



Item Number: 7



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 approving a Brownfield Plan Amendment for the Pleasant Hills redevelopment project located at 425 & 444 Pleasant Street SW and 535 Church Place SW**

Attached is a resolution approving a Brownfield Plan Amendment (the “Amendment”) filed by Habitat for Humanity of Kent County (the “Developer”) for the Pleasant Hills redevelopment project located at 425 & 444 Pleasant Street SW and 535 Church Place SW (collectively, the “Properties”). The Properties qualify for the Brownfield program because they are defined as “housing property” under Section 2(y) of Michigan Public Act 381 of 1996, as amended (the “Act”).

The Pleasant Hills project is anticipated to include multiple phases that span three or more years and will result in the development of over fifty (50) new residential units, when all phases have been completed. The Amendment includes the first two phases of development.

The Developer owns the Properties, which total just over three acres and currently contain an office building and storage garage, located on the 425 Pleasant property, and two church buildings on the two remaining properties that are in significant disrepair. The Developer plans to demolish the majority of the existing structures, except for the office building at 425 Pleasant, which currently serves as the Developer’s headquarters. The project will result in a total of twenty-seven (27) new for-sale residential units and will be a mixture of single-family homes and townhomes. All the units will also be Energy Star Certified. At least twenty-two (22) of the units will be sold to households earning at or below 80% of the Area Median Income (AMI) and the remaining five (5) units will be sold to households earning up to 120% AMI. Total investment in the project is estimated to be \$12.1 million with approximately \$11 million in construction costs.

The Developer is requesting reimbursement from the Brownfield Redevelopment Authority (BRA) of up to \$2,615,579 for “housing development activities”. Due to the changes to the Act in 2023, these activities are now included in the definition of eligible

activities. For this project, housing development activities include only 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).

As proposed, the attached Amendment provides for the first \$500,000 to be paid from a grant from the Local Brownfield Revolving Fund (LBRF), which will be used to help support the PDL. The remainder of the eligible activity costs will be reimbursed using tax increment revenues (TIR) over a period of 25 years, which will be used to service permanent debt issued for the project by IFF. 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 up to five (5) years of the plan. The first year of capture will be tax year 2026.

The twenty-seven (27) units will be a mixture of three and four-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 homeownership projects utilizing Brownfield support, the affordability period is based upon the subsidy provided per unit for the PDL. The total request for reimbursement for the PDL is \$2.62 million, which equates to approximately \$97,000 per unit and twenty (20) years of affordability, pursuant to the Interim Guidelines approved by the BRA board. The Developer will be filing deed restrictions on all the units to maintain affordability during the required affordability period.

Number of Units	Household AMI Limit¹	Est. Home Sales Price per unit²	Est. Development Cost per unit	Est. Development Loss per unit
22	≤ 80% AMI	\$190,000	\$421,000	\$231,000
5	≤ 120% AMI	\$255,000	\$421,000	\$166,000

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 home sales price 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 three- or 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: 11% MLBE, 2% WBE, and 7% MBE, which amounts to an overall participation of 15% or \$1,650,000 of the \$11 million in construction costs. Additionally, the Developer has approximately \$500,000 in professional services costs and has a goal of 20% or \$100,000 in participation from MBEs.

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 Properties will be addressed during development, and the Developer is current on its tax liabilities to the City. The Developer has done significant community engagement related to the project in the Roosevelt Park Neighborhood and has received a letter of support for the Roosevelt Park Neighborhood Association. The BRA recommended the Amendment at its meeting on June 26, 2024.

Project Projections – Pleasant Hills		
	Total Amount	City of Grand Rapids Portion
Total Development Costs	\$12.1 million	
Construction Costs	\$11 million	
Total Taxes Generated (1 year)	\$73,939	\$23,168
Taxes Paid (1 year)	\$73,939	\$23,168
New City Income Taxes (1 year)	-	\$14,078

Attachment

SLR/js

Your COMMITTEE OF THE WHOLE recommends the adoption of the following resolution approving a Brownfield Plan Amendment for the Pleasant Hills redevelopment project located at 425 & 444 Pleasant Street SW and 535 Church Place SW.

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 the Pleasant Hills redevelopment project located at 425 & 444 Pleasant Street SW and 535 Church Place SW (the "Project") described therein (the "Amendment"); and
3. The City Commission held a public hearing on July 30, 2024, for 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