DIVISION

UNITED

ECONOMIC DEVELOPMENT TOOLKIT

DIVISION UNITED

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01

INTRODUCTION

1.0 DOCUMENT ORGANIZATION

The Economic Development Toolkit, prepared for Division United, has three primary goals: to identify grants and programs already in place in Michigan that municipalities can leverage to support redevelopment, to identify what new programs could be considered by the legislature/local governments, and to present case studies of the ways in which existing funding tools have been leveraged by developers. In general, this toolkit targets funding types and packages that may be more appropriate for medium/large scale developments and experienced developers; for tools and strategies targeting small or new developers, please see the Incremental Development Toolkit.

This Toolkit is meant to be used in conjunction with the Incremental Development Toolkit, the Mobility & Connectivity Toolkit, and the Placemaking Toolkit, also prepared for this project. It also informs strategies for the Transit Oriented Development (TOD) Framework and the Station Area Plans.

The document that follows is organized into three main sections. Section 1 provides background and an overview of commercial corridors and the challenges they face now, (or faced in the past). Section 2 is a short 'how-to' guide for the recommendation format that follows. Section 3 is a list of programs and initiatives at the federal, state, and local level that can be leveraged to support redevelopment projects in the corridor. This list of 24 programs, while not exhaustive, provides detail on those that are available, and might be considered, within the cities of Grand Rapids, Wyoming and Kentwood. It should also be noted that each municipality will operate differently and/or have different programs available as a result of differing policy or legislation.

1.1 AN OVERVIEW OF CORRIDOR CHALLENGES

While South Division Avenue is a unique place with a particular history, it also shares many characteristics with other aging commercial corridors. Our national experience has highlighted the practical challenges of encouraging infill redevelopment along these older commercial, service and industrial corridors. In many cases, corridor development challenges have existed well before new transit systems were introduced, and have stymied historical transit-oriented and private development. Long-standing corridor challenges have also been exacerbated by the Great Recession and the ongoing impact of COVID-19, which have shed light onto the need for new and innovative economic development solutions.

When first developed, many commercial, service and industrial corridors served as a primary artery into and out of metro area downtowns, as is the case with Division Avenue in Grand Rapids. Small businesses located along these corridors were supported by those who regularly commuted into; and out of downtown for goods, services, work, or entertainment. However, the development of interstates eventually rendered many of these corridors obsolete as they provided a more direct and faster alternative in getting to the same location. In turn, activity along these corridors declined, forcing businesses to close and vacant land to remain undeveloped. Over time, and coupled with the legacy of policies such as eminent domain and redlining, these trends have generally resulted in development patterns which favor auto-oriented uses often in context with vacant greenfield (and sometimes brownfield) sites, low density residential typologies, and vacant lots and storefronts.

In addition to the historical and macroeconomic trends outlined above, the following structural conditions are typical factors further inhibiting corridor development:

1. Smaller parcel sizes, old and obsolete buildings, coupled with low rents that are unable to support new construction makes real estate development a challenge.

2. Older shopping centers with weak or vacant anchor tenants, excessive parking, and stores set back from the street serves to limit visibility and pedestrian movement.

3. Constraints created by older or obsolete industrial buildings, insufficient ceiling height and contingent liability associated with sites that may have remediation issues. Some older buildings were not designed to meet the safety codes of today (no sprinklers for fire safety, no elevators for ADA) and therefore are sometimes expensive and time consuming to update.

4. Suburban communities familiar with greenfield development find that, as they approach build-out, existing development review policies can make infill development more complex, and therefore "riskier," as delays tend to impact the pursuit of project financing.

Since 2010, additional challenges have come into play in the corridor:

1. The impact of ride sharing has stressed curb real estate and altered demand for off-street parking, even in suburban markets. A study conducted by Fehr & Peers of six major cities in 2018 showed transportation network companies (TNCs) on weekdays represent 70% of the loading and unloading activity at the curb. Cities will have to designate more curb space for these new users and take it back from vehicles and parking, or they will have to reduce the number of users through regulation.

SMALL PARCEL SIZES

OBSOLETE INDUSTRIAL BUILDINGS

WEAK ANCHOR TENANTS

LOW MARKET RENTS

CODE/ STANDARDS NOT CONFIGURED FOR INFILL

EXCESSIVE PARKING

IMPACT OF RIDESHARING ON DEMAND FOR OFF STREET PARKING

CHALLENGES TO BRICK AND MORTAR BUSINESS FROM SHIPPING

IMPACT OF COVID ON RETAIL & RESTAURANTS

MILLENNIALS RESIDENTIAL PATTERNS

DEMAND FOR MISSING MIDDLE AND HOUSING AFFORDABILITY

CHANGES IN MANUFACTURING

2. Retail markets remain uniquely challenged and even in a pre-COVID environment the “retail apocalypse” was linked to growth in online sales and a pivot from traditional brick-and-mortar to “omni-channel” retail. The significance of private equity ownership of retail and a general oversupply of retail space have also contributed to retail challenges. COVID has dramatically increased pressure on traditional retailers, and accelerated the demise of department stores; JC Penney, Neiman Marcus, J. Crew, Pier 1 Imports and Gordmans all filed for bankruptcy protection in 2020.

3. Pre-COVID, office markets were impacted by companies’ intent on reducing office space per employee to at or below 200 square feet per employee, which has slowed the pace of new office development. While precise COVID-19 impacts remain in flux, there are clear implications for an increase in the amount of square feet per employee, back toward long-term industry averages, along with an increase in the number of workers who are remote.

4. Residential markets have struggled to recover from the 2008 recession, linked in part to sustained Millennial demand for urban apartments rather than single-family homes and condominiums. Contextually, previous generations made this transition at a much earlier age. Post-COVID, there are signs pointing to shifting demand from Millennials toward home ownership and/or larger rental units in less dense areas.

5. There is an ever-increasing pressure for reasonably priced housing in support of workforce development, and strategies specifically keying in on addressing “missing middle” gaps in local markets to support a range of residents.

6. While manufacturing activity has recovered strongly since 2010, the nature of manufacturing has changed. There is a pivot toward advanced manufacturing and e-commerce linked warehouses, with companies favoring dedicated industrial areas to limit conflicts with residential uses. COVID is also expected to accelerate otherwise already building trends that would favor accelerated reshoring of manufacturing back to the US.

1.2 FOCUS OF ECONOMIC DEVELOPMENT

A successful transition away from the conditions outlined above and toward a more active corridor requires individuals and local organizations to take a leading role in redevelopment efforts. Currently, the Grand Rapids metro area consist of large-scale developers capable of delivering complex, multi-faceted projects in and around Grand Rapids’ downtown and neighborhoods. Macro efforts in the region are being supplemented with non-profit agencies delivering new housing options, but there has also been a lack of coordination among community-level developers capable of delivering small-scale, incremental development projects along Division Avenue.

In response to the conditions outlined above, successful policy responses have emerged for consideration.

1. Build public consensus on intended reuse options for strategic infill sites in advance of developer interest. “Consensus” can range from just establishing public support for density, mix of uses, building height, and construction materials / design, to identifying and securing funding for reuse.

2. Engage with owners of vacant / under-utilized buildings to ascertain their plans for repositioning and capacity / need for resources to support reinvestment.

3. Improve the appeal of infill sites with targeted infrastructure and access improvements, and support marketing efforts for these sites.

4. Consider selective site acquisition and building rehabilitation, using tools such as Tax Increment Financing (TIFs).

5. Leverage tools such as “Value capture” in support of infrastructure reinvestment. The concept of value capture is simple. Access points to new transportation infrastructure have long been known to create land value premiums for property that directly and indirectly benefit from improved access. The creation of a new interchange, a new highway, or a new transit station for example create private land development opportunities by immediately improved access to local, regional, or national markets. Local governments have long used their own tools to capture this value including the use of tax increment financing, business districts or special fees. These revenues can be used for a range of private development and redevelopment support, including infrastructure improvements.

The tools outlined in this toolkit were created to assist developers and investors to deliver new and renovated real estate projects in targeted areas. Incentives range in use from being part of the actual capital stack (loans and grants), to tax incentives that lure private investment into the capital stack (LIHTC and Opportunity Zones) and to offset certain environmental-related costs associated with readying a property for development (brownfields).

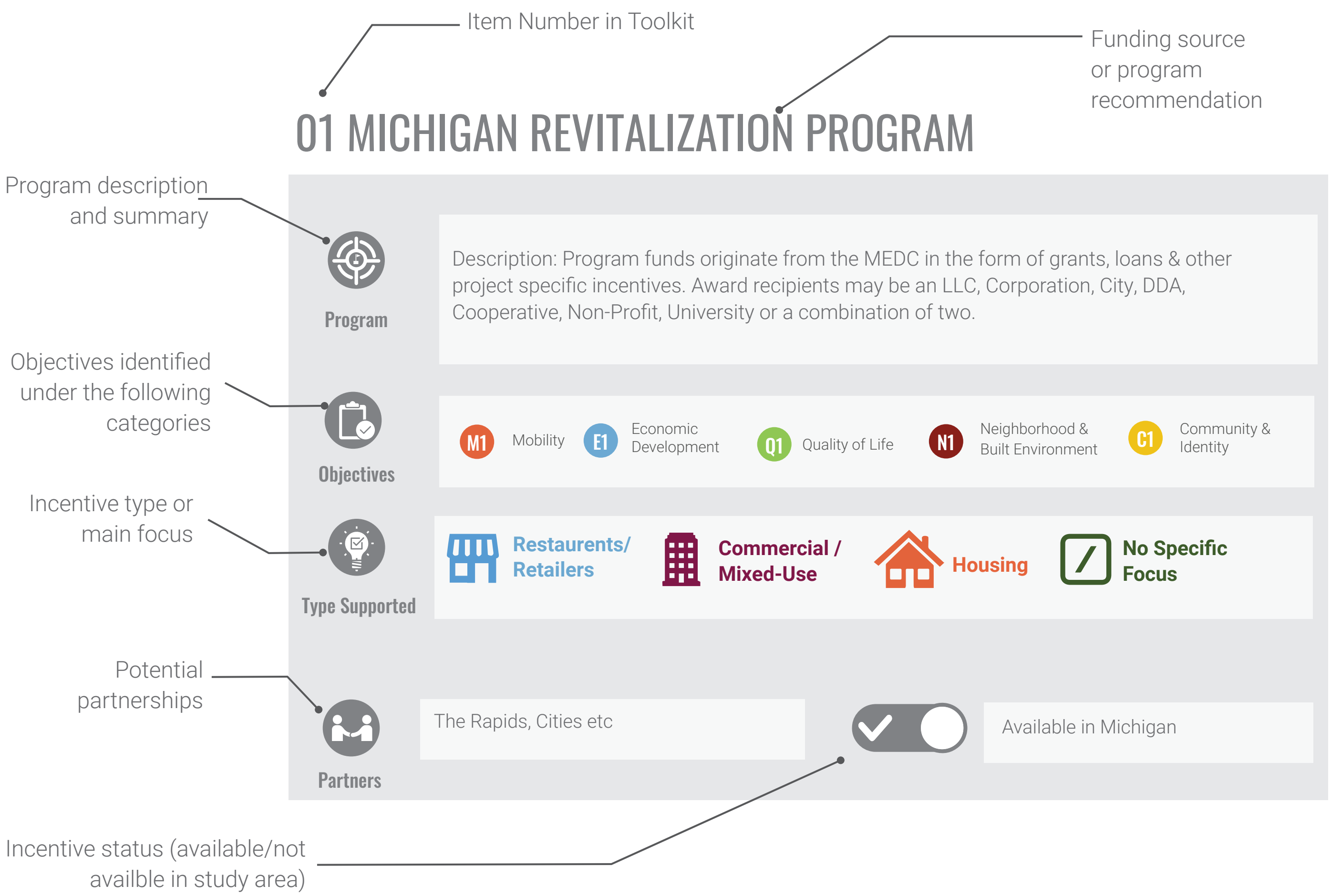
However, community-oriented development begins with education, grows through communication and blossoms through implementation; and while the tools outlined above all work to reduce the costs associated with developing new or rehabilitating properties, significant change in a community isn’t possible unless there are willing and able parties to deliver new projects.

