

Piquette Square: Home for Homeless Veterans in Detroit

By Rochelle Lento, Dykema Gossett PLLC

Once the location of the Studebaker Piquette Ave. plant, which produced cars from 1910 until 1928 and was the production site for the “Wayne” and the E-M-F automobiles, this building at Brush St. and Piquette St. in central Detroit has had many uses. During World War II, the eastern portion of the building became the US Army 182nd Field Artillery Amory, then a storage facility for the IRS, then the Detroit Public Library Automotive History Collection. After Chrysler discontinued use of the plant, the eastern portion became the old Piquette Market and Storage, which burned down in 2005 in a five-alarm fire that lasted two days, with 150 firefighters on the scene.

Now, going back to its earlier military roots, this 3.28 acre site will soon provide a home and support services for homeless veterans. Beginning in 2005, Southwest Housing Solutions Corporation (Southwest Housing), a non-profit developer in Detroit that focuses on supportive housing combined with services, developed the concept for this first-of-its-kind project in Michigan. The mixed-use development will consist of 150 units in a four-story building providing single-bedroom units for homeless veterans, 10,000 square feet of supportive services and 5,000 square feet of commercial space on the ground level. The building will be constructed in a U-shape that will surround a central outdoor courtyard area. Each unit will be equipped with minimal furnishing and include a bed, dresser, night stand, kitchen table with two chairs, couch and table, and residents will be provided with a care package upon move-in. The support services coordinated by Southwest Housing will include life skills, mentoring, employment and job opportunity training, as well as mental health services, to be provided when needed.

“Piquette Square is an important piece of a major collaborative commitment to address the growing problem of homeless veterans in metropolitan Detroit,” said Tim Thorland, executive director of Southwest Housing. “Piquette Square will not only provide homeless vets a dignified place to live, but access to comprehensive supportive services that will enable them to develop independent living skills and reintegrate into the community.”



Photo Courtesy: Southwest Housing Solutions

The Studebaker Piquette Ave. plant in Detroit is being transformed into a mixed-use development that will include 150 housing units for homeless veterans.

Southwest Housing, established in 1979, has been developing affordable housing in the city of Detroit for more than 15 years. Given its roots and connection to a mental health/social service agency, Southwest Housing provides social and mental health services at all of its developments. It has more than \$100 million in real estate projects com-

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pleted or in progress, which are comprised of 588 units of affordable housing and 40,000 square feet of commercial space in a total of 24 buildings located primarily in southwest Detroit. An important geographic criterion for Piquette Square was proximity to the Veteran's Hospital, which is less than a mile and a half away. The owner is the Piquette Square Limited Dividend Housing Associa-



Photo Courtesy: Southwest Housing Solutions

The property was converted from an automotive plant to Piquette Market and Storage, pictured above before it was destroyed in 2005 in a five-alarm fire that lasted two days.

tion Limited Partnership, of which Piquette Square Inc., a wholly owned for profit subsidiary of Southwest Housing, is the general partner. Southwest Housing will also be the master tenant, responsible for the commercial/retail rental space.

The site, which was vacant and level, was privately owned and available. The old saying: "looks too good to be true," came back to haunt the developer as it uncovered extensive environmental conditions below the surface, creating major delays and financing challenges.

This \$22.5 million development combined the resources of local, state, county and private sources, and included significant contributions or deferral of fees from the developer.

The Corporation for Supportive Housing provided a pre-development loan to assist with pre-development activities and acquisition costs. The state of Michigan, through the Michigan State Housing Development Authority (MSHDA), provided \$6.7 million in construc-

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tion/permanent financing through its bond-financing, direct lend program and, additionally, provided approximately \$5.5 million in HOME funds. MSHDA will also provide 100 percent project-based vouchers. When this funding is combined with the HOME funds, it triggers a subsidy layering review by the Department of Housing and Urban Development. (In Michigan, a bond financing guarantees 4 percent low-income housing tax credits (LITHCs), which were awarded at \$808,980 per annum.) Great Lakes Capital Fund syndicated the 4 percent LITHCs, providing more than \$6.5 million in equity. The Federal Home Loan Bank (FHLB) of Chicago through its Affordable Housing Program provided \$500,000. Wayne County provided financing from an EPA loan/grant program specifically targeted for environmental clean-up, awarding \$470,000. The city of Detroit approved a 4 percent payment in lieu of taxes (PILOT), which provided relief from property taxes, allowing the development to pay 4 percent of its shelter rents in lieu of taxes – necessary relief for the operational budget. Of the \$22.5 million in total development costs, approximately \$1.7 million was available from Michigan Business Tax Brownfield Tax Credits. (MBT Brownfields Credits provide a tax credit against Michigan Business Income, and in this case were purchased by Spartan Foods for 87 cents.)

