

CITY OF GRAND HAVEN

Community Development Department

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Grand Haven, MI 49417
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TO: Patrick McGinnis, City Manager

FROM: Jennifer Howland, Community Development Manager

DATE: May 27, 2020

SUBJECT: Potential Residential Infill Project: Michigan Community Capital

Housing affordability has been a special focus of the Community Development Department for several years and a current goal of the City Council. Staff has been cultivating connections with organizations that may help us meet the housing needs of our current and future residents, including Housing Next. Ryan Kilpatrick of Housing Next was informed by staff of a vacant piece of property owned by the City of Grand Haven that might be an ideal location for an infill residential development. Ryan has since been working with Michigan Community Capital (MCC), a non-profit developer, to explore possibilities for developing the City's property into an affordable residential development.

On June 1st, MCC will present their ideas to the Economic Development Commission/Brownfield Redevelopment Authority (EDC/BRA) to gauge their financial interest in and overall level of support for the proposed project. They will then come to the City Council that evening to present their ideas during a work session.

Staff has not made any guarantees to MCC or Housing Next related to the sale or development of the property, but we have been encouraging the team to explore what it would take to make this project a reality. To that end, we have ordered a Phase 1 Environmental Site Assessment and preliminary title work on the property. Results of both should be available by June 1.

We are looking forward to getting feedback from the EDC/BRA and City Council on this exciting opportunity to provide needed housing in our community.



Memo

To: Grand Haven EDC Board

From: Ryan Kilpatrick, Housing Next

cc: Hadley Streng, Grand Haven Area Community Foundation President

Date: 5.26.20

Re: Development Incentives for Attainable Housing

This memo is drafted to provide a brief background pertaining to the city-owned parcel of land north of Comstock and near the municipal airport as well as the preliminary discussion about the potential development of attainable housing on this parcel with Housing Next and Michigan Community Capital.

Background

In 2018 the Grand Haven Area Community Foundation made a significant commitment to create Housing Next – a county-wide advocacy organization dedicated to ensuring more housing can be built to support the regional workforce. In early 2020, the Community Foundation committed to a \$1.5 million investment in [Michigan Community Capital](#) – a state-wide Community Development Finance Institution – with the direct purpose of supporting new development in NW Ottawa County.

In late 2018, Housing Next completed a comprehensive Housing Needs Assessment for all of Ottawa County, which included a detailed analysis of the housing needs within NW Ottawa County. A summary analysis of the housing needs in NW Ottawa are below. This study found that much more housing supply was needed at all price points and Housing Next has been working to support both non-profit and for-profit developers to bring additional affordable, workforce and market-rate rental product to the regional market. However, **the greatest need in NW Ottawa County is shown to be for-sale housing priced between \$150,000 and \$250,000.** Nearly all traditional builders have stopped building homes for sale in this price range because it is no longer profitable to do so. The cost of labor, materials, land, infrastructure and utilities makes this price point out of reach, despite the fact that more than 500 additional homes in this price range are needed.

Rental Housing Demand Projections

2017 - 2022 Rental Demand Potential by Income Level & Rent Northwest Submarket			
Household Income Range	< \$25K	\$25K-\$50K	\$50K+
Rent Affordability	< \$625	\$625-\$1,249	\$1,250+
New Income-Qualified Renter Household	50	-15	233
Units Needed for Balanced Market	31	71	21
New Household Formations	53	48	54
Replacement Housing Needed	45	41	46
Total External Market Support (30%)	54	44	106
Gross Demand of Units Needed	233	189	460
Units in the Development Pipeline (Planned Projects)	0	-129	-80
Total Potential PSA (Ottawa County) Support for New Units	233	60	380

For-Sale Housing Demand Projections

2017-2022 For-Sale Housing Demand by Income Level & Price Point Northwest Submarket			
Household Income Range	\$30K-\$39K	\$40K-\$74K	\$75K+
Housing Price Affordability	\$100,000-\$149,999	\$150,000-\$249,999	\$250,000+
New Owner-Occupied Household Growth (2017 to 2022)	181	145	-49
Units Required for a Balanced Market	20	47	-22
Total Potential Household Formations	56	176	272
Total Replacement Housing	21	22	0
Total External Market Support (30%)	83	117	60
Gross Demand of Units Needed	361	507	261
Units in the Development Pipeline (Planned Projects)	0	0	-136
Total Potential PSA Five-Year Support for New Units	361	507	125

2018 Housing Needs Assessment – NW Ottawa County Submarket data. Bowen National Research

Over the last several months, as a direct result of the investment made by the Grand Haven Area Community Foundation, Housing Next has been in search of a parcel within NW Ottawa County where Michigan Community Capital would be able to invest in for-sale housing priced to meet the demands of buyers able to afford \$150,000 to \$250,000. Thankfully, the City of Grand Haven staff made us aware of a city-owned parcel near the airport that may be able to serve this need. No specific commitments have been made by City staff, but we have been very encouraged by the staff support and their willingness to help us consider possible options for development of that site if the EDC and City Council are supportive of such a plan.

As a result, Housing Next and Michigan Community Capital have been working for several months to craft a conceptual site layout, individual home designs and a preliminary budget for the project. Michigan Community Capital will be presenting these designs and the budget to the EDC on June 1st and we are looking forward to a conversation about the goals of this project as well as the ways in which we are hopeful the City may be able to support the mission of ensuring at least half of the homes in this development could be preserved for qualifying families over several decades.

