MEMORANDUM

TO: Rob Mattei, Community Development Director

FROM: Schane Rudlang and Rebecca Kurtz, Ehlers

DATE: July 9, 2026

SUBJECT: Elevation Apartments – Proforma Review and Assistance Need

The City of Grand Rapids ("City") received a request for public assistance from Elevation Grand Rapids LLC/Unique Opportunities ("Developer") for a 99-unit mixed-income multifamily rental housing development ("Project"). The Project is proposed to qualify as a housing tax increment financing district, with 20 residential units (20%) reserved for households at or below 50% of area median income. This memo summarizes Ehlers' review of the Developer's financial request, the proforma assumptions, and the recommended assistance structure.

Project Background

The Project includes 79 market-rate units and 20 income-restricted units affordable to households at or below 50% of area median income. Construction is expected to commence by December 31, 2026, with substantial completion by December 31, 2028.

Unit Type	Units	Size (SqFt)
Studio	11	350
Alcove 1 Bed	12	450
1 Bed Large	16	550
2 Bed	44	650
3 Bed	8	1,000
4 Bed	8	1,100
Total	**99**	

Sources and Uses

The Project would be financed through first mortgage debt, pay-as-you-go TIF, deferred fees, and private equity. The TIF is included in the value of the first mortgage. The Project's sources and uses are detailed in the table below.

SOURCES	Amount	Pct.	Per Unit
First Mortgage	10,052,081	50%	101,536
TIF Note	2,167,000	11%	21,889
Equity	7,950,000	39%	80,303
TOTAL SOURCES	**20,169,081**	**100%**	**203,728**

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USES	Amount	Pct.	Per Unit
Acquisition Costs	600,000	3%	6,061
Construction Costs	16,625,000	82%	167,929
Contractor Fee	700,000	3%	7,071
Professional Services	300,000	1%	3,030
Financing Costs	680,000	3%	6,869
Developer Fee	1,250,000	6%	12,626
Cash Accounts/Escrows/Reserv	14,081	0%	142
TOTAL USES	**20,169,081**	**100%**	**203,728**

Proforma Review and Assistance Need

The Developer submitted financial information ("proforma") to the City. Ehlers entered this information into its financial model, evaluated the assumptions against comparable projects and relevant market data, and calculated the TIF the Project is expected to generate using assessor data.

Projects should perform well enough to secure financing and provide a reasonable market return on equity. But, public assistance should not result in above-market profits. Based on the review, the Project will require $2,167,000 in TIF assistance to perform adequately.

Total Development Cost: Total development costs are estimated at approximately $20,169,081, or approximately $203,728 per unit and $318 per rentable square foot. These costs are within the typical range for comparable multifamily projects reviewed by Ehlers.

Rent, Revenue, and Operating Expenses: The proforma includes both market-rate and affordable rents. Market rents average approximately $2.51 per square foot, while affordable rents average approximately $1.62 per square foot. Stabilized residential vacancy is assumed at 5%. Annual operating expenses before taxes, management fees, and replacement reserves are $3,403 per unit, resulting in an expense ratio of approximately 39.8%. These assumptions are within expected ranges.

Debt and Equity: Equity is the consideration, usually cash, that a Developer or investor provides as a down payment on total development cost. Private equity, deferred fees, deferred profit, and related contributions total approximately $7,950,000, or 39.4% of total development cost. The proforma reflects an estimated first mortgage value of approximately $10,052,081 and a TIF Note of $2,167,000.

Financial Performance

Ehlers reviewed three standard financial performance metrics: Yield on Cost, Cash on Cash, and Internal Rate of Return. Based on Ehlers' adjusted analysis, stabilized Yield on Cost is approximately 6.5%, average annual Cash on Cash return during the assistance term is approximately 11.3%, and the Year 10 Internal Rate of Return is approximately 10.4%. With the recommended assistance and Ehlers' proforma adjustments, the Project's financial performance is acceptable and does not exceed typical return expectations for this type of project.

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Summary and Recommendation

Based on the review, the Project would not reasonably be expected to proceed without TIF assistance. Ehlers recommends the following terms be included in a development agreement and TIF Note:

1. **TIF Note Principal**: $2,167,000, financed at 6.5% or the permanent financing rate, whichever is less.
2. **Term**: Up to 26 years.
3. **Annual Share**: 90% of gross TIF.
4. **Pay-as-you-go**: TIF commitment is payable only from tax increment generated by the Project.
5. **Affordability**: 20% of units, or 20 of 99 units, affordable to households at or below 50% of AMI, with annual compliance certification.
6. **Property Tax Class**: Development restricted from seeking a 4d(1) class rate for affordable units.
7. **Construction Start**: December 31, 2026.
8. **Construction Completion**: December 31, 2028.