



Item Number: 4



# 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 a Brownfield Plan Amendment for The Emory Redevelopment Project located at 2040 Division Avenue S**

Attached is a resolution approving a Brownfield Plan Amendment (the “Amendment”) filed by The Diatribe (the “Developer”) for The Emory redevelopment project located at 2040 Division Avenue S (the “Property”). The Property qualifies for the Brownfield program, because it has been determined to be “functionally obsolete” by a Level IV Assessor under Section 2(u) of Michigan Public Act 381 of 1996, as Amended (the “Act”). A public hearing for the project was held on July 30, 2024.

The Developer owns the Property, which currently contains an 18,345 square foot, vacant, two-story building with a basement that is in significant disrepair. The Developer plans to rehabilitate the existing building into a mixed-use property that will include programmatic and office space for The Diatribe’s headquarters and commercial space on the ground floor. The second floor will be renovated into eight (8) apartments, to be rented to households earning at or below 60% of the Area Median Income (AMI), and the basement will be a performing arts venue. It is anticipated the project will also seek LEED certification. Total investment in the project is estimated to be almost \$7 million with approximately \$5 million in construction costs.

The Developer is requesting reimbursement from the Brownfield Redevelopment Authority (BRA) of up to \$185,840 for brownfield eligible activities, including lead and asbestos abatement and demolition. Due to the amendments to the Act adopted into law in 2023, approval from the state for school tax capture is no longer required for certain eligible activities including demolition and hazardous materials abatement up to \$250,000. Since the majority of the eligible activities the Developer is seeking reimbursement for are in these categories and under this threshold, an Act 381 Work Plan is not required. The public infrastructure costs will be reimbursed using local tax increment revenues (TIR). The Amendment is expected to remain in place for twenty-two years (22) years, and it is projected the Developer will be fully reimbursed for eligible activities after

seventeen (17) years. The last five (5) years of TIR capture will be used to fund the Local Brownfield Revolving Fund (LBRF). The first year of capture will be tax year 2025.

The Developer is also seeking approval of an Obsolete Property Rehabilitation Act (OPRA) exemption certificate. The project qualifies for a 12-year OPRA, pursuant to City Commission Policy 900-42, adopted on February 23, 2016, because it proposes to meet two City Investment Criteria. The Developer is seeking LEED certification for the project (Criteria 1.A.) and all eight (8) of the proposed apartments will be affordable to individuals and families earning less than 80% AMI (Criteria 2.A.).

The eight (8) apartments proposed will be a mixture of studio, one-bedroom 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 1,710 units for households earning between 51% and 80% AMI by 2027.

<b>Number of Units</b>	<b>Est. Housing Affordability<sup>1</sup></b>	<b>Est. Average Monthly Rent</b>	<b>Bedrooms</b>	<b>Average Square Footage</b>
2	<60% AMI	\$774	Studio	500
4	<60% AMI	\$945	1	650
2	<60% AMI	\$1,074	2	800

<sup>1</sup>Area Median Income (AMI) ranges are for price-point reference, do not include other housing costs, and are found in the 04/01/2024 [Income and Rent Limits](#) published by the Michigan State Housing Development Authority.

The Developer is working towards the following subcontractor participation goals in connection with the project for Micro-Local Business Enterprises (MLBEs), Women-Owned Business Enterprises (WBE), and Minority-Owned Business Enterprises (MBE) during construction: 15% MLBE, 2.5% WBE, and 17.5% MBE, which amounts to an overall participation of 35% or \$1,750,000 of the \$5 million in construction costs. Additionally, the Developer has approximately \$313,500 in professional services costs and has a goal of 12% or \$37,620 in participation from MLBE, WBE, and MBE subcontractors.

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,
- Facilitates increased housing supply through the development of a variety of housing types, and
- Increase the number and diversity of business owners, property owners, and developers participating in economic development incentive programs.

Environmental concerns at the Property will be addressed during development, and the Developer is current on its tax liabilities to the City. The Developer has done significant community engagement related to the project in the surrounding neighborhood and with

stakeholders associated with its organization. The Developer also received approval for Special Land Use from the City Planning Commission at its meeting on January 11, 2024, for outdoor seating, alcohol service and live entertainment associated with an event venue, as well as a parking waiver.

The project has also been supported by the City via a \$500,000 grant through the Michigan Economic Development Corporation's Revitalization and Placemaking Program 2.0. Additionally, the BRA previously approved two Environmental Site Assessment grants for the project totaling \$13,120, and at its most recent meeting approved a \$104,500 Emerging Developer Grant for some of the predevelopment costs associated with the project. The BRA recommended the Amendment at its meeting on June 26, 2024.

<b>Project Projections – The Emory</b>		
	<b>Total Amount</b>	<b>City of Grand Rapids Portion</b>
Total Development Costs	\$7 million	
Construction Costs	\$5 million	
Total New Taxes Generated (1 year)	\$33,501	\$5,871
Taxes Paid (1 year)	\$7,800	-
Taxes Abated (1 year) <sup>1</sup>	\$25,701	\$5,871
New City Income Taxes (1 year)	-	\$3,980

<sup>1</sup>Taxes abated due to OPRA exemption

Attachments

SLR/js

Your COMMITTEE OF THE WHOLE recommends the adoption of the following resolution approving a Brownfield Plan Amendment for The Emory Redevelopment Project located at 2040 Division Avenue S.

WHEREAS:

1. The City Commission approved a Brownfield Plan (the "Plan") for the City of Grand Rapids Brownfield Redevelopment Authority (the "Authority") on December 22, 1998, pursuant to the Brownfield Redevelopment Financing Act, Act 381 of the Public Acts of Michigan of 1996, as amended, MCL 125.2651 et seq. ("Act 381"); and
2. The Board of the Authority has recommended an amendment to the Plan for The Emory redevelopment project located at 2040 Division Avenue S (the "Project") described therein (the "Amendment"); and
3. The City Commission held a public hearing on July 30, 2024, for the Amendment after notice in accordance with the requirements of Act 381; therefore,

RESOLVED:

1. That the Amendment constitutes a public purpose under Act 381; and
2. That the Amendment meets all the requirements of Section 13(1) of Act 381; and
3. That the proposed method of financing the costs of the eligible activities, as identified in the Amendment and defined in Act 381, is feasible and the Authority has the authority to arrange the financing; and
4. That the costs of the eligible activities proposed in the Amendment are reasonable and necessary to carry out the purposes of Act 381; and
5. That the amount of captured taxable value estimated to result from the adoption of the Amendment is reasonable; and
6. That the Amendment in the form presented is approved; and
7. That all resolutions or parts of resolutions in conflict herewith shall be and the same are hereby rescinded.