



Item Number: 8

CITY OF GRAND RAPIDS AGENDA ACTION REQUEST

DATE: August 13, 2024

TO: Mark Washington, City Manager

COMMITTEE: Committee of the Whole
LIAISON: Mark Washington, City Manager

FROM: Sarah Rainero, Economic Development Director
Economic Development

SUBJECT: **Resolution approving the submission of Neighborhood Enterprise Zone Exemption Certificate applications for CWD 111 Lyon, LLC at 111 Lyon Street NW**

Attached is a resolution approving the submission of eighteen (18) 15-year Neighborhood Enterprise Zone (NEZ) exemption certificate applications under Michigan Public Act 147 of 1992 (the "Act") for a project located at 111 Lyon Street NW (the "Property"). A public hearing was held for the creation of the NEZ district on June 4, 2024. The applications were filed by CWD 111 Lyon, LLC (the "Developer") for a project located in the Vandenburg Center NEZ district which was established by the City Commission on July 30, 2024. The property associated with the NEZ certificate applications is considered a "rehabilitated facility" in the Act, which requires the Applicant to file applications in eight (8) unit increments.

The existing building contains approximately 95,025 square feet of commercial space, and the Developer intends to redevelop the upper seven (7) floors into 140 residential units. Of the 140 units, 28 will be available to households earning at or below 100% of the Area Median Income ("AMI").

Total investment in the project is estimated to be \$31.7 million with total construction costs of approximately \$30.7 million, which includes building amenities. Of the \$30.7 million in construction costs, approximately \$23 million is associated with the development of the housing units. As a result of the project, it is anticipated there will be forty-five (45) new full-time equivalent jobs created with average wages of \$21.50 per hour. These jobs will be associated with leasing and future amenity space.

The project qualifies for a 15-year NEZ, pursuant to City Commission Policy 900-45 (the "Policy"), adopted on January 30, 2018, because it proposes to meet two City Investment Criteria. The Developer has submitted an Inclusion Plan that describes aspirational goals for both hard construction and professional services costs that equate to 15% overall

subcontractor participation from Micro-Local, Women-Owned, and Minority-Owned Business Enterprises, which meets criteria 4.A.i. in the Policy.

Additionally, the Developer will be income restricting 20% of the 140 units proposed (28 units) for households earning at or below 100% of the Area Median Income (AMI), and those units will remain income restricted for a period of up to 20 years, or the duration of reimbursement pursuant to the approved Brownfield Plan Amendment (the “Amendment”). Criteria 1.A. of the Policy states 20% of the units proposed should be affordable to individuals and families earning at or below 80% of the AMI and units shall remain affordable for the term of the NEZ. Although, the project does not meet this exact Policy parameter, staff recommends the City Commission consider waiving the 80% AMI component of this criteria in favor of an additional five (5) years of affordability, which will be subject to income compliance and monitoring over the duration of the Amendment. As a result of the project, a mostly vacant building with commercial office space will be repurposed to add new, in demand, housing units downtown, and approval of the maximum term of the NEZ is a component of the project’s financial viability.

The 140 apartments proposed will be a mixture of one-and-two-bedroom units. Information about housing affordability is described in the table below. According to the Housing Needs Assessment recently updated by Bowen National Research in 2022, there is demand for approximately 1,573 units for households earning between 81% and 120% AMI by 2027.

Number of Units	Number of Bedrooms	Household AMI Limits¹	Est. Monthly Rent	Avg. Square Footage
21	One	<100% AMI	\$1,481	610
7	Two	<100% AMI	\$1,764	974
84	One	<120% AMI	\$1,759	610
28	Two	<120% AMI	\$2,288	974

¹Area Median Income (AMI) ranges are for price-point reference, do not include other housing costs, and are found in the 5/13/2023 [Income and Rent Limits](#) published by the Michigan State Housing Development Authority.

Of the total \$30.7 million estimated costs, scopes are well defined for \$23 million which is related to the housing component of the project. The Developer is working towards the following subcontractor participation goals in connection with this scope for the project for Micro-Local Business Enterprises (MLBEs), Women-Owned Business Enterprises (WBE), and Minority-Owned Business Enterprises (MBE) during construction: 3.8% MBE, 3.8% WBE, and 7.5% MLBE. These levels of participation would amount to 15%, or approximately \$3,450,000 of the \$23 million in construction costs. Additionally, the Developer has approximately \$2.3 million of professional services costs and has an aspirational goal of 15% or \$345,000 for MLBE, WBE, and MBE participation for these costs.

The project also meets multiple objectives of the City’s Strategic Plan and Equitable Economic Development and Mobility Strategic Plan, including:

- Prioritization of MBE, WBE, and MLBE businesses and subcontractors for projects supported by City incentives, and
- Facilitates increased housing supply through the development of a variety of housing types.

There are no known environmental concerns at the Property that will not be addressed during development, and the Developer is current on its tax liabilities to the City. The Developer also received approval from the Brownfield Redevelopment Authority and the City Commission for a First Amendment to the Brownfield Plan Amendment and will seek reimbursement for brownfield eligible activities totaling \$15,246,500.

Project Projections – Vandenburg Center (Phases I & II)		
	Total Amount	City of Grand Rapids Portion
Construction Costs	\$30.7 million	
Retained Jobs (FTE)	0	
New Jobs (FTE)	45	
Average Hourly Wage	\$21.50	
Total New Taxes Generated (1 year)	\$2,094,097	\$360,286
Taxes Paid (1 year)	\$1,590,957	\$273,722
Taxes Abated (1 year)	\$503,140	\$86,564
New City Income Taxes (1 year)	-	\$70,749

Attachment

SLR/js

Your COMMITTEE OF THE WHOLE recommends the adoption of the following resolution approving the submission of a Neighborhood Enterprise Zone Exemption Certificate application for CWD 111 Lyon, LLC at 111 Lyon Street NW.

WHEREAS:

1. The City Commission on January 30, 2018, approved Resolution No. 87390 and adopted an amended City Commission Policy No. 900-45 for Neighborhood Enterprise Zones, which contains a statement of the City's goals, objectives and requirements to designate an eligible area; and
2. The City Commission established the Vandenburg Center Neighborhood Enterprise Zone (NEZ) district by Resolution No. 93762, adopted on July 30, 2024; and
3. Applications were filed with the City of Grand Rapids on July 31, 2024 by CWD 111 Lyon, LLC for the construction of up to 140 apartment units which are to be located within the Vandenburg Center NEZ, requesting NEZ Exemption Certificates; therefore

RESOLVED:

1. That the City Commission hereby acknowledges receipt of the NEZ Exemption Certificate applications from CWD 111 Lyon, LLC for the construction of market-rate and income restricted residential apartment units to be located within the Vandenburg Center NEZ; and
2. That the City Commission hereby finds that the NEZ Exemption Certificate applications comply with the Neighborhood Enterprise Zone Act, Act 147 of the Public Acts of Michigan of 1992, as amended; and
3. That the City Commission hereby approves the submission of the NEZ Exemption Certificate applications for the above-described project, located at 111 Lyon Street NW to the State Tax Commission by the City Clerk; and
4. That the City Commission recommends that the above-described property, if approved by the State Tax Commission, shall receive fifteen (15) years of NEZ benefits, beginning from the effective date of the NEZ Exemption Certificates; and
5. That the NEZ Exemption Certificates and any accompanying economic benefit approved for submission to the State Tax Commission pursuant to this resolution is subject to any and all changes in State or Federal legislation and such changes are beyond the control of this City Commission.