CAMDEN HIGH STREET, UK, 2012 (ASPIRATIONAL)

02

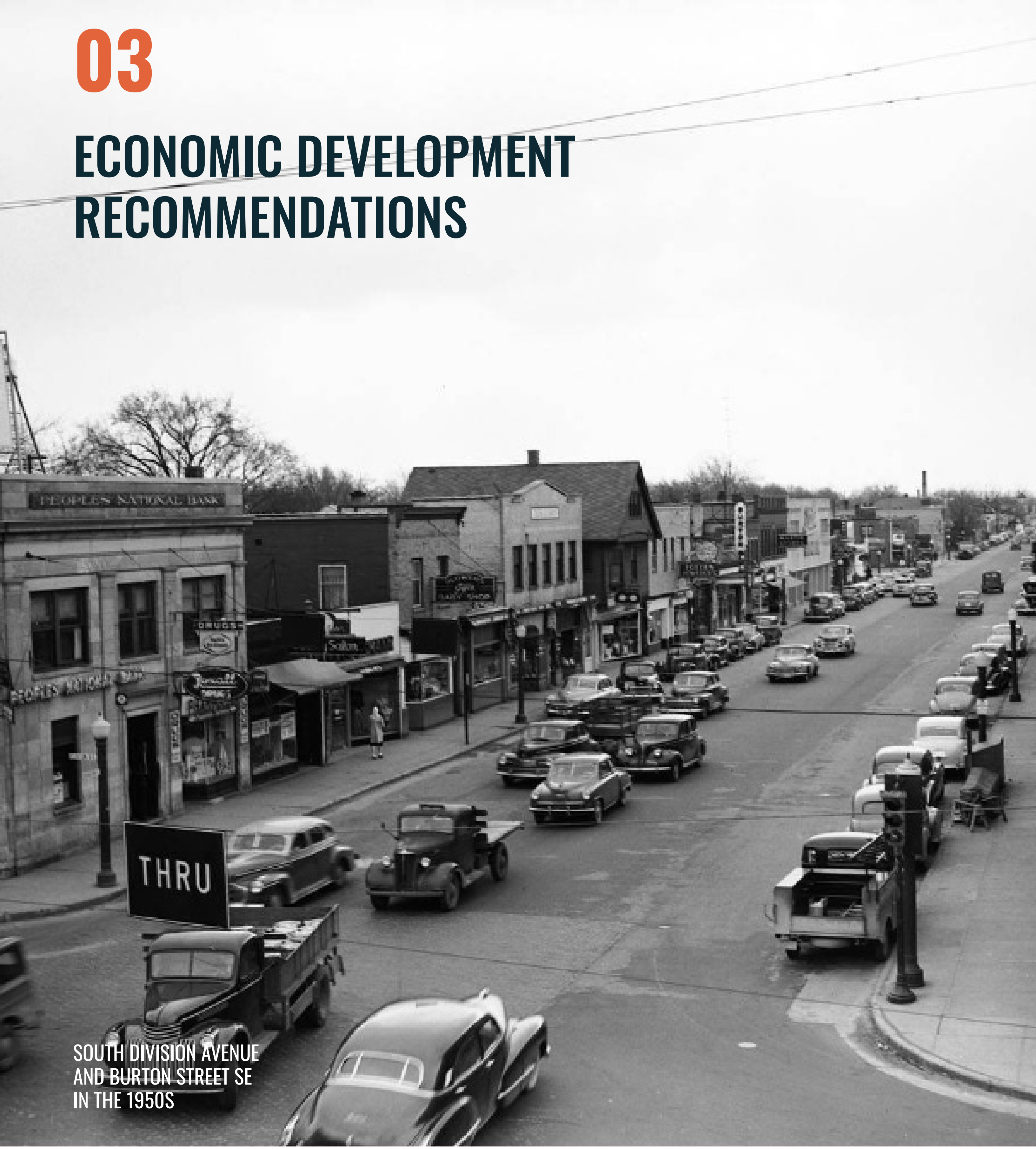
HOW TO READ TOOLKIT ITEMS

Toolkit items are identified by a number and short description. Each is then classified by the type of project or projects the incentive was designed for (Housing, Commercial/Mixed Use, and/or Restaurants/Retail). Finally, possible partners, objectives achieved if utilized, and time frame are also noted. Finally, a check mark or an x denotes whether or not the toolkit item is currently available for projects in the study area. For more details, see the graphic below.



03

ECONOMIC DEVELOPMENT RECOMMENDATIONS



SOUTH DIVISION AVENUE
AND BURTON STREET SE
IN THE 1950S

01 MICHIGAN COMMUNITY REVITALIZATION PROGRAM (MCRP)

Program

Description: Funds originate from the MEDC in the form of grants, loans & other project specific incentives. Award recipients may be an LLC, Corporation, City, DDA, Cooperative, Non-Profit, and/or University, or a combination of two of more of these entities.

Type Supported

Objectives

N2 N8 E2

Partners

MEDC, Development Corporations, Municipalities Non-profits.

Availability

Available in Michigan

The MCRP is an incentive program, introduced in December 2011, that disburses gap financing through grants, loans or other incentives at pre-determined milestones to eligible projects within the state of Michigan. The primary vehicle to deliver MCRP funds, and most economic incentives at the state level, is the Michigan Economic Development Corporation (MEDC). In turn, the MEDC utilizes the Michigan Strategic Fund (MSF) to fund many of its programs. The MSF is funded through a number of avenues including a tax on Detroit's casinos, earned interest on loans and legislatively appropriated funds. The MSF is also funded through newer avenues like the federal CARES Act passed in response to the COVID-19 pandemic in 2020. Local city officials work collaboratively with MEDC leadership to vet eligible MCRP projects, which are eventually approved by the MSF board for final award. The MCRP program was established to "promote community revitalization that will accelerate private investment in areas of historical dis-investment, contribute to Michigan's revitalization as a vital job generating state, foster redevelopment of functionally obsolete or historic properties, reduce blight and protect the state's natural resources."

The MCRP has disbursed almost $250 million through grants, loans and other incentives to date since its first award in 2012. Over that period, total funds classified as 'other economic incentives' accounted for 49% of total awards, while loans and grants accounted for 28% and 23%, respectively. 'Other economic incentives' include loan participation agreements where the MSF is leveraging the senior lender's infrastructure. In this instance, the MSF deposits their money with the bank, and that money gets paid out in the construction draws as a predetermined percentage and is essentially a loan.

Since the start of the MCRP program, the average grant award has been $660,000 while the average loan and other economic incentive have both been $3.6 million. The MSF will not contribute more than 25% to a project and will never provide more than $10 million to any one project including a combination of incentives, while the maximum grant is $1.5 million.

Projects within the City of Detroit have benefited the most from the MCRP program, capturing more than 50% of the funding in the last two years and 38% of the funding since the program was introduced. No projects within the cities of Kentwood or Wyoming have utilized this program since its inception, which may be a result of the program's competitive scoring criteria that favors downtown areas. MCRP has provided financial assistance to 13 projects within the city of Grand Rapids. However, no projects within Grand Rapids have been awarded funding since 2018 and 70% of the successful awards since 2014 have been 'other economic incentives' with an average project value of $32.8 million. This speaks to the fact that large-scale developers are the ones tapping into this program as opposed to small, community-based development projects that would likely utilize the grant or loan program.

Only two MCRP supported projects in Grand Rapids

Annual MCRP Awards by Year and Type

Year	*Grants*	*Loans*	*Other*	*Total*
2020	$13,295,755	$10,190,000	$10,400,000	$33,885,755
2019	$12,383,292	$16,400,000	$12,020,000	$40,803,292
2018	$5,608,777	$10,000,000	$30,410,000	$46,018,777
2017	$8,689,006	$16,010,000	$11,480,000	$36,179,006
2016	$8,197,128	$6,500,000	$29,600,000	$44,297,128
2015	$7,955,176	$13,500,000	$22,820,000	$44,275,176
2014	$2,000,000	$0	$7,400,000	$9,400,000
Total	**$58,129,134**	**$72,600,000**	**$124,130,000**	**$254,859,134**

Source: MEDC

since 2014 have had a total project value below $10 million. The historical scale and location of the average projects utilizing the MCRP program in the Grand Rapids market suggests that “small- scale” projects and the incremental development required to stabilize a corridor like Division Avenue are not being fully realized. The majority of the projects that received an award in the past two years had a total project investment that was more than $1 million, with only 22% of the projects valuing less than $1 million in total cost. Even then, no project awarded funding in the last two years has had a total project investment of less than $400,000.

While small-scale projects have not utilized this program in the past, there is opportunity for this state-incentive to be used locally to help fund projects along Division Avenue, especially with total grant funding increasing substantially over 2018 figures. To combat the issues previously outlined, the MEDC’s board of directors made changes to MCRP award criteria in October 2020 to put further emphasis on supporting emerging and first-time developers. Specifically, the board adjusted its scoring criteria so that supporting equitable growth throughout the state, especially through the support of smaller projects, community priorities, development in disadvantaged areas and public participation were factored into eventual project award. Shown on the following page are four examples of projects using Michigan Community Revitalization Program Funds that were less than $1 million in total project value.

MCRP Awards in Grand Rapids - Since Program's Inception

Recipient	Type	Approval Year	Project Investment	Projected Jobs	Project Award	Share of Investment
Jackson Entertainment LLC	Performance Based Other Economic Assistance	2018	$69,090,000	32	$5,500,000	8%
Bridge and Stocking, L.L.C.	Performance Based Other Economic Assistance	2017	$55,620,000	130	$6,300,000	11%
Diamond Place LLC	Performance Based Grant	2017	$18,480,000	52	$1,000,000	5%
601 West LLC	Performance Based Other Economic Assistance	2016	$19,040,000	15	$2,900,000	15%
Diamond Place LLC	Performance Based Other Economic Assistance	2016	$19,500,000	112	$2,830,000	15%
Offsite Lake Drive, L.L.C.	Performance Based Other Economic Assistance	2016	$11,940,000	2	$1,770,000	15%
Uptown Housing LLC	Performance Based Grant	2016	$1,240,000	3	$132,000	11%
OMH, L.L.C.	Performance Based Other Economic Assistance	2015	$26,890,000	15	$5,400,000	20%
55 Ionia Partners, LLC	Performance Based Other Economic Assistance	2015	$34,400,000	25	$4,320,000	13%
Fulton and Seward, L.L.C.	Performance Based Other Economic Assistance	2015	$33,780,000	28	$3,000,000	9%
Lofts on Alabama, LLC	Performance Based Loan	2015	$20,000,000	2	$3,000,000	15%
Bridge and Turner, L.L.C.	Performance Based Other Economic Assistance	2015	$25,000,000	219	$2,500,000	10%
TC 555 Michigan LLC	Performance Based Grant	2014	$7,400,000	15	$1,000,000	14%
Total	**13**		**$342,380,000**	**650**	**$39,652,000**	**12%**

Source: MEDC

Location: City of Port Huron
Project: 411 Grand River Avenue
Grant supported three residential lofts and 3,000 sf of retail
Project Cost: $432,504
Project Award: $83,126 (19%)

Location: City of Niles
Project: 123 E Main Street
Grant supported an UltraCamp youth software center
Project Cost: $924,073
Project Award: $210,501 (23%)

Location: City of Lansing
Project: 1101 S Washington Avenue
Grant supported an expansion of adjacent restaurant
Project Cost: $508,635
Project Award: $92,960 (18%)

Location: City of Grand Rapids
Project: 616 Fulton Street West
Grant supported new multi-family construction
Project Cost: $33.8 MM
Project Award: $3MM (9%)

02 CORRIDOR IMPROVEMENT AUTHORITY ACT (CIA)

Program

Description: Funds originate from the CIA and may be sourced from a number of avenues including tax increment financing (TIF), state, federal, private and non-profit grants, interest earned on investments, fees, proceeds from sales and other sources approved by the commission that established the CIA. CIA funds are used to fund capital improvement projects, façade improvement projects, infrastructure projects, streetscaping projects and for the CIA to acquire and develop property, among others within the designated area.

