



Item Number: 7



CITY OF GRAND RAPIDS AGENDA ACTION REQUEST

DATE: July 16, 2024

TO: Mark Washington, City Manager

COMMITTEE: Community Development Committee

LIAISON: Mary Kate Berens, Deputy City Manager

FROM: Sarah Rainero, Economic Development Director
Economic Development

SUBJECT: **Resolution scheduling a public hearing for August 27, 2024, to consider the establishment of a Neighborhood Enterprise Zone for the Southtown Lofts project located at 640 Eastern Avenue SE.**

Attached is a resolution setting August 27, 2024, at 7:00 p.m., as the date and time when the City Commission will hold a public hearing to consider the establishment of the 640 Eastern Avenue Neighborhood Enterprise Zone (NEZ) for the parcel of property located at 640 Eastern Avenue SE. The public hearing is to be held in connection with an application for a 15-year Neighborhood Enterprise Zone Exemption Certificate to be filed by Larlen Communications, Inc (the "Applicant"). It is anticipated that at a future meeting, the Applicant will also request a public hearing be scheduled on the same date for a Brownfield Plan Amendment related to the project.

The hearing is being held at the request of the Applicant, which is proposing to demolish the existing structurally compromised building to construct a new mixed-use building that would result in the creation of up to twelve (12) affordable residential apartment units, 5,600 square feet of commercial space, and 250 square feet of retail space. Total project costs are estimated to be \$4.7 million with construction costs of approximately \$3.4 million.

The project qualifies for a 15-year NEZ, pursuant to City Commission Policy 900-45, adopted on January 30, 2018, because it proposes to meet two City Investment Criteria. The Applicant is proposing all twelve (12) of the units will be affordable to individuals or families earning less than 80% of the Area Median Income (AMI) (Criteria 1.A.), and the Applicant has set aspirational goals of at least 10% for Micro-Local Business Enterprise (MLBE), Minority-Owned Business Enterprise (MBE), and Women-Owned Business Enterprise (WBE) subcontractor participation in the project (Criteria 4.a.i).

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

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 \$2,719 in new City income taxes annually. As proposed, the apartments would all be one-bedroom units, with an average size of 640 square feet, and average monthly rents of \$1,060, which is affordable to households earning at or below 60% 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.

The Applicant has been engaged with the Baxter Neighborhood Association and has received a letter of support for the project. The project has also received financial support from the City through a façade grant from the Southtown Corridor Improvement Authority, and a Revitalization and Placemaking program grant through the Michigan Economic Development Corporation. The Brownfield Redevelopment Authority (BRA) will also consider a Brownfield Plan Amendment (the "Amendment") and a request for an Emerging Developer grant through the Local Brownfield Revolving Fund in connection with the project at its upcoming meeting on July 24, 2024. If the BRA recommends the Amendment, it will also come before the City Commission for consideration in August.

Attachments

JS

Your COMMUNITY DEVELOPMENT COMMITTEE recommends the adoption of the following resolution scheduling a public hearing for August 27, 2024, to consider the establishment of a Neighborhood Enterprise Zone for the Southtown Lofts project located at 640 Eastern Avenue SE.

RESOLVED:

1. That a public hearing be held on Tuesday, August 27, 2024, at 7:00 p.m., in the City Commission Chambers, on the 9th Floor of City Hall, 300 Monroe Avenue NW, in the City of Grand Rapids, to consider the designation of the 640 Eastern Avenue Neighborhood Enterprise Zone to be located at the property identified as 640 Eastern Avenue SE (PPN 41-14-32-152-001); and
2. That the City Clerk shall give written notice to the City Assessor and to the governing body of each taxing unit that levies ad valorem taxes in the proposed Neighborhood Enterprise Zone and shall publish notice of the public hearing in The Grand Rapids Press.

CORRECT IN FORM

DEPARTMENT OF LAW