



REQUEST FOR GRAND RAPIDS EDA ACTION

AGENDA DATE: October 10, 2024

STATEMENT OF ISSUE: Consider the adoption of a resolution approving a Preliminary Development Agreement between GREDA and Commonwealth Real Estate Acquisitions, LLC

PREPARED BY: Rob Mattei

BACKGROUND:

The Commonwealth Companies, headquartered out of Fond du Lac, Wisconsin, is an affordable housing developer with development offices also in Georgia, Michigan, Ohio, Pennsylvania, and Tennessee.

Commonwealth has proposed the development of a 32-unit apartment on a city-owned 1.85-acre R-4 (Multi-family Residential) zoned parcel located on the 1000 block of 4th Ave. SE. Their intent is to apply for Low-Income Housing Tax Credits (LIHTC), through Minnesota Housing Agency, for this project.

The LIHTC program is the nation's largest source of funding for affordable housing construction. The LIHTC program provides an incentive for developers to construct below-market-rate housing. The tax credit expires after 30 years. Beginning in 1987, LIHTC helped finance ten multi-family developments with 358 low-income units in Grand Rapids. By 2040, the tax credit will have expired for most of these units.

Table 5.3 provides a summary of the program's use in Grand Rapids.

Table 5.3. LIHTC Units in Grand Rapids

Development	Total Units	LIHTC Units	Credit Allocation Year
Grand Manor (215 SW 15 th St)	40	20	1987*
Pokegama Square Apartments	20	20	1988*
Grand Manor (227 SW 13 th St)	33	32	1990*
Oakwood Terrace	24	24	1996**
Oakwood Terrace II	24	23	1999**
Grand Plaza	35	35	2006**
Grand Manors II and III	56	56	2009**
Oakwood Terrace III	24	24	2004**
Woodland Manor	24	24	2013
Pine Ridge Apartments	100	100	2015
Total	380	358	-

According to the recently completed Itasca County Housing Study, there is a need for 135-146 units of Affordable Rental Housing in the Grand Rapids Sub-market between 2024-2029. If the projects proposed by Yanmar Compact Equipment, Hwy 35, Mesabi Metallics and MN Technology were to all come to fruition, and additional 540 units of Affordable Rental Housing will be needed in the same timeframe.

Comprehensive Housing Study
 Itasca County
 August 8, 2024

ES4 Long-Term Housing Demand Summary for Itasca County, 2024-2035 (Continued)

	Grand Rapids Sub.		Deer River/NW Sub.		Nashwauk Sub.		Northeast Sub.		Southeast Sub.		Itasca County Total	
	2024-2029	2030-2035	2024-2029	2030-2035	2024-2029	2030-2035	2024-2029	2030-2035	2024-2029	2030-2035	2024-2029	2030-2035
General Occupancy Rental Housing												
Affordable Rental Housing Units												
Up to 50% AMI	75 - 80	20 - 20	15 - 20	0 - 10	20 - 30	10 - 10	10 - 15	0 - 0	0 - 5	0 - 0	125 - 130	30 - 40
50% to 60% AMI	60 - 65	20 - 20	10 - 15	0 - 0	10 - 15	0 - 0	0 - 5	0 - 0	0 - 5	0 - 0	85 - 90	20 - 20
Workforce Rental Housing												
60% to 80% AMI	65 - 70	20 - 20	5 - 10	0 - 0	10 - 15	0 - 0	0 - 5	0 - 0	0 - 5	0 - 0	85 - 90	20 - 20
Market-Rate Rental Units												
Market Rate Low	20 - 25	10 - 10	0 - 5	0 - 0	0 - 5	0 - 0	0 - 5	0 - 0	0 - 0	0 - 0	25 - 30	10 - 10
Market Rate High	20 - 25	10 - 10	0 - 5	0 - 0	0 - 5	0 - 0	0 - 5	0 - 0	0 - 0	0 - 0	25 - 30	10 - 10
Total GO Rental Units	240 - 265	80 - 80	30 - 55	0 - 10	40 - 70	10 - 10	10 - 35	0 - 0	0 - 15	0 - 0	345 - 370	90 - 100
Senior Housing												
Affordable Senior Housing	35 - 40	20 - 20	15 - 20	10 - 10	15 - 20	10 - 10	5 - 10	0 - 10	0 - 5	0 - 0	75 - 80	40 - 50
Market-Rate Active Adult												
For-Sale Senior Housing	30 - 35	15 - 20	10 - 15	5 - 10	10 - 15	5 - 10	10 - 15	5 - 10	0 - 5	0 - 0	65 - 70	30 - 50
Rental Senior Housing	10 - 15	10 - 10	0 - 5	0 - 0	5 - 10	0 - 10	5 - 10	0 - 10	0 - 5	0 - 0	25 - 30	10 - 30
Market-Rate Independent Living	10 - 15	10 - 10	5 - 10	5 - 10	5 - 10	0 - 10	0 - 5	0 - 0	0 - 5	0 - 0	25 - 30	15 - 30
Market-Rate Assisted Living												
Assisted Living	5 - 10	0 - 10	5 - 10	0 - 10	5 - 10	0 - 10	0 - 5	0 - 0	0 - 5	0 - 0	20 - 25	0 - 30
Memory Care	10 - 15	10 - 10	5 - 10	0 - 10	5 - 10	0 - 10	5 - 10	0 - 10	0 - 5	0 - 0	30 - 35	10 - 40
Total Senior Units	100 - 130	65 - 80	40 - 70	20 - 50	45 - 75	15 - 60	25 - 55	5 - 40	0 - 30	0 - 0	240 - 270	105 - 230
Total Units	455 - 535	175 - 200	90 - 170	25 - 70	120 - 205	30 - 80	50 - 120	5 - 40	0 - 60	0 - 0	795 - 875	235 - 390