Type Supported

Objectives

N2 E2

Partners

The MCRP, Corridor Improvment Authority Board, businesses within the established CIA development area.

Availability

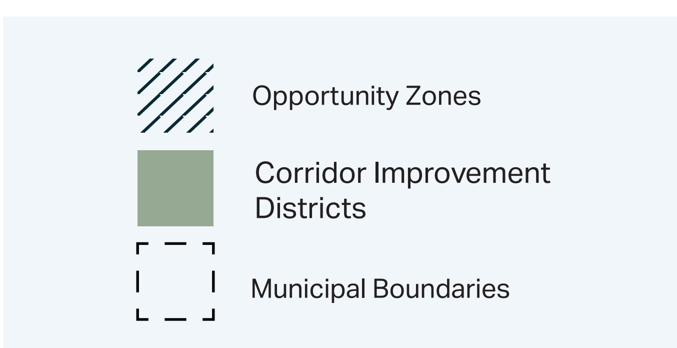
Available in Michigan

The Corridor Improvement Act (CIA), or Public Act 57 of 2018, makes it possible for any city, village or township to establish a corridor improvement authority and repealed and replaced Public Act 280 of 2005. This authority operates like a Downtown Development Authority (DDA) in that it has the ability to hire a director and establish a tax increment financing plan. However, these conditions are often contingent on approval from the governing body that initially approved the CIA. Additionally, each CIA has a board comprised of local stakeholders which are local property and business owners who to a large degree dictate what the CIA does and how it spends its money.

A key funding mechanism of any CIA, which cannot levy a special assessment, is the establishment of a Tax Increment Financing (TIF) district. When a TIF district is established, all municipalities impacted by the TIF district are notified and have the option to opt out. However, if a TIF district is established along a high frequency transit corridor–as is the case on Division Avenue—no municipality may opt out of the TIF District. High frequency transit corridors are referred to as Qualified Development Areas within state legislation. This is important as Kent County has historically opted out of TIF districts, but comprises around 50% of the total capturable millage in the South Division-Grandville CIA.

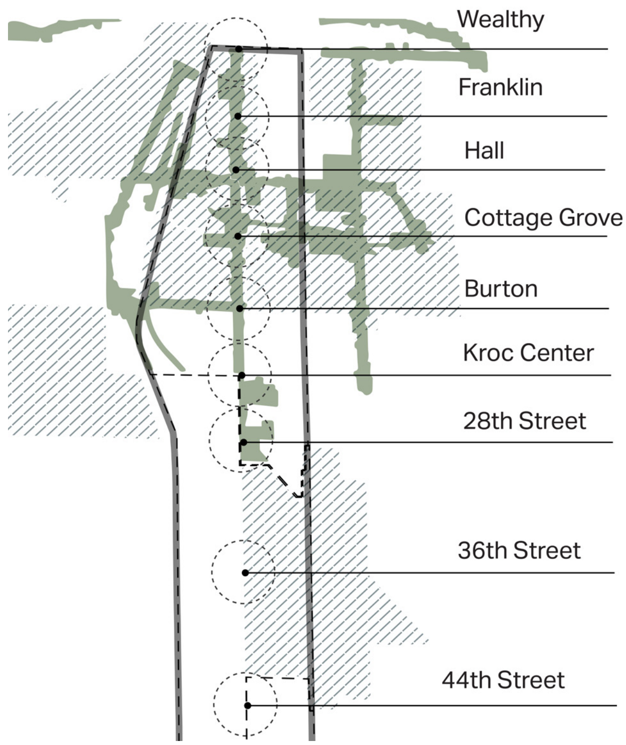
Revenue streams from the TIF district can be utilized and help to fund capital improvement projects located in areas throughout the CIA's established development area. While a CIA is similar to a DDA, it is different in that more than one authority is permitted within a municipality, more than one municipality is permitted within an authority, and the CIA does not have the ability to levy an ad valorem tax. Unique to the CIA is the ability for adjacent municipalities to enter into their own CIA and then for those municipalities to enter into an inter-local agreement to operate and administer established authorities within the CIA. Notably, the CIA does not have the ability to use TIF funds in order to maintain the public assets. As such, CIAs within Grand Rapids must also include a Business Improvement District (BID) so that new investments can be maintained through activities like snow shoveling, trash removal or maintenance.

The City of Grand Rapids has already established six CIAs within its boundaries, including the newly established South Division-Grandville CIA and the existing Southtown CIA – both of which encompass portions of Division Avenue within the study area between Wealthy Street & 28th Street. In the case of the South Division-Grandville CIA of Grand Rapids, funds were budgeted to be used in four categories: design, economic restructuring, organization and promotion/marketing, consistent with the Main Street Approach to corridor organizing.



Checklist Items	Meets Criteria?
1. The corridor must have at least 51 percent of existing first-floor space classified as commercial.	✓
2. The corridor must have been in existence for the past 30 years.	✓
3. The corridor must be adjacent or is within 500 feet of a road classified as an arterial or collector according to the Federal Highway Administration.	✓
4. The corridor must contain at least 10 contiguous parcels or at least five contiguous acres.	✓
5. The corridor must be zoned to allow for mixed-use and high density residential.	✓
6. The corridor must presently be served by municipal water or sewer.	✓
7. The municipality must also agree to expedite the local permitting and inspection process in the development area and to modify its master plan to provide for walkable nonmotorized connections, including sidewalks and streetscapes throughout the area.	?

Source: MEDC



03 LOW INCOME HOUSING TAX CREDITS (LIHTC)

Program

Description: Low Income Housing Tax Credits is a federal level program aimed at supporting the construction or rehabilitation of affordable housing. LIHTC funds are allocated by a state housing agency based on its prioritization framework. Developers submit projects to the state housing agency to seek funds; once they are reserved credits, developers seek outside investment, often through a limited partnership, to fund construction.

Type Supported

Objectives

N8

Partners

The MSHDA (Michign State Housing Development Authority) private developers, non-profits, other agencies

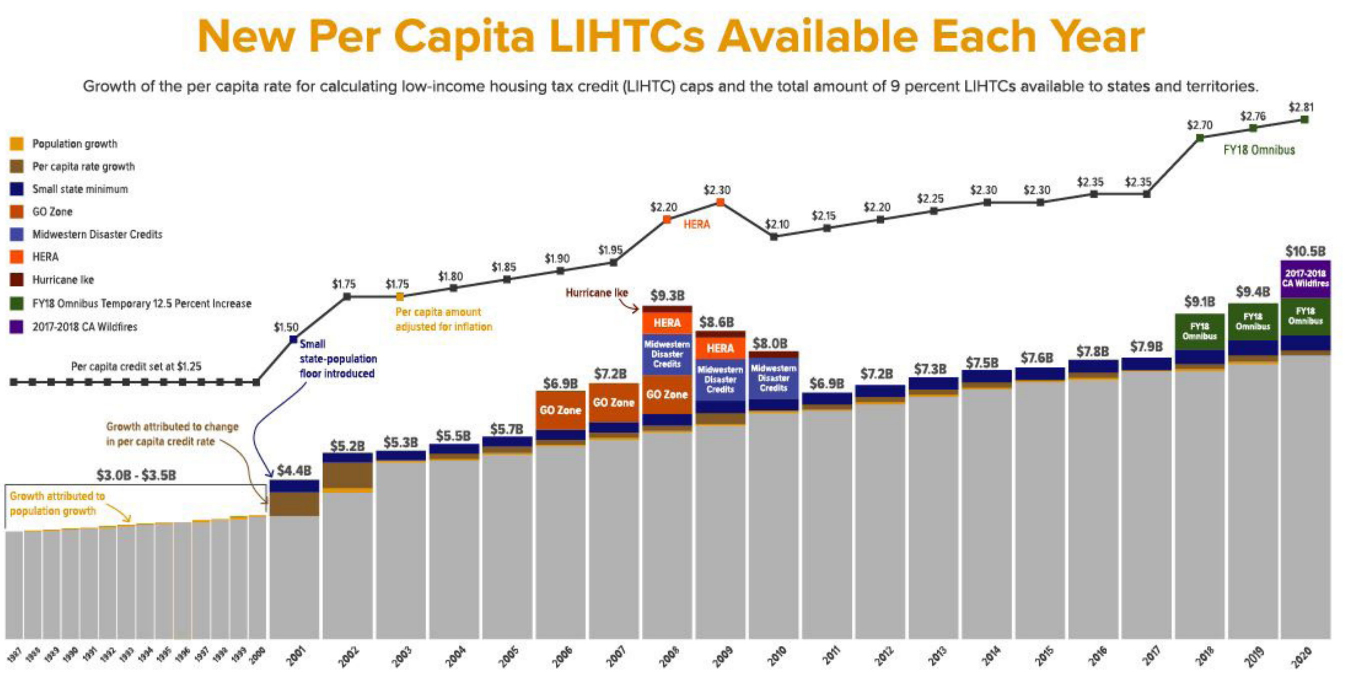
Availability

Available in Michigan

Low Income Housing Tax Credits originate from HUD, and are allocated to each state based on its population. A state housing agency – the Michigan State Housing Development Authority (MSHDA) in Michigan – develops a Qualified Allocation Plan (QAP) in order to develop a scoring system for and prioritization of projects/awards. Private developers, builders, non-profits and other agencies submit their multi-family projects to MSHDA. Successful projects are "reserved credits." Once a project is successful in reserving tax credits, the developing entity is then able seek private investment through a limited partnership or through a fund in order to convert the tax credits to equity to fund construction. Once the project is complete, the developing entity must obtain, and file with the state a "certification of occupancy." Only when these steps are complete, does the project start to receive tax credits (4% or 9% based on the type), and those tax credits are passed through the developer to the equity partner over a 10-year period.

Low Income Housing Tax Credits (LIHTC) have been an effective way of directing private capital toward funding low-income rental housing projects across the country and was founded under the Tax Reform Act of 1986. The Federal Government, through HUD, has the ability to provide the tax credits, which are a dollar for dollar reduction in federal income tax liabilities for an investor; however, state finance agencies have the ability to administer the awarding of tax credits to qualifying projects within their state. All 50 states receive a finite amount of credits each year based on their population. In Michigan, the Michigan State Housing Development Authority (MSHDA) awards LIHTC funding to qualifying projects. Furthermore, lending institutions that support LIHTC projects can receive credit under the Community Reinvestment Act (1977) which encourages financial institutions to provide credit to the low and moderate income communities in which they operate and to projects that support improvements in their area.