Michigan Community Capital (MCC) is a private non-profit corporation and 501c3 public charity. MCC was formed in 2004 as a public private partnership between the Michigan Economic Development Corporation (MEDC) the Michigan State Housing Development Authority (MSHDA) and the Great Lakes Capital Fund for Housing (GLCF) now called Cinnaire Corporation. MCC is a Community Development Entity (CDE) and a Community Development Financial Institution ("CDFI") which requires that their projects benefit low-income populations.

Since the parcel in discussion is not in a low-income census tract, MCC is required to ensure that 51% of any new residential units in their developments are reserved for households that earn 80% of the area median income or less. In Grand Haven, this would require 51% of new homes to be reserved for individuals earning \$46,880 per year *or less*, and for families of four earning \$66,880 per year *or less*. This equates to a total monthly housing payment (principal, interest, taxes, insurance and utilities) of not more than \$1,150 for a single adult or \$1,600 for a family of four.

The above conditional requirements for an investment from Michigan Community Capital translate into a critical target of new homes priced from \$150,000 for a single to \$250,000 for a family of four. Conveniently, the mission of Michigan Community Capital is directly in line with the greatest need for more housing in NW Ottawa County. Unfortunately, there is a catch.

The reason that for-profit developers are not building homes priced below \$250,000 is simple that there is little to no profit to be made at this price point. In fact, as you will hear from MCC, it is likely that their group will have to take a loss on the homes that are sold below \$200,000.

For all of the reasons outlined above, we (Housing Next and Michigan Community Capital) are very much looking forward to a conversation about the potential incentive package that might be available to support additional housing at the targeted price points on city-owned property. The City has several tools available to support this project and we are hoping to discuss each of them with the EDC.

Michigan Community Capital will prepare a spreadsheet that can be adjusted in real time during our conversation on June 1st so that each member of the EDC can propose potential solutions and evaluate the impact of those solutions on the end sale price of the homes. Our intention is to be entirely transparent about the impact of a variety of costs on this project and make every effort to provide any information requested so that the board might help to guide this project toward a successful application and execution on behalf of the Community Foundation.

The requests for support from MCC will include:

- Availability of land for little to no cost,
- Reimbursement of infrastructure costs (road, water, sewer, stormwater installation) using the brownfield tax increment finance program, and
- Consideration of a reduced utility connection fee for the income restricted units.

Right now, we anticipate that the full cost of land, infrastructure and connection fees will add \$35,000 to \$50,000 to the cost of each residential home. We will describe the measures we have taken to make the design of the homes as efficient as possible while continuing to maintain a high standard of quality and visual appearance. Despite every effort to reduce the

cost to build each home, if we are to add the full cost of land, infrastructure and connection fees, these homes will not satisfy the mission of MCC, Housing Next or the Community Foundation. We look forward to a conversation about this project and whether it aligns with the mission of the EDC Board.



Housing Infill Program

Marilyn Crowley, Vice President of Investments
(517) 803-0634 marilyn@miccap.org

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Who is MCC?

- Michigan Community Capital is a **private non-profit** corporation and **501c3 public charity**.
- MCC was formed in 2004 as a public-private partnership between the Michigan Economic Development Corporation (MEDC) the Michigan State Housing Development Authority (MSHDA) and the Great Lakes Capital Fund for Housing (GLCF) now called Cinnaire Corporation.
- MCC was originally established to be only a Community Development Entity (CDE) that attracts New Market Tax Credits (NMTC) into the state of Michigan. We are still the only CDE that wins and deploys NMTC **exclusively the state of Michigan**.
- Since we were originally established, MCC has also become a Community Development Financial Institution (CDFI), which allows us to be involved in other community development projects that do not qualify for NMTC.

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Community Development: A Multi-tiered approach

New Market Tax Credits:	We focus on accessible jobs for low-income households, healthy food access and housing.
Equity in Real Estate:	We focus on housing for families between 61% and 120% of the area median income.
Bridge Lending:	Providing bridge loans for deferred developer fees or EGLE or MEDC Grants.
Insurance:	Currently provide property insurance to over 7,000 doors of affordable and attainable housing.

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Attracting Capital for Impactful Projects

- As a CDFI, MCC partners with Banks and Foundations to receive low-cost investments or grants to use on qualified projects.
- Qualified projects either occur in a low-income census tract or serve low-income populations.
- Banks that have invested in us include Huntington Bank, PNC Bank, Chemical/TCF and Northern Trust.
- Foundations that have granted us dollars or invested in us include the C. S. Mott Foundation, the Pennies from Heaven Foundation, Rotary Charities of Traverse City, and most recently, the Grand Haven Community Foundation.
- The Michigan Economic Development Corporation has invested \$22.5Million in a low-interest loan to use on creating workforce housing.
- Investments from banks and foundations typically have a carrying cost of 1-3%, which is lower than traditional financing.

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Public-Private Partnership



- MCC focuses on projects that are not being completed by the private sector because the returns are too low.
- These projects have a broader community benefit. They often clean up contaminated sites, revitalize downtown districts, provide affordable/attainable housing or help to stabilize a market.
- We are able to do these projects because we have a low cost of capital and will accept returns that are lower than a private developer.
- Because our projects focus on a public benefit, they often require public-private partnerships to make them feasible.

