



Item Number: 3

CITY OF GRAND RAPIDS AGENDA ACTION REQUEST

DATE: February 25, 2025

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 M-Village redevelopment project located at 1865 Eastern Avenue SE and 716 Elliot Street SE**

Attached is a resolution approving a Brownfield Plan Amendment (the "Amendment") filed by Messiah Baptist Church (the "Developer") for the M-Village redevelopment project located at 1865 Eastern Avenue SE and 716 Elliot Street SE (collectively, the "Properties"). The Properties qualify as "housing property" under Section 2(y) of Michigan Public Act 381 of 1996, Brownfield Redevelopment Financing Act, as amended (the "Act"). A public hearing was held on the Amendment on February 11, 2025.

The M-Village project will occur in two phases and is anticipated to result in the development of over seventy (70) new residential units, when both phases have been completed. The attached Amendment includes the first phase of development.

The Developer owns the Properties, which total just over three acres. The 1865 Eastern Avenue SE parcel is currently vacant, but was most recently used as a funeral home, and served as a significant resource to the community for more than 30 years. The 716 Elliot Street SE parcel currently contains an existing single-family home. The first phase of development subject to the Amendment will include the demolition of the existing structures and the construction of up to ten (10) duplexes, which total twenty (20) units and will be available for sale. When completed, the units are all expected to be Energy Star (75+) Certified. Two (2) of the units will be sold to households earning at or below 60% of the Area Median Income ("AMI"), eight (8) units at or below 80% AMI, and the remaining ten (10) units at or below 120% AMI. Total investment in the project is estimated to be \$7.8 million with approximately \$6 million in construction costs.

The Developer is requesting reimbursement from the Brownfield Redevelopment Authority (the "Authority") of up to \$5,176,149 for brownfield eligible activities including site preparation, public infrastructure improvements, and "housing development activities". For this project, housing development activities include infrastructure

improvements that directly benefit eligible property and reimbursement to fill a financing gap associated with the development of housing units priced for income qualified households via a subsidy for potential development loss (“PDL”). The Amendment is expected to remain in place for a 30-year period, which will include any remaining available capture for the LBRF in the last five (5) years of the plan. The first year of capture will be tax year 2027.

The Properties are also located in the Southtown Corridor Improvement Authority (the “Southtown CIA”) development area, which significantly limits the availability of tax increment revenue (“TIR”) for the Authority to capture and reimburse back to the Developer for eligible activities. When the Act was amended in 2023, the ability for other tax capture authorities to share or forgo its TIR generated from a specific project in support of a Brownfield Plan Amendment was added. Because of these changes to the Act, Economic Development staff and the Developer requested the Southtown CIA approve an intent to passthrough its TIR to the Authority in support of the project. At its meeting on December 11, 2024, the Southtown CIA approve the intent to passthrough. If the Amendment is approved by the Authority and City Commission, a passthrough agreement will be brought forward to the Southtown CIA for approval and signature.

The twenty (20) units will be a mixture of two and three-bedroom homes. Information about housing affordability and PDL 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 1,127 new for-sale units for households earning 51%-80% AMI and 2,697 units for households earning 81%-120% by 2027. For projects utilizing Brownfield support for housing development activities, the affordability period is based upon the expected term of reimbursement, which is 25 years for this project. The total request for reimbursement for the PDL is \$3,360,899 million, which equates to approximately \$168,045 per unit. The Developer will be filing deed restrictions or another Michigan State Housing Development Authority (MSHDA) approved mechanism on all the units to maintain affordability during the required affordability period.

Number of Units	Number of Bedrooms	Household AMI Limit¹	Est. Affordable Mortgage per unit²	Est. Development Cost per unit	Est. Development Loss per unit
1	2	≤ 60% AMI	\$175,000	\$361,501	\$186,501
1	3			\$407,408	\$232,408
3	2	≤ 80% AMI	\$190,000	\$361,501	\$171,501
5	3			\$407,408	\$217,408
4	2	≤ 120% AMI	\$255,000	\$361,501	\$106,501
6	3			\$407,408	\$152,408

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.

²Estimated affordable mortgage per unit assumes a 6% mortgage interest rate, \$225 per month in property taxes, \$100 per month in homeowner's insurance, and \$150 HOA fee. Utilities are not included in this calculation. This calculation also assumes a four-person household will purchase the home.

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, 5% WBE, and 20% MBE, which amounts to an overall participation of 35% or \$2.1 million of the \$6 million in construction costs. Additionally, the Developer has approximately \$570,000 in professional services costs and has a goal of 5% or \$28,000 in participation from MLBEs/WBEs/MBEs. A general contractor has not yet been selected, but the Developer hopes to identify one or several MBE general contractors that can complete the work on the project.

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 project has received the necessary approvals from the Planning Commission and participated in the *Development with Us* program for community engagement related to the special land use approval process. The Authority previously supported the project through an LBRF Emerging Developer grant in the amount of \$171,225. The Authority approved and recommended the Amendment at its meeting on January 22, 2025.

Project Projections – M-Village		
	Total Amount	City of Grand Rapids Portion
Total Development Costs	\$7.8 million	
Construction Costs	\$6 million	
Total New Taxes Generated* (1 year)	\$94,196	\$25,294
Taxes Paid (1 year)	\$94,196	\$25,294
New City Income Taxes	-	\$8,163

Attachment

SLR

Your COMMITTEE OF THE WHOLE recommends the adoption of the following resolution approving a Brownfield Plan Amendment for the M-Village redevelopment project located at 1865 Eastern Avenue SE and 716 Elliot Street SE.

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 M-Village Redevelopment Project (the "Project") described therein (the "Amendment"); and

3. The City Commission has held a public hearing on 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.

CORRECT IN FORM

CITY ATTORNEY