Federally, the LIHTC program costs the government more than $10 billion in annual tax expenditures, and is a number that has expanded in size from $8 billion in 2010. However, the Tax Cuts & Jobs Act passed in 2018 cut the corporate income tax rate from 35% to 21% and may have an adversely effected the market value of tax credits, thereby reducing the effectiveness of the program. The Urban Institute noted in a July 2018 report that "reducing corporate income taxes lessens the financial incentive for corporations to make equity investments in tax credits." Conversely the 2018 Omnibus Spending Bill increased the per capita allocation ceiling by 12.5% annually through 2021, which has allowed the annual pool of credits to increase – this can be visualized in the figure below. Through the passage of the CARES Act in 2020 in response to the COVID-19 pandemic, congress set a 4 percent floor rate for the tax credits and moved away from borrowing/interest rates set by the treasury department. In times of economic



This chart is not a running balance. The amounts above are the total credits available (annual LIHTCs multiplied by the 10-year credit period), not including unused balances from previous years nor exchanges under the Section 1602 cash grant program.

Sources: Calculated by Novogradac & Company LLP from U.S. Census population figures (1987-1990) and IRS Notices and Revenue Procedures (1991-2019) downturn, investors have been dis-incentivized from investing in tax credit projects because the treasury-linked borrowing rate was reduced to limit financial fallout and inadvertently limited demand for the tax credits. Contextually, the financial crisis of 2008 forced congress to set a floor rate on the 9% tax credits. Additionally, increased credits made available at the federal level has resulted in increased allocations to each state. By law, MSHDA prepares, and must abide by the allocation plan set forth in a bi-annual Qualified Allocation Plan for Michigan – or a set of criteria used to determine which types of housing are appropriate to meet local priorities. The 2019-20 QAP will hold two competitive funding rounds in both 2019 and 2020. In the 2019-20 QAP there is $27 million set to be awarded each year, which is a significant increase over 2017-18 QAP funding of $23 million per year and will likely lead to equity contributions between $200 and $300 million of development. The following award categories (and share of total allocations) were defined by the 2019-20 QAP:

- Preservation Category: 25%
- Permanent Supportive Housing Category: 25%
- Open Category: 25%
- Strategic Investment Category: 10%
- Undesignated: 15%

The City of Grand Rapids has greatly benefited from the development of LIHTC projects within its limits. The national database provided by HUD identifies more than 5,500 LIHTC units in Grand Rapids not including projects approved since 2018. However, very few examples of LIHTC projects exist within the cities of Wyoming and Kentwood, and the only development since 2010 in either city has occurred in Kentwood with the delivery of 240 units total. Low LIHTC investment in communities outside of Grand Rapids is common because the urban nature of a downtown allows those projects to “score” better in terms of scoring metrics like walkability and transit access. The most recent state funding rounds have targeted LIHTC projects located within Opportunity Zones through the awarding of points if they meet this criterion. In the April 2019 funding round, there were a total of 56 submittals. Only 14 submittals received an award, and 11 of those were projects within Opportunity Zones.

Location: Grand Rapids, MI

Project: The Baker Lofts Project at Logan and South Division (within the study area) used a combination of LIHTC and historic preservation credits to covert an old furniture factory into high density housing.

04 SMALL BUSINESS ASSOCIATION (SBA) 504 LOAN PROGRAM

Program

Description: Funds originate from the Small Bussiness Administration, a federal agency, and are administered by local Certified Development Companies (CDCs) in the form of a combined loan to the borrower which includes the borrower, the SBA and local CDC. The borrower is generally responsible for only 10% of the project costs while the balance of the loan is comprised of a participating lender and the SBA.

Type Supported

Objectives

N2 E2 C3

Partners

Local CDCs, area small businesses

Availability

Available in Michigan

The Small Business Association offers several financing options for small businesses, but most notable is its SBA 504 loan program which offers small businesses a financing option through long-term, fixed-rate financing options. Funds provided by SBA 504 are to be used to acquire fixed assets for the expansion or modernization of that asset. Additionally, the borrower must occupy at least 51% of the real estate asset, so this program does not cater to investors. While the program is federal, it relies on local Certified Development Companies (CDCs) to administer loans to projects that meet objectives set by the CDC. In turn, the CDC will fund 40% of the project cost through the issuance of a debenture to institutional investors.

Nationally, there are more than 260 CDCs, which are non-profit corporations that promote local economic development through the issuance of 504 loans. Generally, loans are structured with a participating lender (bank) covering 50%, the SBA covering 40% and the borrower contributing 10% of project costs. The SBA has indicated that the maximum amount for a 504 loan is $20 million. Benefits of the 504-loan program include the fact that a project may receive 90% of its financing with a longer payback period (20 years) than may be offered without SBA participation, and no balloon payments, all at a fixed interest rate.

Location: Grand Rapids, MI

Project: The EDF collaborated with Bank of America in the funding of a SBA 504 loan for Rockwell Republic, a gastropub in downtown Grand Rapids at 45 S. Division.

According to the 2019-20 Michigan Edition of the Small Business Resource Guide, there are three participating CDC's within Michigan and one in Grand Rapids: Economic Development Foundation. In addition to the 504 loan, the SBA also partners with other local funding sources – which may be banks or credit unions that may provide small businesses with a 7(a) loan. A 7(a) loans is different from a 504 loan in that there is no involvement from a CDC and the loan does not specifically need to be used to acquire assets. There are ten funding partners for a 7(a) loan in Grand Rapids, one in Wyoming and none in Kentwood.

05 COMMUNITY DEVELOPMENT BLOCK GRANT

Program

Description: Grant funding is appropriated by the federal government to entitled, or qualifying municipalities within all 50 states. Funds must be utilized based on the consolidated plan approved by each municipality to support community development in moderate to low-income areas. CDBG funds are flexible in that they may be used at the discretion of a municipality to support the development of suitable housing, suitable living conditions and economic opportunities.

Type Supported

Objectives

N8

Partners

Local municipalities, area developers, local community development organizations/ local champions seeking allocations

Availability

Available in Michigan

Community Development Block Grants (CDBG) are made possible by the Housing and Community Development Act of 1974, which allows for federally appropriated grants to municipalities throughout the country. A block grant may come in a number of forms; however, only the most pertinent programs will be touched on in this section and they include:

- CDBG Entitlement Program
- State CDBG Program

The intention of the two CDBG programs are similar in that they both provide flexible funding in the form of grants designed to support community-oriented development for low-to moderate-income persons or communities. However, the country's largest incorporated areas are entitled to CDBG funding (entitlement program) while more rural municipalities in the country must apply to their respective state for funding award (state program). In order to accomplish its goals, HUD has identified the development of suitable housing, suitable living conditions and economic opportunities within a community to be a priority. Grant funding is appropriated by congress each year, and qualifying municipalities that receive funding must follow their own consolidated plan which outlines program and funding priorities. The City of Grand Rapids and the City of Wyoming qualify as entitlement communities, and Grand Rapids receives approximately $4.5 million in CDBG funds each year.

CDBG funding is utilized to support housing rehabilitation, code enforcement, improvement to community facilities, public improvement projects, economic development projects, community services and other programs it deems appropriate each year, consistent with approval of plans by

Location: Colorado Springs, CO

Project: In 2019, Spring's Rescuse Mission (SRM) completed Greenway Flats, a 65 unit apartment complex that is the first a permanent living space for chronically homeless men and women in Colorado Springs.

HUD. The primary eligibility requirement for a CDBG funded project is that the project benefits low and moderate income people. Municipalities often partner with NGOs, non-profits, and religious institutions to implement projects. However, it is critically important that communities continue to expand the number and type of partners that can implement or drive CDBG-funded projects. If only a limited number of project partners ever receive funds, and the projects facilitated by these groups are not widely known or anticipated by local community members, project implementation will be more difficult and opportunities to maximize benefits will be missed. HUD encourages grantee communities to engage in stakeholder engagement beyond mandatory public meetings to ensure that the projects selected for funding are responsive to community needs. Furthermore, it is important that the kind of projects selected of CDBG grant funding (in addition to the partners involved) have wide and visible community support, and are not perceived as operating in competition with or against the benefits of area residents. For example, while HUD supports the use of CDBG funds to acquire property, the buying up of vacant lots by non-profit or church groups without a clear plan of action for those properties, especially in areas where property speculation is growing and housing affordability is declining, will be met with resistance. This is especially true for an area like the South Division corridor, where incremental, small-scale development is an important focus and where land is a finite resource.

06 BROWNFIELD REDEVELOPMENT ACT 381

Program

Description: Grant and loan funds originate from the Michigan EGLE and may be used by public entities to investigate and remediate known and suspected brownfield sites so that they are shovel-ready for a private developer. The act also allows for a developer to incur the initial costs associated with investigation and remediation of a site and for that project to be under a TIF so that the developer may recoup future property tax increases on his/her property – those funds will then be used to offset the environmental remediation costs incurred at project start.

Type Supported

Objectives

N1 Q9 Q10

Partners

EGLE, BRA, local developers

Availability

Available in Michigan

The Brownfield Redevelopment Act was passed in 1996 to encourage economic development and the reuse of brownfield properties throughout Michigan. Brownfields are properties complicated by the presence of hazardous substances, environmental pollutants or other types of contamination.

This program is administered by the Michigan Department of Environment, Great Lakes and Energy (EGLE) and has two primary components. The first is a loan and grant program which allows local units of government, economic development corporations and other public entities to apply for loans and grants to pay for environmental assessments and cleanups at properties where there is known or suspected contamination—a major upfront cost-prohibitor for private developers. However, this program does not allow funds to be used for "speculative investigation" of property, and the state of Michigan's grants require that a recipient project is an economic development project—both inhibiting factors to the program's effectiveness.

The second component to Act 381 is for a local Brownfield Redevelopment Authority (BRA) to establish a tax increment financing (TIF) district so that a private developer of a brownfield may recoup the future tax increment their project generates.

The TIF district must also be approved by the local Brownfield Redevelopment Authority's (BRA) board and the state tax capture must be approved by the MSF's board. Awarded TIF funds may also

Location: Grand Rapids, MI.

Project: The development at 1059 Wealthy Street SE involved the redevelopment of 1.26 acres of property. The project utilized 828K in Brownfield TIF funds and is also inside the Uptown Corridor Imrovement District. This mixed use development replaced a former strip mall and added 44 Residential Units, 15 New FTE Jobs, and 16,500 Sq. Ft. of commercial space.

be used for site preparation, demolition, public infrastructure, stormwater and other related costs. The cities of Grand Rapids, Wyoming and Kentwood have all established their own BRAs. The Grand Rapids BRA has supported 135 projects since the organization's inception in 1998. While the primary tool used by the BRA is TIF, BRAs have also established a Local Brownfield Revolving Fund (LBRF) which may provide grants or loans to qualifying projects as described in public documents like its master plan, area specific plans and other strategic city-wide plans. Recent legislative changes in 2020 in Grand Rapids have made the LBRF program more robust by allowing for the cost of environmental site assessment and due care planning, and limited demolition to be completed without the administrative process of preparing and having a City Commission approve a brownfield plan. This means that local Brownfield Redevelopment Authorities may be able to assist small-scale developers and small businesses reduce risk by supporting due diligence costs for property acquisition and evaluation. Grand Rapids Brownfield Redevelopment Authority has enacted policy to prioritize its LBRF program to support first-time developers and for projects located in certain geographic areas (including South Division) with these costs.