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Housing Terminology



- There is no industry definition when talking about housing types. Different terminology gets thrown around all the time.
- Generally MCC uses the following terminology:
- **Affordable Housing** is housing for individuals or families earning 60% of the AMI or below. These projects usually use a tool called Low Income Housing Tax Credits (LIHTC). MCC does not focus on this area because there are a lot of existing companies that use this tool to develop housing.
 - **Attainable Housing** 60-100% AMI. This income range often cannot afford market rate product without intervention. MCC focuses in this area because the market is not meeting the demand for this pricepoint.

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Income Thresholds for Ottawa County

Income	1 Person	2 Person	3 Person	4 Person
20%	11,720	13,380	15,060	16,720
25%	14,650	16,725	18,825	20,900
30%	17,580	20,070	22,590	25,080
35%	20,510	23,415	26,355	29,260
40%	23,440	26,760	30,120	33,440
45%	26,370	30,105	33,885	37,620
50%	29,300	33,450	37,650	41,800
55%	32,230	36,795	41,415	45,980
60%	35,160	40,140	45,180	50,160
70%	41,020	46,830	52,710	58,520
80%	46,880	53,520	60,240	66,880
100%	58,600	66,900	75,300	83,600
120%	70,320	80,280	90,360	100,320
125%	73,250	83,625	94,125	104,500
140%	82,040	93,660	105,420	117,040
150%	87,900	100,350	112,950	125,400

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MCC Projects Under Construction



Cadillac Lofts

- Downtown (Mitchell and Cass) redevelopment of a vacant and contaminated property.
- Mixed-use: 6,000 square feet of commercial and 42 mixed-income rentals.
- Total Project cost of \$9.2M.
- City applied for a Community Development Block Grant (CDBG) and funding from the Department of Environment, Great Lakes & Energy (EGLE).
- City approved a 12 year Commercial Facilities Exemption, a 15 year Neighborhood Enterprise Zone Exemption and a 20 year Brownfield Tax Increment Financing Plan



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MCC Projects Under Construction



Broadway Lofts

- Downtown (410 W Broadway) redevelopment of a vacant and contaminated property.
- Mixed-use: 10,000 square foot Cooperative Grocery Expansion and 48 mixed-income rentals.
- Total Project cost of \$18M.
- City applied for a grant from Department of Environment, Great Lakes & Energy (EGLE).
- City approved a 12 year Commercial Facilities Exemption, a 15 year Neighborhood Enterprise Zone Exemption
- City sold the property at a reduced purchase price of \$65K
- City approved a thirty year parking agreement for apartment residents to use public lot across the street.

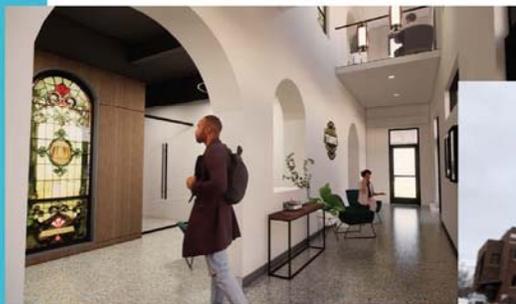
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MCC Projects Under Construction



The Temple

- Old Town Lansing (502 E Cesar E. Chavez Blvd) adaptive re-use of a blighted and vacant church
- Mixed-use: 4,000 square feet of retail and office and 31 mixed-income rentals.
- Total Project cost of \$9.4M.
- City approved a 30 year Brownfield Tax Increment Financing Plan and a \$250,000, 1% interest, 30 year loan.
- Start construction in July of 2020



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Housing Infill Program



- MCC's housing developments have to-date been complicated, downtown projects.
- We are not able to do many projects like this a year because they are expensive and time consuming.
- Shifting priorities to a lower density product (single family, duplexes, townhouses) because they are more cost effective to build and can meet a demand for for-sale housing at price point that serves 60-100% AMI households.
- We are currently seeking to launch this program in Grand Haven and Flint.



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Housing Infill Program Priorities



Strong Local Support

MCC seeks to partner with proactive municipalities and communities to meet their priorities and goals. This includes communities that:

- Solicit public input to gain community support and consensus
- Ensure zoning allows for vision of the site
- Offer local incentives or investment
- Written support from commission/councils
- Have completed preliminary layout/visioning of site
- Have completed site studies including environmental and geotechnical investigation, survey and market studies



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Housing Infill Program Priorities



Acquisition

MCC prioritizes to acquire and redevelop sites that:

- Bring vacant or underutilized property to highest and best use
- Convert tax-exempt property, such as Landbank-owned or former school sites, to tax paying properties
- Can utilize existing municipal infrastructure
- Are offered at below market rate price. As a 501 (c) (3), MCC can receive privately-owned property as a donation as a tax write off to the owner.



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Housing Infill Program Priorities



Strong demonstrated need in market

- Community or region has a recent study to support demand
- List of interested buyers/ renters has been assembled with income range and product type

New business investment and job growth

- Local employers have an identified talent attraction and retention gap as a result of insufficient housing
- Job growth is anticipated to create an additional stress on housing needs
- Employers have expressed interest in investing in or creating their own housing for employees

Local financial partners with patient capital

- By leveraging long-term, low-interest debt, MCC can provide workforce housing at a price that is difficult for the private market to achieve.
- MCC prioritizes sites where financial investment from banks, community foundations, or employers is being offered where 20% of investment is grant/forgivable.

