challenge posed by the high millage rate in Detroit, we would expect some level of additional tax capture to be justified under the Transformational Brownfield TIF Act for this period.

### **Income Tax**

The legislation authorizes the capture of state income taxes from new jobs (and residents) located on site, including construction jobs. Up to 100% of the state income tax from construction jobs can be captured, and up to 50% of the state income tax from permanent jobs is eligible for capture. Again, the tax capture is limited to the amount required for the project to be economically viable.

Using the figures from Table 5, the Transformational TIF could potentially capture \$24.25 million in state income tax from construction jobs on site. Based on the estimates in Table 6, the Transformational TIF could also capture \$2.4 million in state income tax from permanent jobs on site.