07 NEIGHBORHOOD ENTERPRISE ZONE (NEZ)

Program

Description: Tax abatements are made available by the State of Michigan, but are administered by local governmental units that designate a NEZ. Abatements are made available to both rehabilitation and new construction of residential structures within a NEZ; however, the tax abatement varies depending on the type. Rehabilitated properties are taxed by applying the current total millage rate by the previous years taxable value, while newly constructed units are taxed by applying one-half of the state's previous years average millage rate to current real value.

Type Supported

Objectives

N2 N8 E2

Partners

Municipalities, local developers, local home owners.

Availability

Available in Michigan

Neighborhood Enterprise Zones (NEZ) were made possible through the Neighborhood Enterprise Zone Act, PA 147 of 1992, as amended. To establish a NEZ, a local governmental unit that qualifies as an "Eligible Distressed Community" determines the boundaries of the NEZ, which must include at least 10 platted parcels of land that are "compact and contiguous." Properties located within a NEZ may qualify for a tax abatement, depending on if a residential structure is rehabilitated or constructed new. However, the tax reduction is only on real property and does not include taxes on land or any special assessments.

To date, the City of Grand Rapids has designated five different geographically defined Neighborhood Enterprise Zones within its North Baxter, Belknap Lookout, Turner Gateway, Heritage Square and Wealthy Heights districts. Each zone was established to promote home ownership and investment in areas where the greatest impact would occur and where such improvements may trigger additional investment in adjacent neighborhoods.

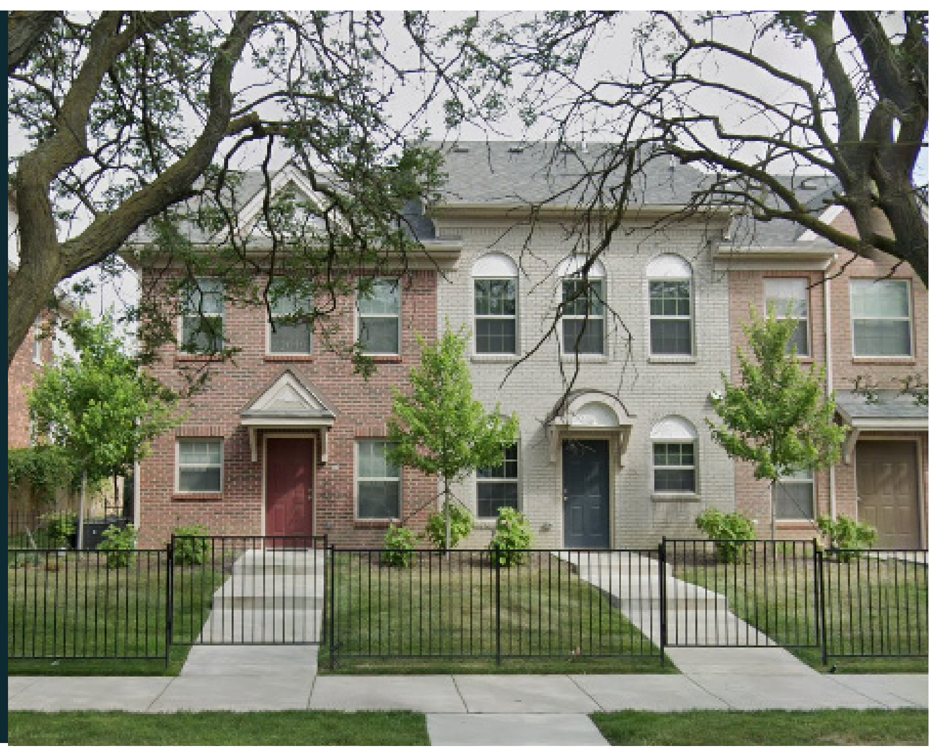
Residential households (excluding apartments) within the NEZ may qualify for real property tax abatements should the home be rehabilitated or constructed new. Property owners must file a completed application with the local governmental unit before applying for permits (otherwise the application will be ineligible) Additionally, tax abatement on a qualifying property may range from 6 to 15 years. Qualifying housing structures that have been rehabilitated within a NEZ are taxed each year by applying the current total millage rate by the previous year's taxable value. Notably, rehabilitation must take place on a property that has a current cash value of $80,000 or less.

Qualifying new housing structures built within a NEZ may be taxed at one-half of the state's average rate of taxation on only real property. Additionally, the tax abatement may be transferred to a new homeowner if the NEZ application is filed and a Certification of Occupancy is obtained for the structure. A property owner may also apply for a NEZ certificate for a new addition on residential structure.

In addition to the geographic NEZ outlined above, the Act also allows for a project specific NEZ. This tool can be used for a single site if the project is (a) a mixed-use development with retail on the ground floor, (b) in an area zoned for commercial use and (c) has rental apartments as part of the project; however, the NEZ exemption only applies to the residential apartment component of the project.

Location: Detroit, MI.

Project: The group Urban Redevelopment developed the Art Center Town and Carriage Homes condos in the Cultural Center in an NEZ area in Detroit. The developer stated that the benefits of the NEZ allowed them to develop in the core while keeping residential prices that were competitive with what new suburban developments offer.



08 OPPORTUNITY ZONES

Program

Description: Funding originates from private sources who, through Opportunity Funds, invest in real estate projects within designated Opportunity Zone census tracts pre-designated by the governor of all 50 states. Private funds are invested either in already operating assets, or toward the construction of a new property. To maximize the programs benefits, an investor must keep his/her investment for at least 10 years.

Type Supported

Objectives

N8

Partners

Local developers & Investors

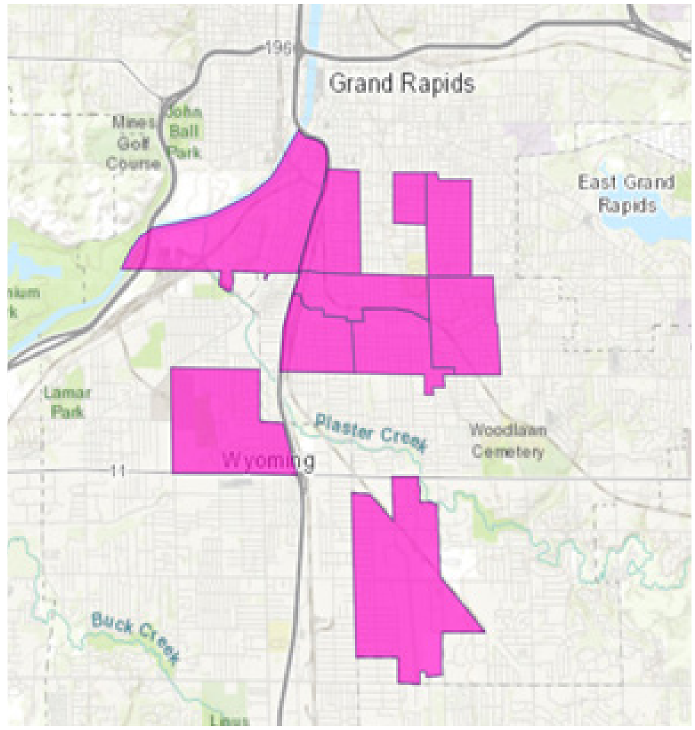
Availability

Available in Michigan

Opportunity Zones were made possible by the Tax Cuts and Jobs Act of 2017 and are designated 'low-income' census tracts established in 2018 by the governor of each state. The intent of the opportunity zone is to spur long term private investment into low-income communities. Designated census tracts are in place for a ten-year period (beginning in 2018) and comprise 25% of the 'low-income' census tracts within a given state. In Michigan, the Michigan State Housing Development Authority (MSHDA) managed the designation process on behalf of the governor and 288 tracts were designated, of which eight were in Grand Rapids and two were in Wyoming. The program works by allowing for private investors to have the ability to temporarily defer, reduce or be exempt from certain capital gains taxes on investments held for a certain duration within a qualified opportunity zone. The program incentivizes an investor to put capital gains (from ANY source like a stock sale or real estate transaction) into an opportunity fund because they do not have to pay tax so long as the capital gain was realized within 180 days of its deposit into a Qualified Opportunity Fund, which is an investment vehicle such as a corporation or partnership with at least 90% of its assets in opportunity zone property. These investment vehicles can take on a number of forms and range from an individual to an institutional investor. Investors of a Qualified Opportunity Fund may benefit in two main ways. The first is through temporary deferrals and a reduction. An investor may temporarily defer capital gains taxes (through the sale of ANY asset) by entering those funds into a Qualified Opportunity Fund. This is similar to a

1031 Exchange whereas a real estate asset owner may sell a property and defer their/his/her capital gains should they invest in another real estate project that is equal to, or more valuable than the last sale within 45-days of the sale; however, there is a 180-day period for capital gains investment into an opportunity fund. It is important to note that any deferral is only until December 31, 2026. An investor receives a reduction on his/her capital gains that were moved into the fund. The deduction depends on the duration those gains were in the fund. For example, should an investor keep his/her capital gains in an opportunity fund for 5 years, the capital gains payment on the original investment is reduced by 10%. In other words, only 90% of the original gain is subject to capital gains tax. If an investor holds his/her investment for 7 years, the reduction is 15%.

The second way in which investors of a Qualified Opportunity Fund may benefit is related to the asset(s) owned by the opportunity fund in which one may be an investor. If a qualifying asset is held for at least 10 years, that asset steps up in basis, meaning that the investment appreciates tax-free so an investor will not have to pay capital gains on the appreciation in the price of the asset at time of sale. While this program has induced spending in low income areas, a criticism of Opportunity Zone/ Opportunity Fund investment is that capital and projects are likely originating from not-local sources, meaning that out-of-state investors/ funds are likely driving investment, as opposed to community members. Those same stakeholders are also expecting returns on their investments that are inconsistent with the achievable returns for community-oriented projects. For example, an



Designated Opportunity Zones near South Division Avenue

investor might expect a return of +15%, while in reality community-oriented projects are typically less than 8%. However, because the federal government's rules on the program are loose and there is no data collection on the types of projects being built in Opportunity Zones, it is currently difficult to compare what investors expect with what is occurring on the ground. Feedback for this program has been largely anecdotal and has come through qualitative research efforts by outside parties, such as the Urban Institute's report entitled An Early Assessment of Opportunity Zones for Equitable Development.

09 NEIGHBORHOOD OPPORTUNITY FUND

Program

Description: The Neighborhood Opportunity Fund (NOF) redirects fees from new development to underserved areas in the form of grants to business and property owners. These funds can be used for expansion but also for overhead costs. NOF includes cost participation from business and property owners (increasing the stake of community engagement). NOF funds projects that are initiated from the bottom up by area community and business leaders, rather than initiated top-down by city partners.

Type Supported

Objectives

N2 N8 E2 C3

Partners

Municipalities in a position to enact density bonuses, area developers

Availability

Not prohibited in Michigan

In 2016, the City of Chicago revised their Zoning Code to leverage funds generated by new development in and around the city's core business district to spur investment along commercial corridors on Chicago's West, Southwest and South Sides. Notably, this program has been replicated in Detroit though the Motor City Match program due to its success in Chicago.

The Neighborhood Opportunity Fund (NOF) redirects downtown development fees to under-served areas in the form of grants to business and property owners. Additionally, the program specifically supports women- and minority-owned small businesses. Eligible commercial projects are those that have a catalytic impact on the neighborhood and lead to the construction or rehabilitation of new and existing, publicly accessible, commercial spaces (e.g. grocery stores, retail establishments, or restaurants) or cultural establishments. Unlike Opportunity Zones, the program does not require businesses to dilute their ownership in order to access capital, and grant funds can be used for land or building acquisition, site improvements, security, environmental remediation, and repair, among other soft or operational costs.