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Site Location



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Project Summary



- 32 Total Single Family Homes for Sale
- 100% of the project targets Attainable Housing
- Mix of size and price points to serve a range of incomes
- 17 houses (53%) will be sold to persons making 60-80% of AMI or \$39-66.8K annually These houses will have a capped sales price of \$150,000-196,500.
- These units will require buyers to certify they can afford the property but don't earn over the threshold (income certified).
- Income certified homes will be on a condominiumized ground lease to ensure future buyers are also 60-80% AMI which will ensure long-term affordability in the neighborhood.

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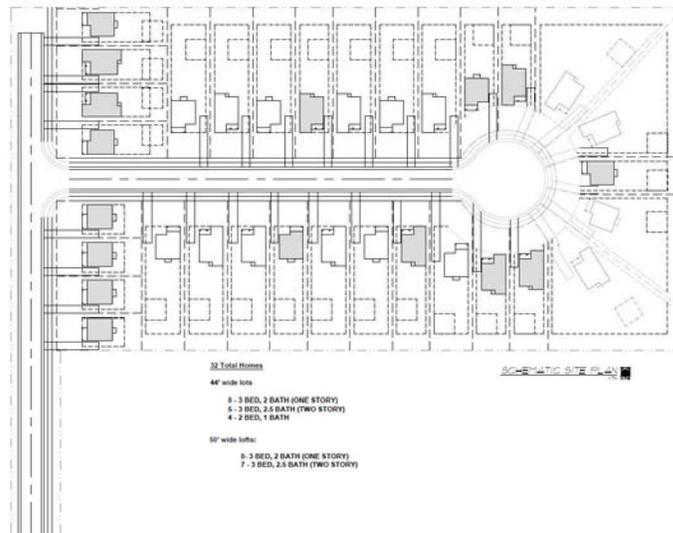
Project Summary



- The remaining 15 homes will not be income certified, but target buyers in the \$59-83K annual income range, which is 80-100% of the Area Median Income.
- These homes will be sold at a price point between \$235,000 and 250,000.
- Non-income certified homes will not have a restriction on future sales.
- Housing types will be a mix of:
 - 840 square foot, one-story, two (2) bed, one (1) bath
 - 1,087 square foot, one-story, three (3) bed, two (2) bath
 - 1,421 square foot, two-story, three (3) bed, two and a half (2.5) bath
- Income certified and non-income certified homes will have same finishes and exterior
- Garages planned for future home-owner build
- The project would take 30 months and be completed in two phases

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Preliminary Schematic Layout



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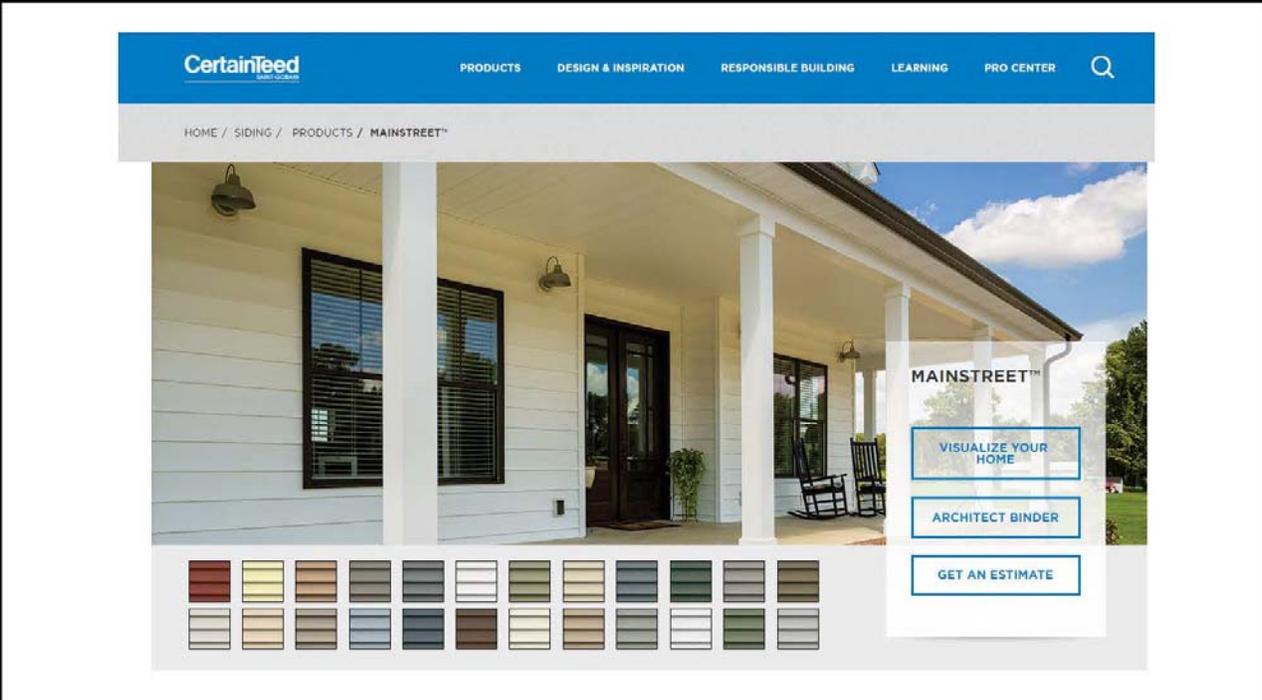


