

7. Resolution approving a ten-year Obsolete Property Rehabilitation Exemption Certificate, pursuant to PA 146 of 2000, for 1007 Wealthy Street, LLC at 1007 Wealthy Street SE



Item Number: 8

CITY OF GRAND RAPIDS AGENDA ACTION REQUEST

DATE: February 25, 2025

TO: Mark Washington, City Manager

COMMITTEE: Committee of the Whole
LIAISON: Kate Berens, Deputy City Manager

FROM: Sarah Rainero, Economic Development Director
Economic Development

SUBJECT: **Resolution approving a ten-year Obsolete Property Rehabilitation Exemption Certificate, pursuant to PA 146 of 2000, for 1007 Wealthy Street, LLC at 1007 Wealthy Street SE**

Attached is a resolution approving an application for a ten-year Obsolete Property Rehabilitation Exemption Certificate, pursuant to Public Act 146 of 2000, for 1007 Wealthy, LLC (the "Applicant") for a project located at 1007 Wealthy Street, SE (the "Property"). A public hearing was held on February 11, 2025.

The Applicant is the current owner of the Property and plans to rehabilitate the vacant and obsolete building by adding four new residential units and main floor commercial space. The City Assessor inspected the building on February 12, 2024, and determined that it meets the definition of "functionally obsolete," as defined by Public Act 146 of 2000, and will require significant investment and rehabilitation prior to future use.

The Property is approximately 4,553 square feet. The plan for rehabilitation includes the redevelopment of the existing building to house main floor retail space and four residential apartments on the second floor. Investment by the Applicant in the rehabilitation is currently estimated to be \$763,335 with hard construction costs estimated at \$700,435.

The Applicant 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: 14% MBE, 1%WBE, and 15%MLBE. These levels of participation would amount to a total of 30%, or \$210,000 of the total project construction costs.

The project qualifies for the base ten-year OPRA term, pursuant to City Commission Policy 900-42 (the "Policy"), adopted on February 23, 2016.

The project 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
- Supports the creation, retention and growth of businesses that enhance resident's employment opportunities.

Staff estimates that the residents of the apartments could generate approximately \$4,396 in new City income taxes annually. As proposed, the four (4) apartments would be comprised of four (4) one-bedroom units, which are detailed below. According to the housing needs assessment recently updated by Bowen National Research, there is demand for 1,710 new rental units in the 51%-80% area median income (AMI) range and 1,573 new rental units in the 81%-120% AMI range by 2027.

Number of Units	Est. Household Affordability*	Est. Monthly Rent	Est. Income Range*	Bedrooms	Avg. Square Feet
4	65-70% AMI	\$1,250	\$45,835-\$49,350	1	450

**Area Median Income (AMI) ranges are for price-point reference, do not include other housing costs, and are found in the 04/1/2024 [Income and Rent Limits](#) by number of bedrooms in a unit for Kent County, published by the Michigan State Housing Development Authority. Income range family size is dictated by the number of bedrooms.*

While the project does meet various City Investment Criteria as noted above, the Policy does require a minimum of ten (10) units be constructed in order for a project to be eligible for an OPRA exemption certificate. Due to the size of the units, the increased demand for housing as noted in the Housing Needs Assessment, and the desire to support small scale incremental development, staff will request, at the time of approval consideration, that the City Commission waive this portion of the Policy to support this project. The project anticipates 4 new FTE jobs will be created.

There are no known environmental concerns at the Property and the Applicant is current on its tax liabilities to the City. The Applicant has received support of the project from the Uptown CIA.

Project Projections – 1007 Wealthy Street SE		
	Total Amount	City of Grand Rapids Portion
Investment – Construction Costs	\$700,435	

Total New Taxes Generated (1 year)	\$14,529.64	\$2,533.88
Taxes Paid (1 year)*	\$3,395.71	-
Taxes Abated (1 year)	\$11,134	\$2,533.88
New City Income Taxes (1 year)	-	\$4,396.75

*Assumes state tax commission approval of 12 mills of School Tax

SR/mm

Your COMMITTEE OF THE WHOLE recommends the adoption of the following resolution approving a ten-year Obsolete Property Rehabilitation Exemption Certificate, pursuant to PA 146 of 2000, for 1007 Wealthy Street, LLC at 1007 Wealthy Street SE. WHEREAS, 1007 Wealthy, LLC has filed an application with the City of Grand Rapids for an Obsolete Property Rehabilitation Exemption Certificate under PA 146 of 2000; and

WHEREAS, the City Commission has a desire to facilitate the development of housing at all price points, sizes, and types; therefore

RESOLVED:

1. That the local unit is a Qualified Local Governmental Unit; and
2. That the Obsolete Property Rehabilitation District was legally established by the City Commission on February 25, 2025, after a public hearing held on February 11, 2025, as provided by Section 3 of PA 146 of 2000; and
3. That the taxable value of the property proposed to be exempt plus the aggregate taxable value of property already exempt under PA 146 of 2000 and under PA 198 of 1974 (IFT's) does not exceed 5% of the total taxable value of the unit; and
4. That the application is being approved after a public hearing held on February 11, 2025, as provided by Section 4(2) of PA 146 of 2000; and
5. That the applicant is not delinquent in any taxes related to the facility and that the application is for Obsolete Property as defined in Section 2(h) of PA 146 of 2000; and
6. That all of the items required as attachments for the Application for an Obsolete Property Rehabilitation Exemption Certificate have been provided to the Qualified Local Governmental Unit by the applicant; and
7. That the commencement of the rehabilitation of the facility did not occur before the establishment of the Obsolete Property Rehabilitation District; and
8. That the application relates to a rehabilitation project that, when completed, constitutes a rehabilitated facility within the meaning of PA 146 of 2000 and that it is situated within an Obsolete Property Rehabilitation District established in a Qualified Local Governmental Unit eligible under PA 146 of 2000 to establish such a district; and
9. That upon completion of the rehabilitation facility it is calculated to, and will at the time of issuance of the certificate, have the reasonable likelihood to increase commercial activity, create employment and revitalize urban areas; and

10. That the rehabilitation includes improvements aggregating 10% or more of the true cash value of the property at commencement of the rehabilitation as provided by Section 2(I) of PA 146 of 2000; and
11. That the date of completion of the 1007 Wealthy, LLC facility located at 1007 Wealthy Street SE, the subject of the Obsolete Property Rehabilitation Exemption Certificate, shall be March 31, 2026; and
12. That the cost of the real property improvement is estimated at \$194,000; and
13. That the State Equalized Value (SEV) of the real property, excluding land subject to the obsolete property for the tax year is \$103,300 and the taxable value is \$37,678; and
14. That the certificate for 1007 Wealthy, LLC is approved for a period of ten (10) years, pursuant to PA 146 of 2000, based on the increase in commercial activity, increased revenue due to the increased value of the SEV as currently projected, and the economic value to the community as stated in the hearings; and
15. That the term of the exemption will not be extended beyond the term approved by this resolution; and
16. That Section 3(C) of City Commission Policy 900-42, adopted on February 23, 2016, is hereby waived to support the project proposed at 1007 Wealthy Street, SE by 1007 Wealthy, LLC; and
17. That upon approval as to form by the City Attorney, the Mayor is authorized to sign the Memorandum of Understanding for 1007 Wealthy, LLC.

CORRECT IN FORM

CITY ATTORNEY