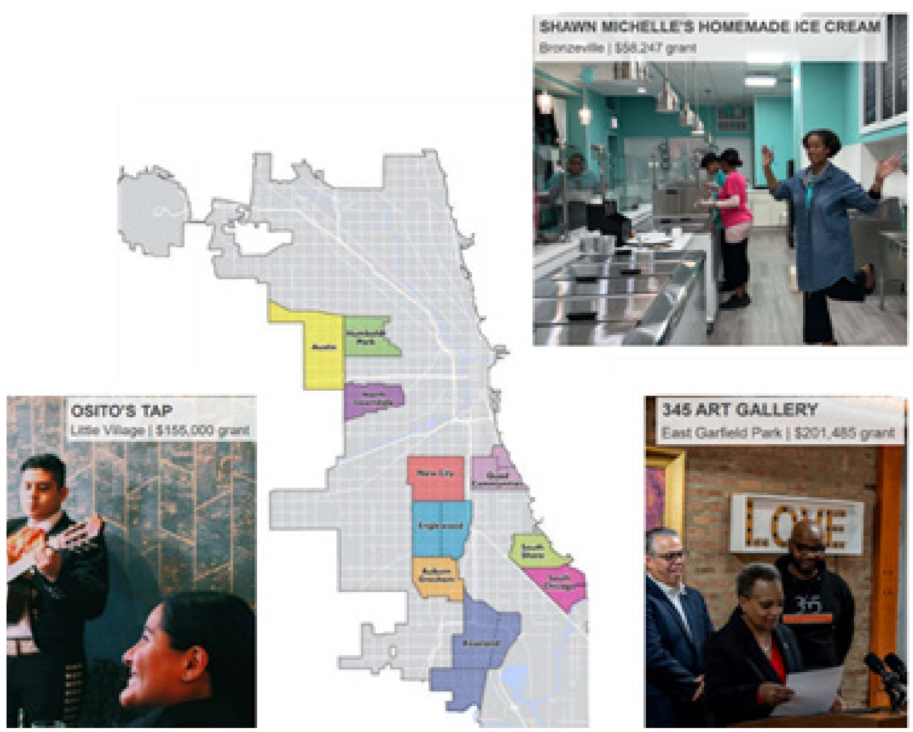
In Chicago, density funds in highly developed parts of the city have been utilized to fund neighborhood and place-making improvements in higher need areas. Small and emerging businesses and linked new businesses received funds to the tune of over $23.3 million. This amount was distributed among 174 businesses. It includes a Community

Wealth Bonus of 25% for projects with local hiring, or for awardees who hire workers who live within Neighborhood Opportunity Fund eligible areas. This is an incentive to keep financial resources for the project within the community.

The NOF program, as it is practiced in Chicago, also requires cost participation from businesses and property owners, increasing the stake of community engagement. NOF funding supports a number of overhead costs, including the rehabilitation of existing buildings, which is meaningful in areas with a significant number of potentially historical structures that are in disrepair, but have otherwise good placement, massing, and design. A re-occurring narrative in outreach to area real estate brokers and private developers was that major national retailers and investors do not find the Division Avenue corridor to be a fit with their desired market, and therefore do not have plans to invest. This is primarily attributed to the fact that the achievable rents in the market do not support the costs necessary to develop a new building. As such, the corridor will require 'patient capital' to support existing business in their organic growth. To this point, the NOF model takes some of the wealth generated by new market-supported development in areas that are already economically active elsewhere in the city and redistributes some of that wealth into communities that might otherwise not benefit from that development. If other funding sources like the MCRP are unavailable, the adoption of an ordinance similar to the NOF may provide Division United with another funding mechanism.

Location: Chicago, IL

Project: This graphic shows the location of neighborhoods eligible to recieve Opportunity Funds and several business that recieved awards. The Emmanuel Administration first launched the Fund in 2016 when downtown Chicago was booming. The reallocation of development fees allowed previously underserved neighborhoods to benefit from the boom.



10 COMMUNITY LAND TRUST

Program

Description: A Community Land Trust (CLT) is a program that promotes permanent affordable housing supply and an entry point into housing ownership through purchase and resale restrictions recorded in long-term (often 99-year) ground leases. CLTs represent a tradeoff between housing stability/ affordability and wealth generation.

Type Supported

Objectives

N8

Partners

CDFIs, community-based organizations, non-profits, private philanthropists.

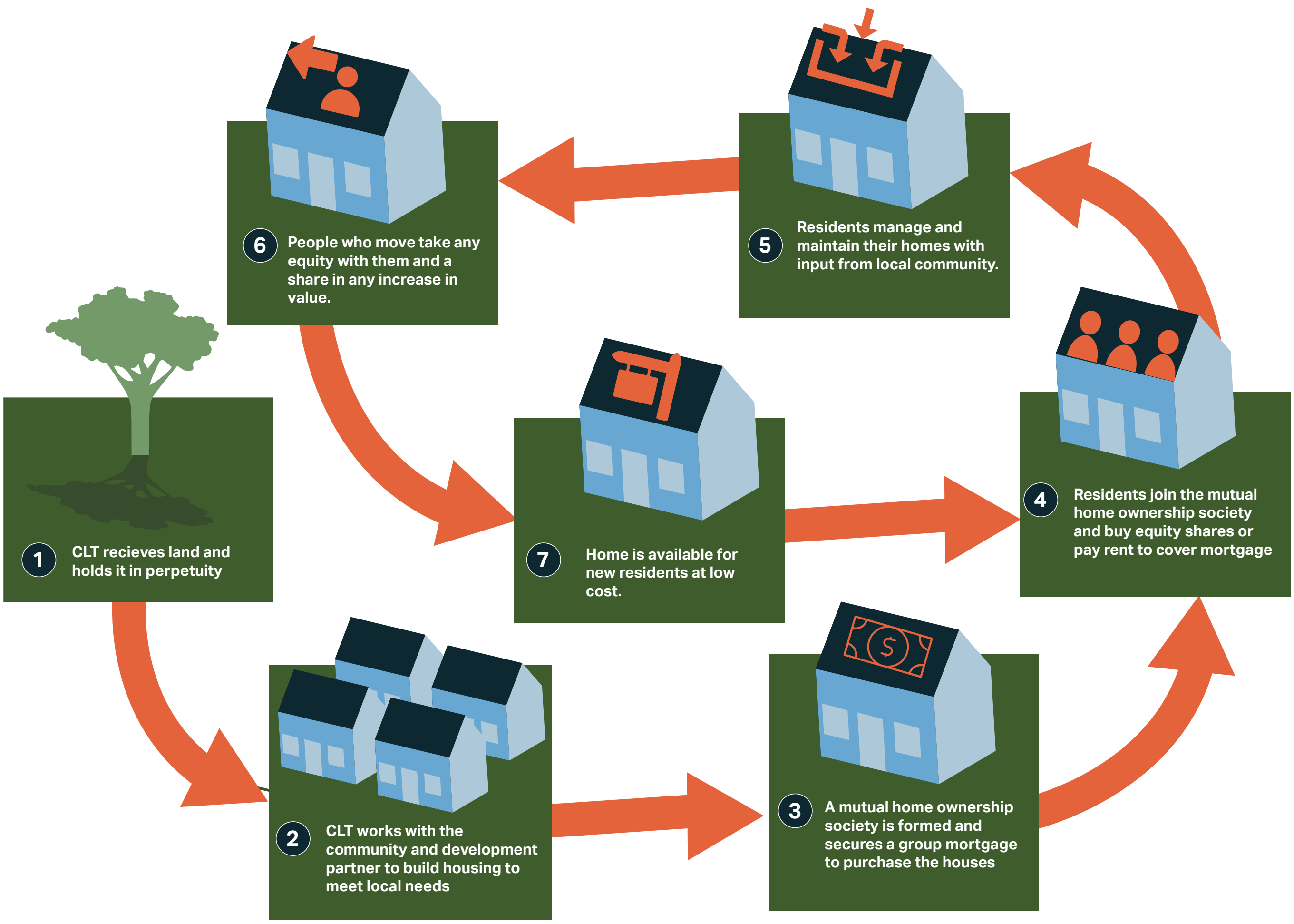
Availability

Available in Michigan

CLTs are most often governed by a non-profit or community-based organization that purchases land and buildings. By separating the value of the building from the value of the land out of real estate transactions, CLTs provide a proven entry into home ownership for low- to moderate-income residents who many not otherwise be able to afford a home through the standard housing market. Resale and income eligibility restrictions preserve affordable homes in perpetuity for the community. In order to keep assets affordable, the CLT retains ownership/ stewardship of the land and enters into a long-term lease with a homeowner. When a homeowner is ready to sell, a portion of the appreciation in asset value is retained by the owner, while the remaining balance is disbursed to the Community Land Trust.

One strength of a CLT is that the assembly of land within a community helps to fight against land buying speculation. However, a pitfall of a CLT is that while it promotes wealth generation, the built asset and land will always be separate, so overall wealth accumulation for the individual owner is less than it would be if the homeowner were to sell both the asset and the land underneath.

In order for a community land trust to be successful, a financing plan must be secured so that the entity may buy and maintain assets. Funding often comes in the form of grants, in-kind donations, revolving loan funds and Community Development Financial Institutions (CDFIs). Many CLTs turn to public funding sources like revolving loan funds and private funds through CDFIs. A CLT is often viewed as a "risky" investment by private capital, which has forced many CLTs to utilize a CDFI which may be a local bank, credit union, fund or micro- lending institution. However, these institutions often utilize an extractive form of capital deployment as the institutions lend capital for between 6% and 7% when they are receiving those same funds from the federal government for less than 3%. Examples of CLTs in the Grand Rapids region include Dwelling Place, a regional land trust with homes scattered throughout the metro area, and the Inner City Christian Foundation's inventory of homes.



COMMUNITY LAND TRUSTS: A GUIDE

11 HOUSING CO-OPERATIVE (CO-OP)

Program

Description: A Housing Co-Operative (co-op) allows purchasers to have a stake in a housing entity (the co-op) rather than owning individual units outright. Co-ops can sometimes be less expensive than apartments since they operate on an at-cost basis and are owner controlled. They can be market rate, limited equity, and leasing.

Type Supported

Objectives

N8

Partners

Co-op members, Steering Committtee of Co-op

Availability

Available in Michigan

A Housing Co-Operative (co-op) is similar to a condominium association; however, instead of owning a unit outright, each household – based on unit size – becomes a shareholder in a corporation which may own or lease the primary building. To purchase a unit within a housing co-op, one may take out a share loan as opposed to a traditional home mortgage to finance the purchase. Shareholders (unit owners) are also responsible for paying their pro-rata share of common area maintenance to the corporation. Importantly, a co-op is a resident-run entity where residents comprise the board of directors and ultimately set governing rules for the co-ops ongoing management.

Location: Detroit, MI.

Project: The Blackstone Housing Co-operative in Detroit, Michigan. The property was originally constructed as an apartment community and was converted to a cooperative housing community in 1964.

12 NEIGHBORHOOD REAL ESTATE INVESTMENT TRUST (REIT)

Program

Description: A type of company that owns income-producing properties, in which all properties owned are located in a specific neighborhood. Neighborhood REITs use investments from local owners to purchase these properties and manage them over the long term.

Type Supported

Objectives

N2 E2

Partners

The municipality, the tax assessment office, individual investors.