Preliminary Housing Specs

- Slab on Grade
- Wood frame stick built construction
- High Quality Vinyl Siding
- Asphalt shingles
- Anderson 100 Windows- Single hung with screens
- Solid core doors
- Interior walls-Drywall and Painted
- Beveled Laminate Counters
- Quality Cabinets
- Carpeted Bed rooms, Luxury Vinyl Tile floors throughout remaining
- Stainless steel kitchen appliances
 - Gas Stove
 - Dishwasher
 - Garbage Disposal
 - Microwave above stove
 - Refrigerator
- Tile Backsplash in kitchen
- Fiberglass shower/tub
- Washer and Drier Included

*More detailed specifications provided in separate document
*Specs not final

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The screenshot shows the CertainTeed website interface. At the top, there is a blue navigation bar with the CertainTeed logo and menu items: PRODUCTS, DESIGN & INSPIRATION, RESPONSIBLE BUILDING, LEARNING, and PRO CENTER. Below the navigation bar is a breadcrumb trail: HOME / SIDING / PRODUCTS / MAINSTREET™. The main content area features a large photograph of a house with white horizontal siding and a covered porch with white columns. Below the photograph is a color palette with 24 color swatches. On the right side of the color palette, there are three buttons: 'VISUALIZE YOUR HOME', 'ARCHITECT BINDER', and 'GET AN ESTIMATE'.

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100 SERIES
SINGLE-HUNG WINDOW
 ★★★★★ 4.1 (14)

100 Series single-hung windows allow ventilation through a single operable lower sash that slides up and down. Made with our sustainable composite Fibrex® material, it's our budget-friendly single-hung window.

- Made with our sustainable composite Fibrex® material which is twice as strong as vinyl
- Clean corners for a refined look
- Standard sizes up to to 4' wide and 7'6" high. Custom sizes available.

[DESIGN THIS WINDOW](#) [REQUEST A QUOTE](#)

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Waypoint
 Kitchen & Bath CABINETS | Kitchen & Bath INSPIRATION | Find Your STYLE | [Find a Dealer](#)
 From the Home and in the Look

410 PAINTED HARBOR

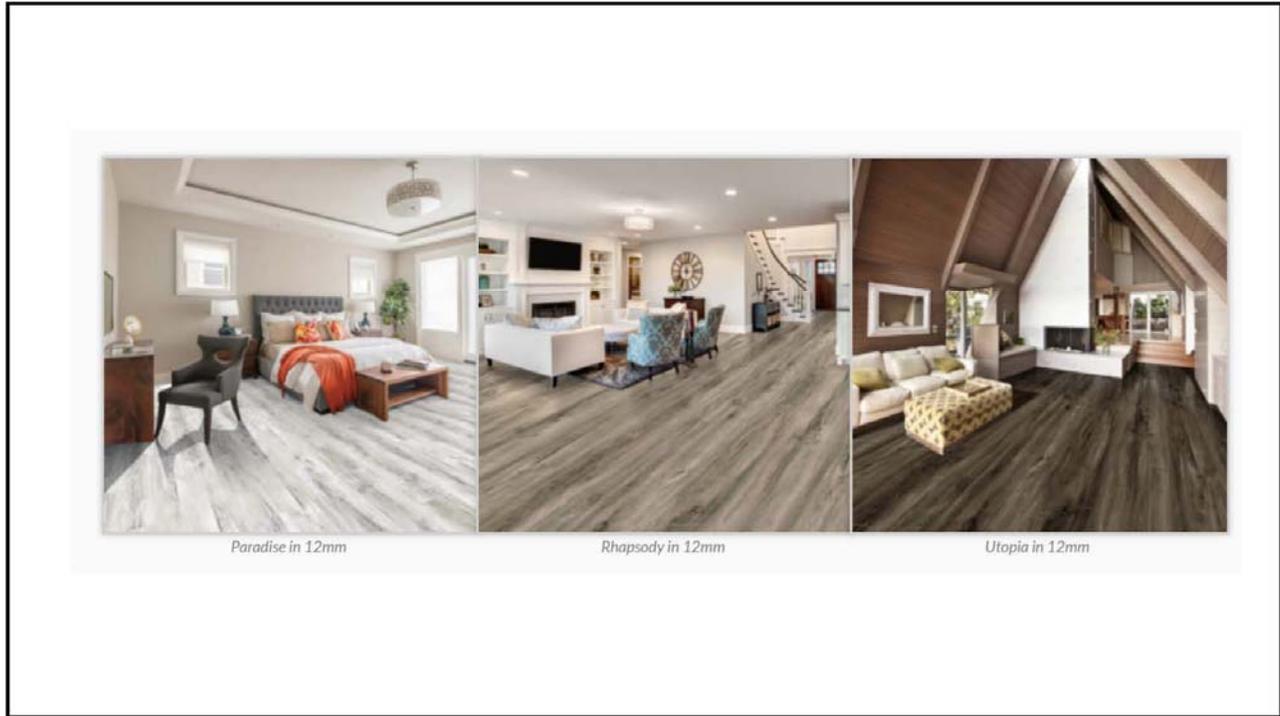


This refined, cool grey, created in a lighter painted finish, serves as the perfect backdrop for many different looks and styles. Its neutral tone lets designers work with accents of color or create a refined monochromatic feel.

