



Item Number: 9

CITY OF GRAND RAPIDS AGENDA ACTION REQUEST

DATE: December 17, 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 January 14, 2025 to consider a Brownfield Plan Amendment for the Annex Fulton redevelopment project located at 657 Fulton Street W**

Attached is a resolution scheduling January 14, 2025 at 2:00 p.m. as the date and time when the City Commission will hold a public hearing to consider a Brownfield Plan Amendment filed by Annex Fulton, LLC (the "Developer") for the Annex Fulton redevelopment project located at 657 Fulton Street W (the "Property"). The Property qualifies for the Brownfield program because it is considered "housing property" under Section 2(y) of Michigan Public Act 381 of 1996, as amended (the "Act").

The Developer, an entity affiliated with Construction Simplified, owns the Property, and plans to construct two new three-story buildings with a connected walkway that will include up to 23 apartments, approximately 400 square feet of commercial space, and 24 parking spaces. All 23 units will be income restricted and available to households earning at or below 100% of the Area Median Income ("AMI"), which exceeds the minimum requirements outlined in the Brownfield Redevelopment Authority's (the "Authority") interim housing TIF guidelines. Total investment in the project is estimated to be \$6.1 million with total construction costs of approximately \$4.4 million.

The Developer is requesting reimbursement from the Authority of up to \$959,000 for brownfield eligible activities that only include housing development activities, specifically reimbursement to fill a financing gap via potential rent loss (PRL). Due to the changes to the Act in 2023, "housing development activities" are now included in the definition of eligible activities. Because all of the units are income restricted, reimbursement to fill a financing gap applies to all 23 units. The Amendment is expected to remain in place for a 23-year period, and it is estimated the Developer will be reimbursed after 18 years. The last five (5) years will be captured for the Local Brownfield Revolving Fund ("LBRF"). The first year of capture will be tax year 2025.

Staff estimates the residents of the apartments could generate approximately \$8,716 in income taxes annually. Additionally, it is anticipated there will be one (1) new full-time equivalent job created as a result of the project, with an average wage of \$22.00 per hour.

The 23 apartments as proposed will be a mixture of studio and one-bedroom units. Information about housing affordability and the financing gap 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 1,573 units for households earning between 81%-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, all 23 units meet this requirement. The term of reimbursement is expected to be 18 years, therefore the period of time these units must be income restricted is 18 years.

Income Restricted Units						
Number of Units	Number of Bedrooms	Maximum Monthly Rent	Household AMI Limit ¹	Est. Market Rate Rent ²	Est. Annual PRL per unit ³	Est. Total PRL over 18 years ⁴
21	Studio	\$1,762	100% AMI	\$2,115	\$76,248	\$1,601,208
2	One	\$1,888	100% AMI	\$2,266	\$81,648	\$163,296

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.

²Market rent for this project is defined as 120% AMI.

³Annual Potential Rent Loss (PRL) = (Estimated Market Rent – Estimated Monthly Rent) * (Number of Units) * 12

⁴Total PRL = Annual PRL * 18

Although the PRL is calculated to be approximately \$1,764,504 over a period of 18 years, the Developer is only seeking reimbursement for \$959,000 of what is eligible. The amount requested is what the project can sustain while balancing the period of income restriction.

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: 5% MBE, 2.5% WBE, and 2.5% MLBE. These levels of participation would amount to 10%, or approximately \$440,000 of the \$4.4 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, 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 also met with John Ball Area Neighbors and received a letter of non-opposition for the project. The Authority approved and recommended the Amendment at its meeting on December 11, 2024. The Developer is also seeking a fifteen (15) year Neighborhood Enterprise Zone exemption, which will be considered alongside the Amendment and has a public hearing also scheduled for January 14, 2025.

Project Projections – Annex Fulton		
	Total Amount	City of Grand Rapids Portion
Total Project Costs	\$6.1 million	
Construction Costs	\$4.4 million	
New Jobs (FTE)	1	
Average Hourly Wage	\$22.00	
Total New Taxes Generated (1 year)	\$86,287	\$15,043
Taxes Paid (1 year) ¹	\$45,184	\$6,072
Taxes Abated (1 year) ²	\$41,103	\$8,972
New City Income Taxes	-	\$9,174

¹Taxes paid at NEZ exemption rate

²Taxes abated only on residential property due to NEZ exemption.

Attachments

SLR/JS

Your COMMUNITY DEVELOPMENT COMMITTEE recommends the adoption of the following resolution scheduling a public hearing for January 14, 2025 to consider a Brownfield Plan Amendment for the Annex Fulton redevelopment project located at 657 Fulton Street W.

WHEREAS:

1. The City Commission previously approved the Brownfield Plan (the "Plan") of the City of Grand Rapids Brownfield Redevelopment Authority (the "Authority") 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 Annex Fulton 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, January 14, 2025, at 2:00 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.

CORRECT IN FORM

DEPARTMENT OF LAW