



Item Number: 9

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 scheduling a public hearing for August 27, 2024, to consider a Brownfield Plan Amendment for the Southtown Lofts Redevelopment Project located at 640 Eastern Avenue SE**

Attached is a resolution setting Tuesday, August 27, 2024, at 7:00 p.m. as the date and time when the City Commission will hold a public hearing to consider a Brownfield Plan Amendment (the "Amendment") filed by Larlen Communications, Inc. (the "Developer") for the Southtown Lofts redevelopment project located at 640 Eastern Avenue SE (the "Property"). The Property qualifies for the Brownfield program because it has been determined to be a "facility" under Part 201 of the Natural Resources and Environmental Protection Act, Act 451 of 1994, as amended.

The Developer owns the Property, which currently contains a 7,246 square foot, two-story building that is structurally compromised and cannot be used in its current state. The Developer is proposing to demolish the existing building to construct a new four story, mixed-use building that would result in the creation of up to twelve (12) residential apartment units, 5,600 square feet of commercial space, and 250 square feet of retail space. Total investment in the project is estimated to be almost \$4.7 million with approximately \$3.4 million in construction costs.

The Developer is requesting reimbursement from the Brownfield Redevelopment Authority (the "Authority") of up to \$606,119 for brownfield eligible activities, including demolition, asbestos abatement, site preparation, stormwater management, relocation of active utilities, public infrastructure improvements, and bracing, shoring, and sheeting. The Amendment is expected to remain in place for thirty (30) years, with the last five (5) years of tax increment revenue capture reserved to fund the Local Brownfield Revolving Fund (LBRF). The first year of capture will be tax year 2026.

It is expected that three (3) jobs will be retained, and two (2) part-time positions will be created as a result of the project. Staff estimates that the residents of the apartments could generate approximately \$3,009 in new City income taxes annually. The twelve (12)

apartments as proposed, would all be one-bedroom units and rented to households earning at or below 70% of the area median income (AMI). According to the housing needs assessment recently updated by Bowen National Research, there is a demand for approximately 1,710 rental units in the 51%- 80% AMI range by 2027.

Number of Units	Bedrooms	Est. Household Affordability¹	Est. Average Monthly Rent	Avg. Square Footage
2	One	<60% AMI	\$1,039	640
10	One	<70% AMI	\$1,200	640

¹Area 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 Applicant is working towards the following subcontractor participation goals in connection with the project for MLBEs, MBEs, and WBEs during construction: 3% MBE, 4% WBE, and 3% MLBE, which equates to an overall participation of 10% or \$340,000 of the \$3.4 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,
- 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 been engaged with the Baxter Neighborhood Association and has received a letter of support for the project. The project has received financial support from the City through a façade grant from the Southtown Corridor Improvement Authority, and a Revitalization and Placemaking program grant in the amount of \$2,067,964 through the Michigan Economic Development Corporation. The Authority recommended the Amendment at its meeting on July 24, 2024. Additionally, at the same meeting, the Authority approved an emerging developer grant through the Local Brownfield Revolving Fund in the amount of \$165,350 to support some predevelopment costs incurred by the Developer.

Alongside the Amendment, the City Commission will also consider the establishment of a Neighborhood Enterprise Zone (NEZ) district and a future application for an NEZ exemption certificate related to the project. A public hearing for on the NEZ district is also scheduled for August 27, 2024.

Project Projections – Southtown Lofts		
	Total Amount	City of Grand Rapids Portion
Total Development Costs	\$4.7 million	
Construction Costs	\$3.4 million	
Total New Taxes Generated (1 year)	\$31,116	\$5,427
Taxes Paid (1 year) ¹	\$16,332	\$2,219
Taxes Abated (1 year) ²	\$14,784	\$3,208
New City Income Taxes (1 year)	-	\$3,290

¹Taxes paid only on commercial property

²Taxes abated only on residential property due to NEZ exemption

Attachments

SLR/js

Your COMMITTEE OF THE WHOLE recommends the adoption of the following resolution scheduling a public hearing for August 27, 2024, to consider a Brownfield Plan Amendment for the Southtown Lofts Redevelopment Project located at 640 Eastern Avenue SE.

WHEREAS:

1. The City Commission previously approved the Brownfield Plan (the "Plan") of 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; and
2. The Authority has pursuant to Act 381 approved and recommended an amendment of the Plan for the Southtown Lofts Redevelopment Project (the "Project") identified therein (the "Amendment"); and
3. Before considering approval of the Amendment the City Commission must hold a public hearing in accordance with Act 381; therefore

RESOLVED:

1. That a public hearing be held to consider the Amendment to the Plan of the Authority; and
2. That the public hearing be held on Tuesday, August 27, 2024, at 7:00 p.m., in the City Commission Chambers on the 9th Floor of the City Hall, 300 Monroe Avenue, N.W., in the City; and
3. That the City Clerk give or cause to be given public notice of the hearing in accordance with Act 381; and
4. That, in accordance with the provisions of Act 381, the City Clerk give or cause to be given notice of the public hearing to each of the taxing jurisdictions that levy taxes on property included in the Project subject to capture under Act 381; and
5. That a copy of the Amendment be held in the Economic Development Office of the City located on the 9th Floor of City Hall, 300 Monroe Avenue, N.W., in the City for public examination and inspection; and
6. That all resolutions or parts of resolutions in conflict herewith shall be and the same are hereby rescinded.