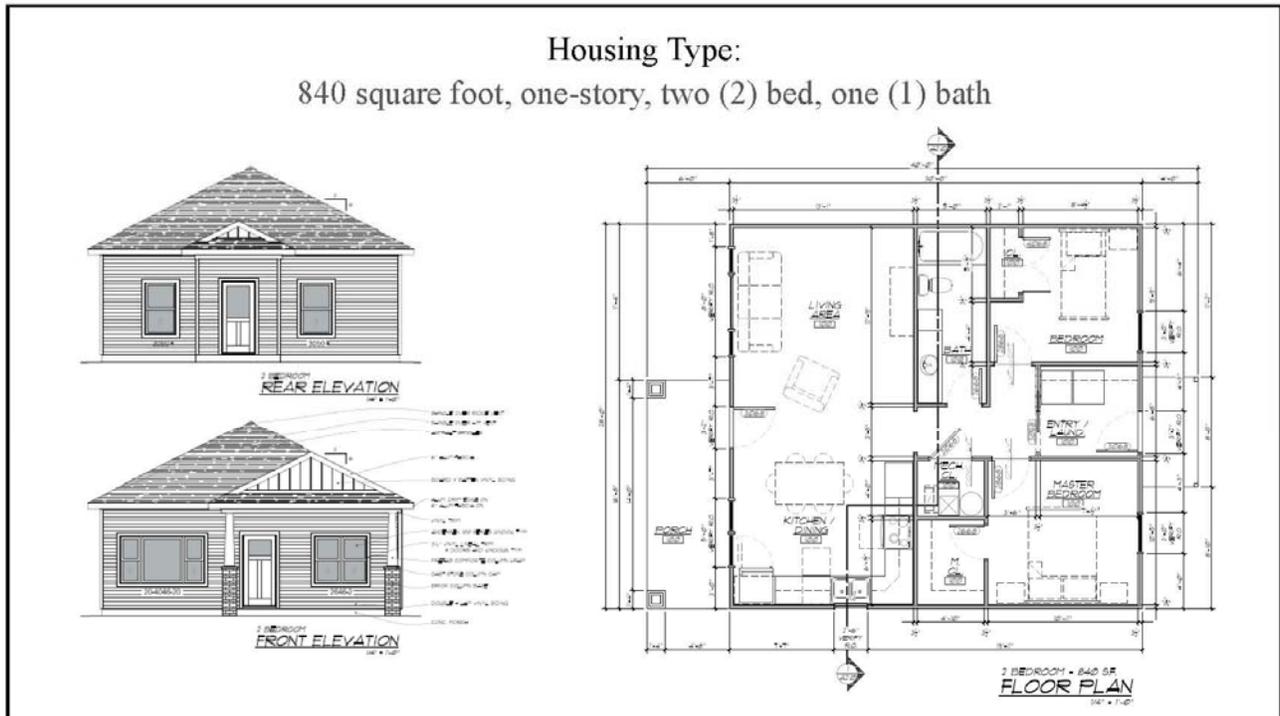
Other Finishes For Style 410 In Painted

- Linen
- Silk
- Harbor
- Stone
- Boulder

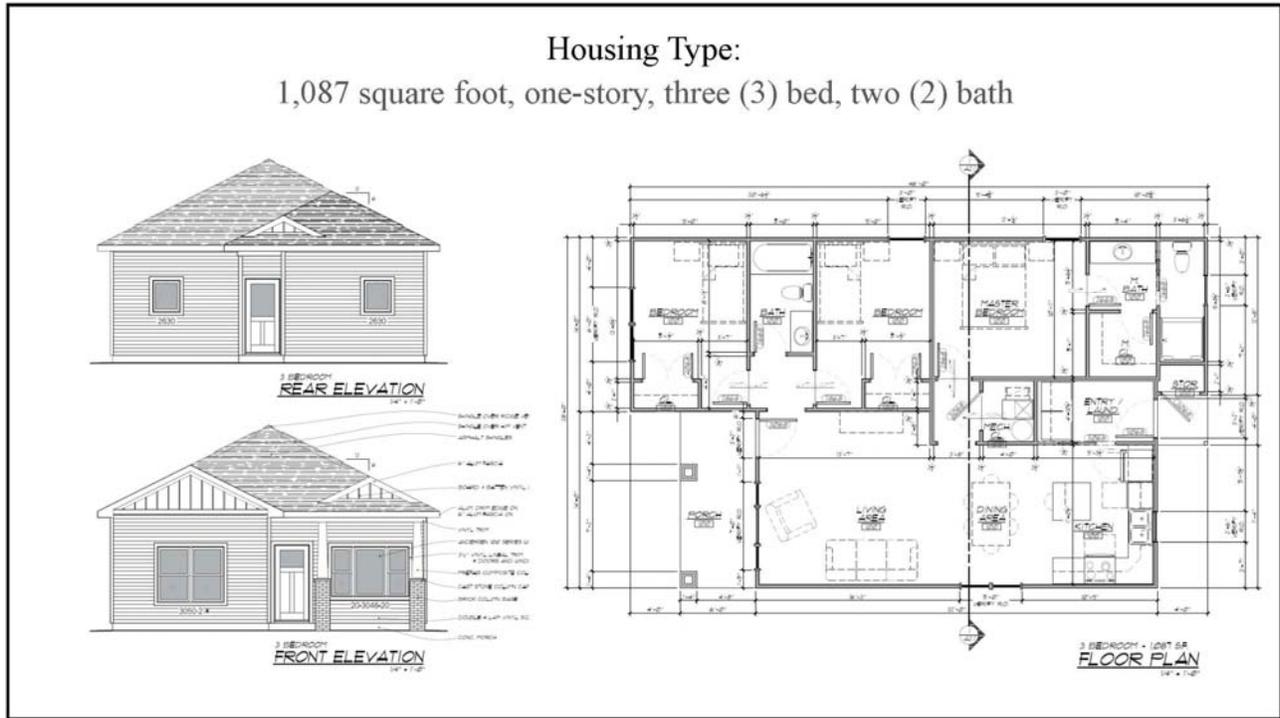
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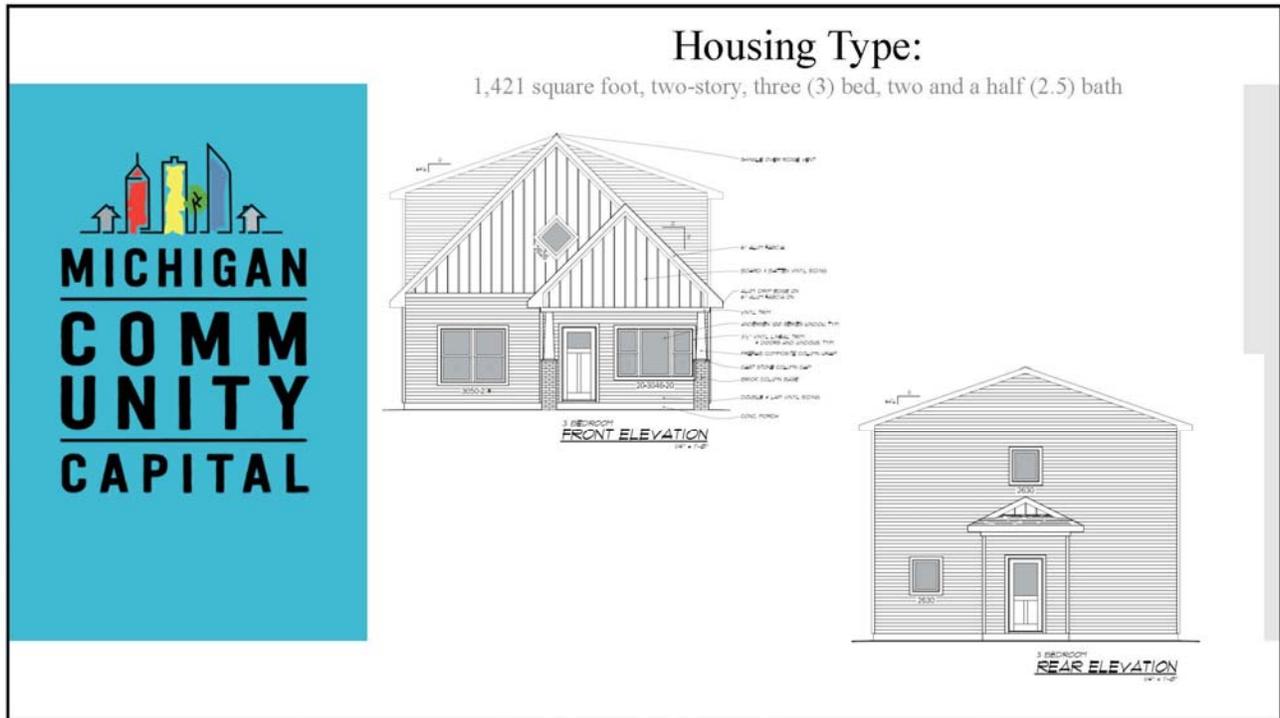
