

## **Grand Rapids Cambium Redevelopment Project – Narrative**

In March of 2020, a structure fire began at 20 NE 3<sup>rd</sup> St. Grand Rapids, a multi-tenant downtown commercial building owned by Ms. Sherry Rose of Grand Rapids. The Grand Rapids Fire Department responded and called on multiple surrounding communities to provide aid. The fire spread to the neighboring building at 13 NE 3<sup>rd</sup> St., the VFW Ponti Peterson Post. Both buildings suffered irreparable damage before the fire was brought under control.

The fire was investigated and cleared by the State Fire Marshal's Office and the Bureau of Alcohol, Tobacco and Firearms. Public safety concerns demanded an expedited demolition of both structures, which came at a time when a clear plan for redevelopment had not emerged. Initially, both owners expressed a desire to rebuild in their same location but a relocation to a turnkey location for the VFW, outside of the downtown, was chosen. It was financially infeasible for Ms. Rose to relocate or rebuild.



The Grand Rapids Economic Development Authority (GREDA) helped to secure a Commercial Redevelopment grant from the Minnesota Department of Iron Range Resources and Rehabilitation (IRRR) to raze the structures and clean the site.

Individually, the lots were prohibitively small, making new construction, especially a multi-level structure, impractical. Without public assistance, the likelihood these parcels would remain as a large void in the downtown 3<sup>rd</sup> Street N. corridor was very high, and if sold, the type of under-development expected would not maximize their potential to mitigate the negative impact caused to the downtown by this void. Faced with this prospect, GREDA purchased the adjacent lots, combined them and marketed them for sale as a single redevelopment site. By owning the site, GREDA has been able to hold it and be in a position to select and assist a future private redevelopment that would fit into the downtown landscape and serve as a catalyst for additional private investment in the downtown.

The City of Grand Rapids and GREDA have prioritized the redevelopment and sustainment of a viable downtown. The downtown fire, COVID 19 pandemic closures and the shift toward online consumerism have increased the challenge of achieving that outcome.

This challenge also comes at a time when the Grand Rapids/Itasca County area has met Federal economic distress criteria for several years. Itasca County's 24-month unemployment rate has been at least one percentage point higher than the national average for several years. The Census tract income in the project location as a percentage of AMI is 63.08 and the percentage of people in poverty is at 16.6 (2011-2015). Contributing to the severe distress is a trend that saw manufacturing employment in Itasca County, led by paper and forestry products, decreased by 51.9 percent between 2000 and 2019. After starting out the 21st century as the second largest employment sector in the County, manufacturing is now the sixth largest of the eleven industry sectors.

Some recent investments in the downtown, including the successful startup of Rapids Brewing Company have been a cause for renewed optimism and interest in the downtown. GREDA has also used their modest revolving low interest loan fund and a DEED Small Cities Development Program commercial redevelopment grant to stimulate additional investment in the downtown.

In September of 2021, GREDA received a proposal from 4A Management LLC, now Cambium Development LLC, for the purchase and redevelopment of the 0.14-acre GREDA shovel ready site (former VFW/Rose). Cambium is comprised of a local group of investors/business owners that are committed to affecting the community, specifically the downtown, in a positive way. The proposed Cambium Development will feature an approximately 40 room hotel, a 2,000 S.F. restaurant, and a dynamic inclusive community arts and entertainment venue that will accommodate attendance up to 150 people. The overall vision of the development features a strong artistic focus with a historic design to match the adjacent buildings.

The total estimated development cost of the Cambium Development is \$12,000,000. Included within that figure is an estimated construction cost of \$9,500,000. The development of this project carries with it added costs that are a challenge for downtown infill development, such as the higher cost of multi-level construction in a confined site, historic architectural elements to blend the development within the historic context of the downtown and the expense of an elevator for a small building footprint. Cambium intends to use local bank financing for approximately 75% of the development cost. The financing will be combined with investor equity, supplemented by City and potentially County tax abatement, and grant funding, to close the gap on the project and provide a modest market rate of return.

The businesses created through the Cambium Development will create approximately 24 new full time jobs and the construction of the project is estimated to create 30 temporary jobs.

Prior to the fire, the VFW and Rose properties had a combined estimated market value of \$301,400, which together, generated a total of \$9,224 in annual property tax revenue. Based upon a conservative estimate of a \$3,500,000 post development estimated market value, the project would generate the following estimated annual property tax revenue:  $((\$3,500,000 \times 2\%) \times 169.748\%) = \$118,823$ . This represents a net addition of approximately \$110,000 of annual property tax revenue.

The \$750,000 grant requested through the Minnesota Main Street Economic Revitalization Program for this project would ensure that the economic gap is filled, in combination with public assistance from the local tax abatements.

## Grand Rapids Downtown Project Location



## Proposed Cambium Development