Finally, the developer and general partner, which were affiliated entities, contributed close to \$1 million in capital contributions and deferred the developer's fee. The Veterans Administration has been a supportive partner and will be more integrally involved in programmatic services to veterans once the development is operational.

Given the historical uses of the site, zoning and environmental issues presented challenges for the developer. The area was zoned M-4, an intensive or heavy industrial district, with multifamily residential development being permitted only conditional use under the city's master plan, with approval of the city Building Safety & Engineering Department. The developer had to obtain a special land use permit from the city of Detroit to allow multifamily residential development.

Despite the fact that the appraisal obtained in 2006 stat-

ed that no adverse environmental issues were observed, further examination revealed major but not insurmountable issues. The environmental conditions at the site ranged from five underground storage tanks (UST) discovered during test pit excavations, most empty but never removed; and various chemicals and pollutants, including lead, arsenic, benzo(a)pyrene detected in the soil samples and all above the applicable Michigan Department of Environmental Quality (MDEQ) levels allowable for a residential standard; to some vapor soil gas issues resulting from the contamination. Given this level of contamination, the property met the MDEQ definition of a "facility."

A Phase I Environmental Report, Phase II Environmental Report, a Baseline Environmental Assessment and a Due Care Remedial Action Plan were all completed for the developer's environmental consultant, AKT Peerless, and due to the extensive nature of the contaminants, the pre-remediation activities delayed the project for more than eight months. Following the draining of the USTs and removal of all surrounding and underneath soil, MSHDA determined that the developer needed to install a state-of-the-art vapor intrusion barrier system beneath the footprint of the building to assure quality air in the



Photo Courtesy: Southwest Housing Solutions

When the Journal of Tax Credit Housing went to press, Piquette Square's general contractor reported that construction at the project site was one month ahead of schedule.

building. To ensure the safety of the resident population, the developer's environmental consultants worked closely with MSHDA's environmental officer to address

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all environmental issues.

“The Piquette Square project represents a national model that demonstrates how Michigan’s Brownfield Redevelopment Program complements the Environmental Protection Agency’s (EPA) Brownfield Grant and Loan incentives to minimize funding gaps and provide for a streamlined process to readily access site investigation and cleanup funds at all government levels,” said Anthony “Tony” Kashat, senior project manager for AKT Peerless. “Through the collaborative efforts of EPA, MDEQ, MSHDA and the Michigan Economic Growth Corporation, Wayne County, the Detroit Wayne County Port Authority and the city of Detroit, a regional and federal partnership evolved into a common vision of redevelopment and the creation of jobs, new tax base and a better quality of life for homeless veterans in the community.”

Design components for the building were modified during the housing authority’s review process. Mechanical systems were changed to incorporate a geothermal system, which provides heating and cooling to each tenant year-round; each apartment will have control over its temperature. In addition, excess heat from the geothermal system will be used to heat or temper the domestic hot water system. The building is also designed with other “green” construction systems, such as cellulose insulation, a white reflective roof with insulation, fluorescent lighting with energy saving ballasts, and an emergency generator system that defaults to providing power only to the fire pump and emergency systems, allowing for a smaller generator system. O’Brien Construction Company is the general contractor for the project.

“Piquette is an exceptional project for us,” said Timothy



Rendering Courtesy: Southwest Design Solutions, Steve Pariseau, architect of record

A rendering of the finished project shows the mixed-use development that will consist of housing as well as 10,000 square feet of supportive services and 5,000 square feet of commercial space on the ground level.

O’Brien, president of O’Brien Construction. “After many years of material and manpower shortages, we have subcontractors and suppliers lined up waiting to work. This is obviously the effect of a terrible economy here in Michigan, but the reality is it has helped us tighten our budget and we are one month ahead of our construction schedule after five months of building.”

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