

October 18, 2016 Update

Development –

A lot of development has come to light recently, with the old Chippewa Hotel site “cottage condominium” project (11 units), Joslin Cove (42 units), Edgewater condominiums (18 units), North Channel Brewery and apartments (11 units), expansion of Green Acres (4 phases), and now a preliminary proposal for the former Milliken site in downtown Manistee (45 apartment units, 18 of them “low income”).

The Chippewa site has requested vacation of an alley that currently serves no need and has ask for no city assistance in the form of Tax Abatement or Tax Increment Financing. The development homes would be added to the tax role to support school, City, County, and State of Michigan services.

The expansion at Green Acres would increase capacity and reduce lengthy waiting list, by initially adding on to an existing structure. Additional multi-unit construction and single cottage units would be constructed in the future to increase capacity and meet demand for the assisted living market as part of a Planned Unit Development (PUD). Again, no abatement or “partnership” from the City of Manistee, but additional tax revenue to support schools, City, County, and State government services.

Joslin Cove is a County Brownfield development. It is being developed with the assistance of Tax Increment Financing (TIF) for an approximate 10-year period of time. What this means is the increased tax base that results from the added units reimburses the contractor (for “eligible” costs) and the City for infrastructure related to the project before flowing into the City, County, and State revenue streams. The State approves this process and makes payment in lieu of taxes to the school during the period of (TIF). Brownfield normally is associated with historic, obsolete, or contaminated site development. The City was required to agree with the County Brownfield Development for the project to move forward. We get no tax revenue for 10 years (but do get water/sewer upgrades paid for) but do gain 42 units of housing (families and local commerce).

Edgewater is a condominium and commercial development (18 housing units and 2 commercial spaces). It is also Brownfield TIF, but for an extended period of time (up to 30 years). It is phase 1 of a two-part development that includes the North Channel building that will house the North Channel Brewery and 11 apartments on the second and third floors. Since the apartments are commercial, the property qualifies for Tax Abatement (7 years) due to several factors (functional obsolescence, historic district, contamination) in addition to the TIF. Some of the apartments will be “target income” restricted (80% of median income) with rents capped for five years – none are “low income.” The City of Manistee will actually gain the greatest share of TIF benefit from this project due to streetscape, utility upgrade, paving of Veteran’s Memorial parking lot and paving from Washington to US 31. The TIF is accelerated upon expiration of the Tax Abatement.

The most recent proposal by Hollander Development for the former Milliken building involves City “partnership” as well. Tax Abatement is part of the plan, as well as Payment In Lieu Of Taxes (PILOT), and granting of zoning variances and easements. Of the 45 units, 18 would be dedicated for low income residents (60% or less of Median income levels) and rents would be restricted for 18 years. This allows the developer to qualify for a long term low interest HUD loan and \$3,200,000 of tax credits from MSHDA (generally available at 9% of the balance a year). These credits can be sold for cash, or used by

the developer to offset income for tax purposes. PILOT is different than TIF, as it does not expire. The Horizon Point apartments are still under PILOT and will continue indefinitely. Hollander Development also constructed Rietz Park Village in Filer Township and I've not investigated the arrangement for that development yet.

There are over 350 low income (or very-low and extremely-low income) rentals in Manistee at this time. Below is a listing that does not include private rentals that may participate in Section 8 HUD or other subsidized rent programs:

Horizon Point – 39 of 49 units low income

Reitz Park Village – 48 of 48 units low income

Housing Commission: average monthly rental charge = \$215.00 (property wide)

220 total units, 4 reserved for Housing Commission office space

Century Terrace – 120 (average rent = \$207.00)

Harbor View – 52 (average rent = \$248.00)

Scattered Sites - 46

Cherry Hills Apartments – 48 units (rent based on income)

Total = 353 units for low, very-low, or extremely-low income

Rents vary for the units, but occupants are generally limited to 30% of adjusted income for rent out-of-pocket expenses. This compares to a Manistee median gross rent of \$618.00 (City-Data.com, 2013 information). Manistee has a cost-of-living index of 78.3 (March 2016) which is considered low, as the US average is 100.

I previously posted data on the square foot reduction for retail in the development, and concerns about parking impact. The DDA has not been involved with this developer, but has hired a DDA Development Director who will begin on October 17<sup>th</sup>. I'd like to put the proposed apartment development (especially with downtown low income units) on an extended "back burner" until there is an opportunity to explore retail potential for this prime downtown site. The long term loss of tax revenue, on top of those projects already approved, is an additional concern. The citizens of Manistee need to be informed on these development initiatives so they can voice their concerns or support. The projects that add to the tax base like Chippewa and Green Acres without public subsidies, are what we really need to meet our rapidly increasing expenses so we can maintain the services we are accustomed to receiving.

I'll be providing additional information as it becomes available. Jim