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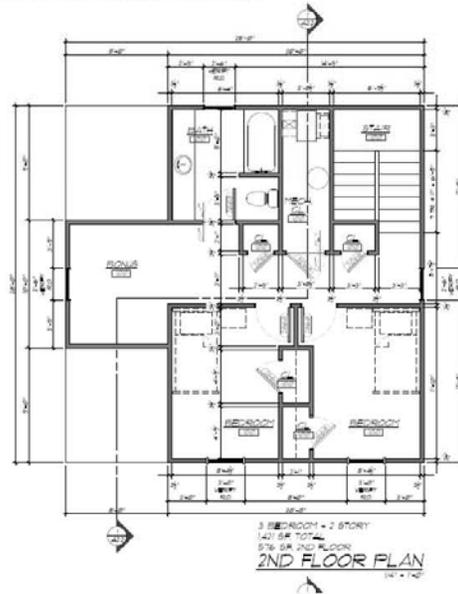
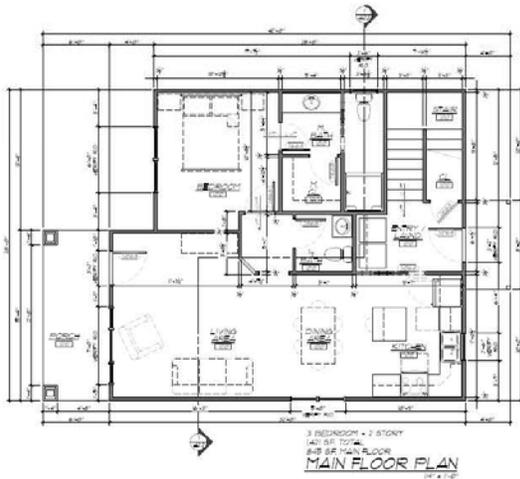
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Housing Type:

