



Item Number: 2



CITY OF GRAND RAPIDS AGENDA ACTION REQUEST

DATE: December 17, 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 an application for a 12-year Commercial Facilities Exemption, pursuant to PA 255 of 1978 for 2 Fulton St W, LLC for a project located at 2 Fulton Street W**

Attached is a resolution approving an application for a 12-year Commercial Facilities Exemption Certificate, pursuant to Michigan Public Act 255 of 1978 (the "Act"), for 2 Fulton St W, LLC (the "Applicant") for a project to be located at 2 Fulton Street W (Units 1A, 1B, and 2) (the "Property"). Public Act 255 of 1978, the Commercial Redevelopment Act, functions similar to a rehabilitation project under Public Act 147 of 1992, Neighborhood Enterprise Zone Act. The taxable value from the year prior to the approval of the certificate is frozen and the certificate holder will pay taxes on the frozen taxable value for the term of the certificate. Although this property is currently tax exempt, the frozen taxable value will be based on what the taxable value would have been if the property was taxable in tax year 2024. It is estimated that the taxable value would have been approximately \$2.1 million.

The Applicant is an entity associated with Bamboo, which is a company that provides turnkey workspaces with both shared and private offices to businesses and entrepreneurs seeking to start and grow their businesses. The company has locations in Detroit, Royal Oak, and Ann Arbor, and are seeking to expand by creating a facility in Grand Rapids. Bamboo provides memberships that include co-working space, private desks, private single and team office suites. Offices are equipped with internet, printing, common areas, training and meeting room spaces, and podcast rooms.

The Applicant is working to purchase the Property, which was formerly occupied by the Urban Institute for Contemporary Arts (UICA), which officially closed in 2023. The Applicant is proposing to repurpose the former gallery space to transform it into a modern coworking space serving entrepreneurs, teams, and individuals. The renovation will also create a 3,400 square foot private suite for Start Garden, who will become the permanent anchor tenant and will manage their business incubator and continue supporting entrepreneurs. Enhancements to the Property will include 45 new private offices that seat

one (1) to ten (10) individuals; eight (8) high-tech conference rooms seating four (4) to 16 individuals; a 2,600 square foot mezzanine that will be used for event space; and a 4,000 square foot outdoor patio for events and event rentals. It is estimated the project will cost approximately \$8 million with \$2.7 million in construction costs. The Applicant also expects to be able to create five (5) full time equivalent jobs as a result of the project.

As part of the project, the applicant has submitted an Inclusion Plan documenting how it plans to achieve the overall goal of 25% (\$687,500) of participation in the project's construction as follows: 20% MBE (\$550,000), 5% WBE (\$137,500), and 5% MLBE (\$137,500).

Although no City Commission Policy exists for the Commercial Redevelopment Exemption program, staff is not recommending approving one at this time as it is not required prior to considering a project under the Act. It is expected that staff will bring forward amended tax abatement policies in the future for Commission consideration, which will include PA 255. In the interim, it is recommended that the requirements of the legislation be followed as well as the requirements for projects contained in existing City Commission Policies for considering tax exemption applications and determining the duration of the various exemptions. In that instance, the project is eligible for a 12-year exemption due to a greater than 20% commitment to utilization of MBE, WBE and/or MLBE subcontractors in the construction of the project.

The project is permitted in the zone district and there have been no environmental concerns identified at the Property.

2 W Fulton – Project Projections		
	Total Amount	City of Grand Rapids Portion
Construction Costs	\$2.7 million	
New Jobs (FTE)	5	
Average Hourly Wage	\$27.25	
Total New Taxes Generated (1 year) ¹	\$165,950	\$28,640
Taxes Paid (1 year) ²	\$107,950	\$18,826
Estimated Tax Savings (1 year)	\$58,000	\$9,828

¹Based on applicant estimates of \$8 million in real property investment and a taxable value of approximately \$3 million

²Taxes paid based on the frozen taxable value of \$1.2 million

Attachment

SLR/JS

Your COMMITTEE OF THE WHOLE recommends the adoption of the following resolution approving an application for a 12-year Commercial Facilities Exemption, pursuant to PA 255 of 1978 for 2 Fulton St W, LLC for a project located at 2 Fulton Street W.

WHEREAS:

1. Pursuant to Public Act 255 of 1978, after a duly noticed public hearing held on December 3, 2024, the City Commission established a Commercial Redevelopment District at 2 Fulton Street W on December 17, 2024; and
2. 2 Fulton St W, LLC has filed an application for a Commercial Facilities Exemption Certificate with respect to commercial property as defined in section 3(3) of Public Act 255 of 1978 within the Commercial Redevelopment District; and
3. Before acting on said application, the City Commission held a public hearing as provided by section 6(2) of PA 255 of 1978 on December 3, 2024 at which hearing the applicant, the Assessor and a representative of the affected taxing units were given written notice and were afforded an opportunity to be heard on said application; and
4. 2 Fulton St W, LLC is not delinquent in any taxes related to the facility; and
5. The application is for commercial property as defined in Section 3(3) of Public Act 255 of 1978; and
6. The commencement of the construction, restoration or replacement of the facility did not occur more than 45 days prior to the filing of the application for exemption nor prior to the establishment of the Commercial Redevelopment District; and
7. 2 Fulton St W, LLC has provided answers to all required questions under Section 6(1) of PA 255 of 1978 to the City of Grand Rapids; and
8. Completion of the facility is calculated to, and will at the time of issuance of the certificate, have the reasonable likelihood to increase commercial activity and retain and create employment in the City; and
9. The aggregate SEV of real and personal property exempt from the ad valorem taxes pursuant to PA 198 of 1978 and PA 255 of 1978 within the City, after granting this certificate, will not exceed 5% of an amount equal to the sum of the SEV of the unit, plus the SEV of personal and real property thus exempted; and
10. The application relates to a construction program which when completed will constitute a new facility within the meaning of Public Act 255 of 1978 and that is situated within a Commercial Redevelopment District established under Public Act 255 of 1978; therefore

RESOLVED:

1. That the City Commission finds and determines that the granting of the Commercial Facilities Exemption Certificate considered together with the aggregate amount of certificates previously granted and currently in force under PA 198 of 1978 and PA 255 of 1978, shall not have the effect of substantially impeding the operation of the City or impairing the financial soundness of a taxing unit which levies ad valorem property taxes in the City; and
2. That the application of 2 Fulton St W, LLC for a Commercial Facilities Exemption Certificate with respect to a new facility to be installed within the Commercial Redevelopment District be and the same is hereby approved; and
3. That the date of completion of the new facility located at 2 Fulton Street W subject to the Commercial Facilities Exemption Certificate shall be December 31, 2025; and
4. That the Commercial Facilities Exemption Certificate when issued shall be and remain in force and effect for a period of twelve (12) years, beginning on December 31, 2025, and ending December 30, 2037, pursuant to the provisions of PA 255 of 1978; and
5. That upon approval as to form by the City Attorney, the Mayor is authorized to execute an agreement with 2 Fulton St W, LLC.

CORRECT IN FORM

CITY ATTORNEY