Availability

Not available in Michigan

Community-oriented real estate investment models are continuing to emerge throughout the country in an effort to allow for more wealth creation and equity among community members and neighbors—as opposed to investment driven by third parties located outside the community. To this point, the utilization of a Neighborhood Real Estate Investment Trust (REIT) is becoming more popular and is a spin on traditional publicly traded REITs. REITs have become popular as they do not have to pay income tax on profits so long as at least 90 percent of income is distributed to shareholders each year—this may be done through dividend payments or through the sale of shares at pre-determined points. However, there are significant barriers in establishing a REIT that include intensive legal and regulatory hurdles as well as the abundance of time and costs associated with raising capital and establishing a management structure.

While publicly traded REITs have become more common among large-scale institutional and private investors, small-scale, community-oriented REITs have started to take hold. Specifically, a Neighborhood REIT is a tool that allows for residents of a given geography, or investors that are either socially- or mission-driven to utilize the REIT structure to pool resources and purchase more real estate assets—thus giving residents access to wealth creation in areas that had not previously been possible. While there are no examples of this structure yet in Michigan, an early example is the Neighborhood Investment Company (NICO) in Los Angeles. NICO operates within the Echo Park neighborhood of Los Angeles and is a neighborhood that is experiencing gentrification. This REIT, which was established in March 2020, allows for all types of investors with a minimum investment of $100 which may be a one-time purchase or ongoing. Additionally, NICO has two types of eligible investors: local and non-local. The pricing for each eligible investor is the same; however, the ability to "cash out" shares is more favorable toward local investors which comprise those living within the Echo Park zip codes determined by the REIT. To this point, the minimum hold period of shares for non-local investors is two years while the minimum hold period for local investors is six months. In theory, this allows for local investors to cash out and reinvest that money at a faster rate than non-local investors, and is intended so that those funds may be redistributed within the community whether through spending or through investing in one's own business.

Additionally, the NICO REIT was established as a 'benefit corporation' which is different from a traditional Limited Liability Corporation (LLC) in that a benefit corporation has a legal obligation to maximize social returns as well as financial returns for its investors. Should NICO not uphold its social and/or its financial obligations, the shareholders may sue. It should be noted that Benefit Corporations are not yet allowed in Michigan, but are allowed in 37 states.

Location: Echo Park, CA.

Project: 1412 Echo Park, a Neighborhood Investment Company (NICO) Property. Today, the NICO REIT owns three residential and mixed-use buildings totaling 84 residential units and representing approximately $30 million in total asset value.

13 COMMUNITY INVESTMENT TRUST (CIT)

Program

Description: Offers a long-term path to collective, communal ownership of real-estate for investors, while allowing community members to build equity.

Type Supported

Objectives

N2 E2

Partners

The municipality, the tax assessment office, individual investors.

Availability

Not prohibited in Michigan

A Community Investment Trust (CIT) is another form of community financing, used so that community members may build equity in real estate while also achieving neighborhood revitalization. There is only one example of a CIT and it was spearheaded by the non-profit: Mercy Corps in Portland, Oregon.

This idea was born out of community members' desire to invest in, and benefit from development in their neighborhood. Mercy Corps utilized the Securities Act of 1933 to open a trust so that East Portland families may invest in commercial real estate through the trust and under a special agreement, community investors were exempt from registering with the SEC or the state. Additionally, the Securities Act of 1933 allowed Mercy Corps to secure a letter of credit from a bank, which allows for fund liquidity and loss protection against any decline in principal investment. With this fund, Mercy Corps purchased the Plaza 122 shopping mall in Portland for $1.2 million in 2014.

For community members to invest, they must live within designated zip codes surrounding the project, be over the age of 18 and must complete a provided financial literacy curriculum—which is offered in five languages. Investors then "subscribe" to make monthly payments ($10, $25, $50 or $100) and may renew each year. Residents may purchase up to $450,000 in initial fund equity which amounts to 45,00 shares.

Investors are guaranteed a minimum of a two percent return; however, the CIT has achieved a nine percent annual return to date based on increases in the appraised value of the real estate. The annual appraisal also results in proportional increases in the share prices, and subsequent increases are reserved for capital improvements—and are split 50/50.

Location: Portland, OR

Project: Plaza 122 is a 29,000-square-foot mid-century commercial retail mall that currently has approximately 26 to 30 businesses and nonprofit tenants.

14 VACANCY TAX

Program

Description: A tax on the value of unimproved land in which the value of the tax is based on the highest and best use of the land. The purpose of the tax is to incentivize property owners of vacant land to develop, better utilize, or sell the property.

Type Supported

Objectives

N1

Partners

The tax appriasal district, the municipality, owners of unimproved or vacant property.

Availability

Not available in Michigan

Rather than being assigned to a specific project, vacancy taxes more generally capture the value created by the provision of public goods, including the accessibility afforded by transportation networks. Vacancy taxes are a tax on vacant property that incentivizes the owner to use or sell the land for a higher/better purpose. While vacancy taxes are desirable from the standpoint of economic efficiency and sustainability, they would most likely be slightly regressive in terms of ability-to-pay. Further, vacancy taxes may prove politically challenging due to high visibility and potential unpopularity. However, a vacancy value tax is a progressive tax, in that the tax burden falls on owners of real estate relative to the value of their real estate. Washington, D.C. raises the normal commercial property tax rate from between $1.65 and $1.85 for $100 in assessed value to $5 per $100 when the property is vacant. However, it is important to note that an vacancy tax may not be permitted under Michigan's General Property Tax Act.

Location:
Washington, D.C.

Example: A vacant/
undeveloped lot
in the Deanwood
neighborhood of
Washington, D.C.,
that would be subject
to the Vacany Tax.

15 THE OBSOLETE PROPERTY REHABILITATION ACT (OPRA)

Program

Description: The Obsolete property Rehabilitation Act supports property tax exemptions for commercial housing properties that fall within an Obsolete Property Rehabilitation District. OPRA allows for select commercial and commercial housing redevelopment to achieve a tax exemption for between 1 and 12 years should the project meet selected criteria.

Type Supported

Objectives

N2 E2

Partners

The municipality, the tax assessment office, State Tax Commission.

Availability

Available in Michigan

The Obsolete Property Rehabilitation Act (OPRA) was made possible through Public Act 146 of 2000, as amended, and allows for select rehabilitated commercial and commercial housing properties to receive certain tax exemptions should the properties meet specific criteria. Notable criteria of obsolete property include a statement of obsolescence by the local property assessor and the property's location within an established Obsolete Property Rehabilitation District. Qualifying properties may be approved by their local unit of government for a tax exemption for a period of 1 to 12 years, in which the property's taxes are frozen in the year prior to rehabilitation. While all applications are filed with, and approved by the local unit of government, they are also subject to review at the state level by the Property Services Division and the State Tax Commission is ultimately responsible for final approval and issuance of the exemption. In Michigan, only Core Communities are eligible for funds under this act (Grand Rapids and Wyoming are both Core Communities).

Location: Grand Rapids, MI.

Project: Example property at 2007 South Division Avenue, Grand Rapids that received a property tax exemption for a period of ten years beginning in December 2018.

16 GREAT UPDATE REBATE

Program

Description: The Great Update Rebate Program supports existing homeowners and owners of housing properties by providing them rebates to improve and update older structures. It targets housing stock that is affordable and supports both internal and external improvements.

Type Supported

Objectives

N2 N8 E2

Partners

The municipality, area homeowners and property owners

Availability

Not prohibited in Michigan

The Great Update Rebate program was implemented by the City of Plano, Texas in 2014 to reduce the financial burden homeowners incur through the upkeep and modernization of aging homes. Qualifying structures must be over 35 years old and can include single-family homes, duplexes, town homes and condominiums. Qualifying structures must also be current on taxes and insurance, and must be valued at less than 85% of the FHA's single-family mortgage limit for the County ($344,080 as of 2020 in Collin County). If a structure qualifies, specific improvements may be made to either the exterior, interior, or both; however, the rebate value is greater for exterior improvements (25%) compared to interior improvements (10%). Additionally, qualifying structures must receive a notice to proceed from the City before work starts and the minimum property improvements must be at least 10% of the appraised market value or $20,000, whichever is less. While most improvements are covered, those that aren't include new pools/hot tubs, non-native landscaping, detached accessory structures, garage enclosure, car ports and any project that commences without notice to proceed granted.

The program does have a $5,000 cap per property per 12-month period, but since its inception in 2014, the program has seen more than $2.5 million in dedicated funds. The City of Plano has also provided an interactive map with qualifying properties on the program's website in an effort to streamline the process for potential program applicants.

17 JOINT DEVELOPMENT

Program

Description: Joint development ("JD"), as typically applied in discussions of value capture, refers to the spatially coincidental development of a transportation facility (e.g., a public transit station) and adjacent private real estate development, where a private sector partner either provides the facility or makes a financial contribution to offset its costs.

Type Supported

Objectives

N8

Partners

The municipality, area homeowners and property owners

Availability

Available in Michigan

The term "joint development" could also be used to refer to jointness in timing of development or ownership of transportation infrastructure, though for the purposes of this report, the above definition is used to refer to various forms of cost-sharing or revenue-sharing arrangements. JD arrangements generally promote efficiency, as the voluntary nature of the transaction ensures that the expected benefits of the private sector partner exceed the cost (or share of costs) of the transportation improvement that he or she anticipates. This characteristic also promotes benefit equity among participants. Since the nature of JD arrangements is often location-specific, the tax base is rather narrow, and the amount of revenue generated is relatively small. Joint developments are often politically feasible, due to their narrow impact, but entail a higher degree of administrative complexity. However, the approach enables successful mixed-use development – a primary goal – that might not otherwise be achieved.

18 REVOLVING LOAN FUND (RLF)

Program

Description: A revolving loan fund is a steadily-growing pool of money to be loaned to qualifying applicants who are likely seeking gap financing – or the last 10-20% of their capital stack for a development project. A municipality (often a state) or a philanthropic organization will often originate funds through a community development block grant, appropriated funds or through an in-kind donation.

Type Supported

Objectives

N2 N3 E2

Partners

Municipalities, private donors, agencies that authorize the use of CDBG funds.

Availability

Available in Michigan

A Revolving Loan Fund is a gap financing measure typically aimed at small businesses. Fund members, or a donor organization, contribute initial seed money. The pool of money increases as interest and principal from prior loans are paid off, and in turn the growing pool of funds are then re-allocated to projects that meet the program's criteria. Notably, the City of Kentwood has established its own Revolving Loan Fund with the intent of creating private sector jobs within the city. The loans are intended to be a supplemental source of capital to finance expansion projects within the city. As the program focuses on job growth, property types include those that are commercial or industrial and must be used for the acquisition or improvement of land, buildings, machinery and equipment.

Grand Rapids and Kentwood have also established their own revolving loan funds in an effort to support the redevelopment of brownfield properties within the city. The Local Brownfield Revolving Fund (LBRF) was formally established by the Grand Rapids Brownfield Redevelopment Authority (GRBRA) in January 2015 as authorized under Section 8 of Act 381. In addition to providing loans, the LBRF may also provide grants to fund eligible brownfield activities defined in Act 381 such as to pay for consultant fees, environmental site assessment activities, to support public projects, to strategically acquire property or to support private development projects. Grand Rapids has prioritized funding for first-time developers and for projects in certain geographic areas (including South Division).

LBRF funding comes primarily from tax increment financing revenues made possible by other completed LBRF funded projects as well as from other sources defined in Act 381. Projects selected by the GRBRA to receive funding must also meet the city's goals as defined in various plans such as the city's strategic plan, area specific plans, master plan and in support of equitable economic development and mobility plans.

19 FAT, OILS & GREASE (FOG) MITIGATION INCENTIVE PROGRAM

Program

Description: A sewer service rate reduction for Food and Beverage Businesses that install a grease recovery system. The purpose is to encourage the improvement of old restaurant properties by incentivizing owners to update their grease trap systems, thereby saving the municipality money and preventing blockages.

