

Item Number: 3



# CITY OF GRAND RAPIDS AGENDA ACTION REQUEST

**DATE:** July 16, 2024

**TO:** Mark Washington, City Manager

**COMMITTEE:** City Commission Meeting

**LIAISON:** N/A

**FROM:** Sarah Rainero, Economic Development Director  
Economic Development

**SUBJECT:** **Public hearing to consider a Brownfield Plan Amendment for the Benjamin Flats Redevelopment Project located at 916 Benjamin Avenue NE**

On July 16, 2024 at 2:00 p.m., the City Commission will hold a public hearing to consider a Brownfield Plan Amendment (the "Amendment") filed by TC 916 Benjamin, LLC (the "Developer") for the Benjamin Flats Redevelopment Project located at 916 Benjamin Avenue NE (the "Property"). The Property qualifies for the Brownfield program because it is defined as "housing property" under Section 2(y) of Michigan Public Act 381 of 1996, as amended (the "Act").

The Developer, which is an entity affiliated with Third Coast Development, owns the Property, which currently contains a vacant and dilapidated former gathering hall. The plan for redevelopment includes the demolition of the existing building and the construction of three new two-story buildings with a total of 39 apartments. Two (2) buildings will contain 16 units each with the third containing the remaining seven (7) units. Of the 39 units proposed, eight (8) will be income restricted to households earning at or below 100% of the Area Median Income (AMI), which meets the minimum requirement outlined in the Interim Guidelines approved by the Brownfield Redevelopment Authority (BRA). The remaining 31 units will be rented at market rate. The estimated total project cost is \$7.6 million with construction costs of approximately \$5.7 million.

The Developer is requesting reimbursement from the BRA of up to \$4,629,163 for brownfield eligible activities including demolition, site preparation, infrastructure improvements, and housing development activities. For this project, housing development activities include reimbursement to fill a financing gap associated with the development of housing units priced for income qualified households, and reimbursement for potential rent loss (PRL). The reimbursement for the financing gap and PRL is specific to the eight (8) units to be rented at 100% AMI or below.

The Amendment is expected to remain in place for a 30-year period, of which the last five (5) years will be captured for the Local Brownfield Revolving Fund (“LBRF”). The first year of capture will be 2026.

The 39 apartments proposed will be a mixture of studio, one-bedroom and two-bedroom units. Information about housing affordability and PRL is described in the tables 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. For rental projects seeking Brownfield support for housing development activities, a minimum of twenty percent (20%) of all unit types must be income restricted for households earning both below 120% AMI and below market rate. Additionally, the period of affordability for these units is the greater of ten (10) years or the length of reimbursement. For this project, eight (8) units meets the twenty percent requirement. Of those eight (8) units, two (2) are studios, four (4) are one-bedrooms, and the remaining two (2) are two-bedroom units. The term of reimbursement is expected to be twenty-five (25) years, therefore the period of time these units must be income restricted is twenty-five (25) years.

Income Restricted Units						
Number of Units	Number of Bedrooms	Household AMI Limit <sup>1</sup>	Est. Monthly Rent	Est. Market Rate Rent <sup>2</sup>	Avg. Est. Annual PRL per unit <sup>3</sup>	Est. Total PRL over 25 years <sup>4</sup>
2	Studio	≤100% AMI	\$1,410	\$2,115	\$12,338	\$618,891
4	One	≤100% AMI	\$1,511	\$2,266	\$13,213	\$1,321,284
2	Two	≤100% AMI	\$1,814	\$2,721	\$15,873	\$793,645

<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.

<sup>2</sup>Market rent for this project is defined as 120% AMI.

<sup>3</sup>Annual Potential Rent Loss (PRL) = (Estimated Market Rent – Estimated Monthly Rent) \* (Number of Units) \* 12

<sup>4</sup>Total PRL = Annual PRL \* 25

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: 8% MBE, 13% WBE, and 21% MLBE. These levels of participation would amount to 21%, or approximately \$1.2 million of the \$5.7 million in construction 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

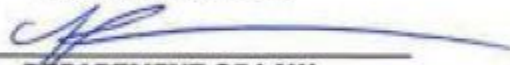
- Facilitates increased housing supply through the development of a variety of housing types.

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 received special land use approval from the Planning Commission to allow for the construction of the project at its meeting on March 14, 2024. The project is also being supported with a \$960,000 grant as part of the City's subgrant program through the Michigan Economic Development Corporation's Revitalization and Placemaking Program. The BRA recommended the Amendment at its meeting on May 22, 2024.

<b>Project Projections – 916 Benjamin</b>		
	<b>Total Amount</b>	<b>City of Grand Rapids Portion</b>
Construction Costs	\$5.7 million	
Total New Taxes Generated (1 year)	\$144,313	\$25,291
Taxes Paid (1 year)	\$144,313	\$25,291
New City Income Taxes	-	\$12,368

Attachments

JS

**CORRECT IN FORM**  
  
**DEPARTMENT OF LAW**