* Because the demand calculations are done for the county as a whole then pushed to the Submarkets, the estimate ranges for the Submarkets do not always total to the county.

Source: LOCI Consulting LLC



ES5 Long-Term Housing Demand Summary for Itasca County, Assuming New Economic Development Projects, 2024-2035

	Grand Rapids Sub.		Deer River/NW Sub.		Nashwauk Sub.		Northeast Sub.		Southeast Sub.		Itasca County Total	
	2024-2029	2030-2035	2024-2029	2030-2035	2024-2029	2030-2035	2024-2029	2030-2035	2024-2029	2030-2035	2024-2029	2030-2035
General Occupancy Rental Housing												
Affordable Rental Housing Units												
Up to 50% AMI	300	60	30	10	50	10	10	0	0	0	410	80
50% to 60% AMI	240	50	20	0	30	10	0	0	0	0	280	60
Workforce Rental Housing												
60% to 80% AMI	260	50	10	0	30	10	0	0	0	0	280	60
Market-Rate Rental Units												
Market Rate Low	90	20	0	0	10	0	0	0	0	0	90	20
Market Rate High	90	20	0	0	10	0	0	0	0	0	90	20
Total GO Rental Units	980	200	60	10	130	30	10	0	0	0	1,150	240
Senior Housing												
Affordable Senior Housing	35 - 40	20 - 20	15 - 20	10 - 10	15 - 20	10 - 10	5 - 10	0 - 10	0 - 5	0 - 0	75 - 80	40 - 50
Market-Rate Active Adult												
For-Sale Senior Housing	30 - 35	15 - 20	10 - 15	5 - 10	10 - 15	5 - 10	10 - 15	5 - 10	0 - 5	0 - 0	65 - 70	30 - 50
Rental Senior Housing	10 - 15	10 - 10	0 - 5	0 - 0	5 - 10	0 - 10	5 - 10	0 - 10	0 - 5	0 - 0	25 - 30	10 - 30
Market-Rate Independent Living	10 - 15	10 - 10	5 - 10	5 - 10	5 - 10	0 - 10	0 - 5	0 - 0	0 - 5	0 - 0	25 - 30	15 - 30
Market-Rate Assisted Living												
Assisted Living	5 - 10	0 - 10	5 - 10	0 - 10	5 - 10	0 - 10	0 - 5	0 - 0	0 - 5	0 - 0	20 - 25	0 - 30
Memory Care	10 - 15	10 - 10	5 - 10	0 - 10	5 - 10	0 - 10	5 - 10	0 - 10	0 - 5	0 - 0	30 - 35	10 - 40
Total Senior Units	100 - 130	65 - 80	40 - 70	20 - 50	45 - 75	15 - 60	25 - 55	5 - 40	0 - 30	0 - 0	240 - 270	105 - 230
Total Units	1,610 - 1,640	365 - 380	140 - 170	40 - 70	295 - 325	65 - 110	55 - 85	5 - 40	0 - 30	0 - 0	2,120 - 2,150	475 - 600

* Because the demand calculations are done for the county as a whole then pushed to the Submarkets, the estimate ranges for the Submarkets do not always total to the county.

Source: LOCI Consulting LLC



Commonwealth has submitted a Letter of Intent (LOI) addressed to GREDA proposing a purchase of this property at the fair market value of \$165,000 for the purpose of the described project. This LOI is referenced in the attached Preliminary Development Agreement. The Preliminary Development Agreement, designates Commonwealth as the sole developer of the property for the term of the Agreement, which is 180 days from execution, which will permit them to an opportunity to conduct due diligence and determine if the proposed project will result in a competitive application.

The City Council will be asked to convey this property to GREDA on October 14th. Therefore, GREDA’s approval of this resolution should be contingent upon that action by the City Council.

RECOMMENDATION:

Pass a motion to approve the adoption of a resolution approving a Preliminary Development Agreement between GREDA and Commonwealth Real Estate Acquisitions, LLC contingent upon City of Grand Rapids conveying the site to GREDA.

REQUIRED ACTION:

Pass a motion to approve the adoption of a resolution approving a Preliminary Development Agreement between GREDA and Commonwealth Real Estate Acquisitions, LLC contingent upon City of Grand Rapids conveying the site to GREDA.