- 1,421 square foot, two-story, three (3) bed, two and a half (2.5) bath



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Project Economics



	Budget	
	Total Cost	Per House
Acquisition	\$33,000	\$1,000
Survey	\$7,500	\$234
Legal	\$20,000	\$625
Real Estate Agent	\$399,150	\$12,473
MCC Overhead	\$80,000	\$2,500
Construction Insurance	\$13,000	\$406
Cost of Funds	\$220,000	\$6,875
DK Fee	\$25,000	\$781
Engineering	\$45,000	\$1,406
Contingency	\$275,856	\$8,621
Sub Total	\$841,956	\$24,922
Site Prep/Brownfield	\$1,000,000	Outside of House Price. Reimbursed through TIF. Preliminary Cost not yet Bid
Estimated Hard Cost	\$5,512,320	\$172,410.00
Total	\$7,634,626	\$238,992.06

*Hard Cost Preliminary Budget for each housing type broken down by trade provided separately
 *More detailed financial summary provided separately

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Project Economics:	
840 square foot, one-story, two (2) bed, one (1) bath	
Income Certified Price- \$150,000	
Range of Incomes that Qualify	\$39,292 - \$66,880
Down Payment Assumption	\$7,500
Loan	\$142,500
House Sq. Ft	840
Cost/ Sq Hard Cost	175
Project Hard Cost	\$146,692
Target Sale Price	\$150,000
Soft Cost (Average from Total Project Budget)	\$34,922
Total House Cost	\$181,614
Gap/Profit	(31,614)
Sale Price/sq ft	\$179

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Project Economics:	
1,087 square foot, one-story, three (3) bed, two (2) bath	
Income Certified Price- \$179,500	
Range of Incomes that Qualify	\$46,312 - \$66,880
Down Payment Assumption	\$8,975
Loan	\$170,525
House Sq. Ft	1,087
Cost/ Sq Hard Cost	155
Project Hard Cost	\$167,951
Target Sale Price	\$179,500
Soft Cost (Average from Total Project Budget)	\$34,922
Total House Cost	\$202,873
Gap/Profit	(23,373)
Sale Price/sq ft	\$165

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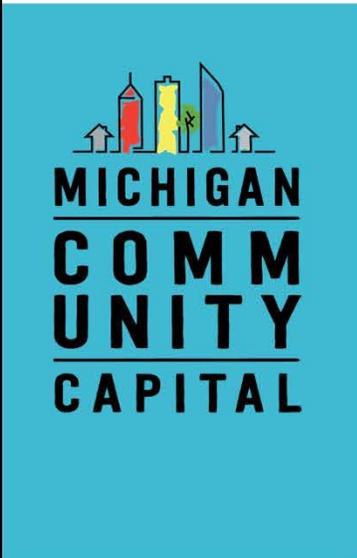
Project Economics:

1,421 square foot, two-story, three (3) bed, two and a half (2.5) bath

Income Certified Price-\$196,500

Range of Incomes that Qualify	\$50,357-\$66,880
Down Payment Assumption	\$9,825
Loan	\$186,675
House Sq. Ft	1,421
Cost/ Sq Hard Cost	132
Project Hard Cost	\$186,928
Target Sale Price	\$196,500
Soft Cost (Average from Total Project Budget)	\$34,522
Total House Cost	\$221,850
Gap/Profit	(25,350)
Sale Price/sq ft	\$138

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Project Economics:

1,087 square foot, one-story, three (3) bed, two (2) bath

Non- Income Certified Price - \$235,500

Base Income that can afford	\$59,637
Down Payment Assumption	\$11,775
Loan	\$223,725
House Sq. Ft	1,087
Cost/ Sq Hard Cost	155
Project Hard Cost	\$167,951
Target Sale Price	\$235,500
Soft Cost (Average from Total Project Budget)	\$34,922
Total House Cost	\$202,833
Gap/Profit	32,627
Sale Price/sq ft	\$217

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Project Economics:

1,421 square foot, two-story, three (3) bed, two and a half (2.5) bath

Non- Income Certified Price - \$250,000

Base Income that can afford	\$63,087
Down Payment Assumption	\$12,500
Loan	\$237,500
House Sq. Ft	1,421
Cost/ Sq Hard Cost	132
Project Hard Cost	\$186,928
Target Sale Price	\$250,000
Soft Cost (Average from Total Project Budget)	\$34,922
Total House Cost	\$221,850
Gap/Profit	28,650
Sale Price/sq ft	\$138

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Request for Support

- MCC is seeking feedback and requesting support for the following:
 - Reduced acquisition price- low acquisition cost helps to reduce the housing price to the buyers. MCC is requesting an acquisition of \$32,000.
 - Support for Brownfield Tax Increment Financing- Further studies are needed to establish the exact cost and duration of the plan. MCC requests to be reimbursed for the true cost of environmental clean-up, site preparation, public infrastructure cost and 5% interest.
 - Waive utility connection fee.

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Project Analysis

- If MCC were to do 100% of the houses at income certified price points, the project would lose \$783,405, even with low acquisition cost and brownfield support from city.
- If MCC were to do the whole project with non income certified price points and no brownfield support, the project would lose approximately \$102,000, even with the reduced acquisition price.
- The current proposal uses the profit from the non income certified homes to offset the loss of the income certified homes.
- In addition, the current proposal does not pass brownfield costs to the home buyer.
- MCC makes a profit of \$17,874, which is a 0.9% return on investment. This is over ten times less than what would be acceptable to a private developer.
- The project creates 32 new homes at a price point that is not being served by the private development sector.
- Community support is vital to project feasibility.

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Questions?

Marilyn Crowley
517-803-0634
marilyn@mccap.org



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