



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

DATE: December 15, 2008

TO: Michigan Economic Growth Authority

FROM: Joe Agostinelli, MEDC CAT
Peter C. Anastor, MEDC *PMA*

SUBJECT: Brownfield Redevelopment Work Plan & MBT Credit Request
RiverWest Development
City of Traverse City

COMPANY APPLICANT:

Pine Street Development ONE, LLC
125 Park St., Suite 475
Traverse City, Michigan 49684

Contact: Mr. Gerald Snowden

TIF APPLICANT:

Grand Traverse County Brownfield Redevelopment Authority

Contact: Jean Derenzny

WORK PLAN REQUEST:

\$1,646,626

MICHIGAN BUSINESS TAX CREDIT REQUEST:

\$5,640,000

PROJECT DESCRIPTION:

RiverWest is a new mixed-use development located at 305 W. Front Street, Traverse City, Grand Traverse County. The project will seek LEED certification and consist the construction of a 140,000 square foot building that will be redeveloped over two phases. Phase 1 will include \$15.2 million in Eligible Investment and contain a mix of uses including a 50,000 square foot multi screen cinema, 20,000 square feet of retail/commercial/dining space and a 200 space parking deck. Phase 2 will include \$13 million in Eligible Investment and add an additional 70,000 square feet of office, commercial, and/or residential space.

Overall, the project is expected to create 175 jobs at an hourly wage of \$9 to \$15 per hour. The total capital investment at the site is expected to be \$33,000,000, while the total eligible investment is expected to be \$28,200,000. The total MEGA Eligible Activities is anticipated to be \$1,646,626.

300 N. WASHINGTON SQ.
LANSING, MI 48913

CUSTOMER
ASSISTANCE CENTER
517 373 9808

WWW.THEMEDC.ORG

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Versa Development, LLC

PROJECT ELIGIBILITY:

The project is located within the boundaries of the City of Traverse City, a qualified local governmental unit and has been deemed a facility as verified by Department of Environmental Quality. The property is the subject of a brownfield plan, duly approved by the County of Grand Traverse on October 31, 2007 and concurred by the City of Traverse City on June 16, 2008.

ANALYSIS:

Brownfield Work Plan approvals are granted based on several criteria outlined in the statute. These are discussed below.

a) The overall benefit to the public:

The project will help bridge the existing gap between the traditional downtown area and properties to the west of the Boardman River. In doing so, it will increase the walkability of the downtown, redevelop a former manufacturing site and increasing the City's tax base.

b) The extent of reuse of vacant buildings and redevelopment of blighted property:

There are no structures on the property.

c) Creation of jobs:

It is anticipated that this project will create approximately 175 jobs.

d) Whether the eligible property is in an area of high unemployment:

The County of Grand Traverse unadjusted unemployment rate was 7.3% in September 2008. This compares to the statewide seasonally adjusted average of 8.7% in September 2008.

e) The level and extent of contamination alleviated by the qualified taxpayer's eligible activities and investment to the extent known to the qualified taxpayer:

Through the course of the redevelopment, environmental contaminants will be alleviated or managed to the extent necessary to be protective of human health and the environment. The due care requirements will be designed so that the property can be redeveloped safely.

f) The level of private sector contribution:

The total capital investment is expected to be \$33,000,000.

g) The cost gap that exists between the site and a similar greenfield site as determined by the Michigan Economic Growth Authority:

Due to the projects proximity to the river in the downtown core, there are several added costs that make the incentives essential to making this project work.

h) If the developer or projected occupant of the new development is moving from another location in this state, whether the move will create a brownfield:

The construction of this project will not create a brownfield.

i) Whether the project of the developer, landowner, or corporate entity is financially and economically sound:

After review of the developer's financials, they appear to be financially and economically sound.

j) Any other criteria that the Michigan Economic Growth Authority considers appropriate for the determination of eligibility or for approval of the work plan:

No liable party will benefit from the credit.

URBAN DEVELOPMENT AREA PROJECT (UDAP):

The multi-parcel site is currently vacant in downtown Traverse City and its redevelopment will result in a new multi-story building and added density. The project will include a mix of uses, including a theater, office, retail and residential space, which will further promote this walkable portion of downtown Traverse City. In addition, the applicant is pursuing LEED certification. Finally, the project addresses underserved markets of commerce by constructing a multi-screen cinema in the core downtown.

OTHER STATE AND LOCAL ASSISTANCE:

The Traverse City DDA is supporting the project with approximately \$2,423,050 of TIF generated by the project. The Michigan Department Environmental Quality is supporting the project with \$362,365 to address environmental related eligible activities.

TAX CAPTURE BREAKDOWN:

The project is located in the Traverse City Downtown Development Authority; therefore there are 26.6899 mills available for capture, with school millage equaling 24 mills (89.93 %) and local millage equaling 2.6899 mills (10.08%). A portion of the project will include homestead residential property, with those properties including the State Education Tax and local ISD taxes. The recommended tax capture breaks down as follows:

HOMESTEAD

School tax capture (62%)	\$ 98,798
Local tax capture (38%)	\$ 60,925
TOTAL	\$ 159,723

NON-HOMESTEAD

School tax capture (88%)	\$ 1,304,128
Local tax capture (12%)	\$ 182,775
TOTAL	\$ 1,486,903

OVERALL

School tax capture (85%)	\$ 1,402,926
Local tax capture (15%)	\$ 243,700
TOTAL	\$ 1,646,626

COST OF MEGA ELIGIBLE ACTIVITIES:

Site Preparation	1,426,631
Contingency (15%)	+ 213,995
Subtotal	1,640,626
Work Plan Preparation	5000
MEGA Review Cost	+ 1,000
TOTAL	\$ 1,646,626

COST OF ELIGIBLE INVESTMENT:

Phase I - New Construction	\$ 15,200,000
Phase II - New Construction	+ 13,000,000
GRAND TOTAL	\$ 28,200,000

RECOMMENDATION:

The Brownfield Redevelopment staff recommends approval of local and school tax capture for the eligible activities totaling \$1,646,626 described above. Utilizing the state to local capture ratios described above, the amount of school tax capture for this project is estimated at \$1,481,963.

The Brownfield Redevelopment staff also recommends designation of the project as an Urban Development Area Project and approval of a 20% MBT Brownfield Redevelopment Credit, not to exceed a \$5,640,000 credit.