Type Supported

Objectives

Q9 C3

Partners

The municipality, restaurent owners, owners of properties with former food related uses.

Availability

Available in Michigan

In addition to the robust cost of purchasing and installing a grease trap, the discharge of fats, oils and grease into a municipal sewer system often leads to blockages. In order to combat this problem, many municipalities have adopted local ordinances with provisions including the installation of grease control devices in new and remodeled food and beverage establishments, inspection, maintenance and discharge methods. However, the cost burden and local ordinance has resulted in many older buildings not having the correct mitigation measures in place.

In 2010, the City of La Palma, CA adopted a program within its Five-Year Implementation Plan to encourage the development of new Food and Beverage establishments and to comply with new state and federal environmental regulations. As a result, the city implemented a program that provides a reimbursement for part of the cost associated with installing a grease recovery system. The reimbursement is capped at 50% of the project cost with a maximum reimbursement of $15,000.

In 2011, the City of San Francisco adopted a 14.2% rate reduction to the sewer portion of a restaurant's water/sewer bill when the proper grease removal device (GSD) was installed. The rate reduction in sewer expense for a restaurant corresponds with the anticipated load reduction to the sewer system. Additionally, the City of San Francisco provides a "checklist" for those interested in obtaining a loan or lease to offset the equipment and installation costs.

20 PURE MICHIGAN MICRO-LENDING PROGRAM

Program

Description: A lending program targeted at infusing Michigan small businesses with capital. The program supports business owners that may not qualify for traditional loans (they lack operating history, traditional forms of collateral, or credit history).

Type Supported

Objectives

N2 E2 C3

Partners

MEDC, The municipality,commercial property and business owners, inviduals that want to start a business.

Availability

Available in Michigan

The Pure Michigan Micro-lending Program is managed by Michigan's Opportunity Resource Fund, which was kick-started in 2015. The program is a partnership between the MEDC and Huntington Bank, which promised $5 million in small business lending commitments. The program targets small businesses, housing and non-profits through loans that range in size from $10,000 to $250,000, as well as technical assistance. Funding is intended to assist businesses throughout their life-cycle and includes costs associated with pre-development, land/ property acquisition, renovation, inventory, working capital or expansion. Notably, loans within this program have a term between one and six years, the equity contribution must be 10-15% and this program only caters to businesses in certain counties, including Kent County.

21 TRANSPORTATION UTILITY FEES (TUFS)

Program

Description: Transportation utility fees derive from the notion that transportation networks can be treated like a utility, similar to other local services such as water and wastewater treatment, which are financed primarily from user charges. Transportation utility fees are assessed on characteristics thought to be more closely related to transportation demand than property taxes, which currently account for a large share of local transportation revenues.

Type Supported

Objectives

M5 Q8

Partners

The municipality, area homeowners and property owners

Availability

Available in Michigan

Transportation utility fees have the potential to improve efficiency by shifting the cost burden from residential to commercial and industrial properties, which tend to consume more transportation services than their relative tax contributions would imply. In principle, transportation utility fees could help promote equity, but only if a link can be established between the various characteristics that form the basis of utility fees and the value of the benefits received from consumption of transportation services, a link that in the past has not been strongly established. The revenue from transportation utility fees would be relatively stable, as the demand for travel is not terribly sensitive to cyclical economic trends. Transportation utility fees are politically feasible, as shifting the cost burden to non-residential properties would most likely be popular among existing residents of a jurisdiction. Enforcement of utility fees may prove difficult, as it would be hard to deny transportation services to a delinquent property owner.

22 KENTWOOD EDC COMMERCIAL LOAN PROGRAM

Program

Description: The City of Kentwood has established its own city-funded, micro-lending program designed to encourage the redevelopment of existing commercial properties in low-income areas. The micro-lending program has a maximum loan amount of $100,000 and would be provided in concert with a traditional bank loan; however, the rate is 75% of the prime rate at the time of the loan.

Type Supported

Objectives

N2 E2

Partners

The municipality, the Economic Development Board, individual property owners.

Availability

Available in Michigan

Kentwood's EDC Commercial Loan Program is one of several programs available to support commercial business. It is authorized by Kentwood's Economic Development Corporation. The program has been in place since before the recession (at least 2007). The target area for this program is Division Avenue.

23 WEATHERIZATION ASSISTANCE PROGRAM (WAP)

Program

Description: The Weatherization Assistance program provides low-income households with funding to weatherize their homes, thereby decreasing energy consumption and costs.

Type Supported

Objectives

E2

Partners

Kent County Community Action, area home owners and renters.

Availability

Available in Michigan

The Weatherizaton Assistance Program (WAP), offered by Kent County Community Action, helps low income households weatherize their home and improve their energy efficiency. The program supports activities such as attic and wall insulation, air sealing measures, and other health and safety checks. Both renters and home owners are elgible. Applicants to the program must reside in Kent County and must have an annual income at or below 200% of poverty guidelines.

24 INDUSTRIAL PROPERTY TAX ABATEMENT (PA- 198)

Program

Description: Industrial property tax abatements provide incentives for manufacturers, high technology operations, and other eligible businesses to make new investments or expand operations.

Type Supported

Objectives

N5 E2 E4

Partners

Michigan Economic Development Corporation, local manufacturers and industrial businesses.

Availability

Available in Michigan

Industrial property tax abatements reduce property taxes for eligible firms working in the manufacturing, technology sectors. The abatements are approved on a project by project basis. The creation of new plants, the expansion of facilities, and the renovation or upgradng of existing plants are all eligible projects. The program also supports projects involving the restoration or replacement of an obsolete plant.

Eligible facilities for tax abatement include plants that directly manufacture goods, as well as related facilities such as offices, engineering, research and development facilities, and warehousing. High tech facilities and communications centers can also qualify. Tax benefits are granted by the city or municipality in which the impacted property is located. Benefits are granted through the establishment of an Industrial Development District (for a new project) or a Plant Rehabilitation District (for a rehabilitation project). An applicant may apply for an abatement on real and personal property taxes lasting up to 12 years.

04

APPENDIX A: GOALS AND OBJECTIVES

CATEGORY	GOALS	OBJECTIVES	ICON
TRANSPORTATION	Greater value and priority will be placed on transit service and facilities. GM1	Reduced travel times, improved on-time arrivals, increased hours of service, and more frequent service to each bus stop.	M1
		Better access to connecting transit (e.g., at 28th, 44th).	M2
		Dedicated bus lane (painted, resin, dyed, or asphalt).	M3
		Improved maintenance of Silver Line stations and all bus stops (in addition to Silver Line stops) in the corridor.	M4
		Ensure equitable access to transit, in part by improving multi-lingual information on service.	M5
	People will be safe from physical or vehicular harm while walking along and across South Division. GM2	Reduce vehicle traffic along Division Avenue and in surrounding neighborhoods.	M6
		Improved pedestrian crossings at existing intersections and add mid-block pedestrian crossings at strategic locations.	M7
		Add streetscaping elements, including trees for shade and beautification, where pedestrians can stand, sit and wait.	M8
		Reduce number of driveways and curb cuts.	M9
		Updated infrastructure that meets accessibility standards and best practices for pedestrians of all abilities.	M10

CATEGORY	GOALS	OBJECTIVES	ICON
TRANSPORTATION	Sustainable transportation options will be available for all ages to access surrounding neighborhoods. GM3	Improved routes to schools that prioritize access for children walking, bicycling, skateboarding and using scooters.	M11
		Support the creation or continued activation of a transit riders union or other community body to advocate for transit-reliant users.	M12
		Transit and micro-transit connectivity to major employers and institutions (esp. Outside a 10 minute walking distance).	M13
		Better connected walking and bicycling networks to/from, and across South Division Ave.	M14

CATEGORY	GOALS	OBJECTIVES	ICON
ECONOMIC DEVELOPMENT	Programs will help long-standing residents and business owners generate sustainable wealth. GE1	Develop more direct pathways for small-scale development and local business ownership.	E1
		Funding resources available to repair and allow improvement of existing homes / businesses.	E2
		Public land and assets offered to local residents / businesses	E3
		Attract significant employers to the opportunity sites (esp. at south end of corridor).	E4
		Recruit minority-owned or local bank / credit union	E5
	Policies will encourage growth in a diverse set of jobs that are better connected to people living in the corridor. GE2	Generate employment that suports a mix of uses.	E6
		Protect job-generating uses but better buffer them from surrounding community.	E7
		Link school and job training centers to surrounding industrial employers.	E8
	Development processes will ensure that current residents are informed about and understand the impacts and benefits of development. GE3	Seek or provide financial support to small, local and first time developers.	E9
		Create more transparent development process for residents, businesses, developers and the general public.	E10

CATEGORY	GOALS	OBJECTIVES	ICON
BUILT ENVIRONMENT	New development will foster variety, enhance cultural diversity and grow the population. GB1	Identify development opportunities for vacant and underutilized parcels in the corridor.	N1
		Support for existing businesses and commercial properties through storefront improvements, especially minority-owned.	N2
		Add additional outreach programs for existing residents and businesses.	N3
		Identify design guidelines that support the introduction of more walkable urban environments.	N4
	The mix of land uses will continue to include residential, commercial, office, retail and industrial. GB2	Support addition of job-generating uses, including industrial and commercial uses.	N5
		Better align building and zoning codes with likely smaller scale and more flexible building types.	N6
		Identify residential density targets needed to support corridor commercial and absorb housing demand at transit nodes.	N7
	The housing mix will allow for people of all income levels and household sizes to have options for renting or owning a home. GB3	Develop affordable housing programs to ensure delivery of a mix of affordable uses.	N8
		Add flexibility in code for additional housing types (missing middle housing).	N9

CATEGORY	GOALS	OBJECTIVES	ICON
QUALITY OF LIFE	All residents will have access to safe, quality and well-maintained parks and public gathering spaces. GQ1	Programming of underutilized public sites or rights-of-way.	Q1
		Leverage publicly owned land for green space and recreational space.	Q2
		Improve access to parks and public spaces.	Q3
		Add programmed public open space in areas with limited amounts.	Q4
	Investments in community amenities will target improvements in physical and mental health. GQ2	Provide greater opportunities for physical fitness and recreation.	Q5
		Improve access to fresh and healthy food.	Q6
		Partner with corridor health institutions and land owners to recruit health and family services to corridor and connect residents to them.	Q7
	Environmental impacts on residents will be mitigated. GQ3	Identify public and private side strategies to improve pedestrian realm.	Q8
		Continue to monitor the impacts old infrastructure/lack of improvements have had on residents.	Q9
		Buffer industrial uses from adjacent residential neighborhoods.	Q10

CATEGORY	GOALS	OBJECTIVES	ICON
COMMUNITY AND IDENTITY	Familiar people, food and services will remain even as new development is constructed. GC1	Support and develop community events celebrating corridor history and culture.	C1
		Preserve iconic and historic buildings that add character to the corridor for adaptive reuse when possible.	C2
		Protect businesses that are consistent with future land use and provide programs for them to expand in place.	C3
	Community amenities and prominent indicators will reflect the history and culture of the corridor. GC2	Development of narratives and media that highlight the unique history of the corridor.	C4
		Invest in public art / place-making / third place.	C5
		Official or unofficial designation of under-appreciated community assets.	C6
	Public engagement will provide residents and property owners the power to influence decision-making processes. GC3	Develop standards for engagement around new development projects.	C7
		Community engagement that reflects the diversity of the corridor.	C8
		Community engagement proposed by and run by residents.	C9

DIVISION

UNITED