

City of Grand Rapids
Downtown Development Authority
Building Reuse Incentives Program

Program Guidelines

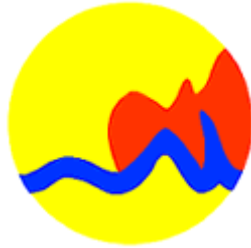
As approved by the Downtown Development Authority

August 14, 1996

Revised July 8, 1998

Revised September 8, 1999

October 14, 2009



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Building Reuse Incentives Program

Grand Rapids Downtown Development Authority

October 14, 2009

A: Purpose:

The Purpose of the Building Reuse Incentives Program is to reduce incidence of vacancy in storefronts and older buildings downtown by providing financial assistance to property owners or business owners contemplating the rehabilitation of an older building. Several studies have documented the high rate of vacancy, as well as numerous other barriers preventing the full utilization of these structures. The Building Reuse Incentives Program is established to assist property owners and business owners in overcoming these barriers by improving the general appearance and marketability of these structures.

Program objectives Include:

1. To encourage the full utilization of existing downtown buildings and storefronts.
2. To reduce the rate of vacancy and blight in the downtown.
3. To encourage cooperation between adjacent business owners and property owners where the owners share common problems and where such cooperation would result in shared benefit.
4. To provide financial assistance to property owners and business owners in overcoming the unique and challenging barriers associated with reusing older buildings.
5. To preserve and maintain existing buildings, resulting in a diverse and unique downtown environment that's economically viable.
6. To encourage environmentally friendly land use and design.
7. Generally, to encourage continued growth and expansion of business and residential activities, and to support the purpose of the Downtown Development Authority.

B: Assistance to be provided:

To meet the objectives of the Building Reuse Incentives Program, the Downtown Development Authority (DDA) will provide a loan, grant, or a combination loan and grant to those property owner or business owners eligible for assistance as established by the following program guidelines. It is not anticipated that this program would be used as a major source of financing for larger redevelopment projects. In general, it is the intent that this program be used in support of conventional investment being made by an owner or developer by addressing specific barriers to the reuse or upgrading of a building. The program also may be used to support small rehabilitation projects where a small investment by the Building Reuse Incentives Program alone will substantially improve the level of use of a building.

C. Building Eligibility:

The program offers assistance to property owners and business owners within the DDA Development Area boundaries as shown on Map 1. Although all buildings and storefronts are eligible for assistance, the DDA may upon the recommendation of the advisory board, establish a program target area. Older buildings shall generally be defined as a building constructed prior to 1950. Structures located within the target area would receive additional points in the project review process. In addition to building improvements, a retail signage program has been established to help defray some of the cost of placing signage above the ground floor level of a building.

D. Eligible Expenses:

The DDA is permitted by law to allocate funds for certain activities related to the renovation and rehabilitation of existing buildings, or storefronts. The grant funds made available through the Building Reuse Incentives Program may be used for the following purposes which have been found to be consistent with the purposes of the program and with the law:

Project Type A – Building Renovation

1. Barrier-Free Access.
2. Fire Suppression Systems.
3. Common Fire-Rated Stair Towers.
4. Upgrade Utilities.
5. Streetscape Improvement Projects.
6. Façade Improvements.

Project Type B – Ground Floor Commercial Retail Improvements

1. Barrier-Free Access.
2. Fire Suppression Systems.
3. Upgrade Utilities
4. Second Means of Egress
5. Streetscape Improvement Projects.
6. Commercial Storefront Façade Improvements.

Project Type C – Exterior Commercial Retail Signage

1. Installation of Ground Floor Exterior Signage for a Commercial Retail Use.

See Attachment 1 for a detailed description of eligible expenses.

E. Available Funding:

The DDA will make funds available from both its Tax Increment and Non-Tax Increment funds to the Building Reuse Incentives Program. Grant funds will be use to support the following:

1. Project Type A – Building Renovation Projects

The DDA may provide a grant of up to \$50,000 towards the renovation of an entire building that is located within the boundaries of the DDA Development Area 1. Assistance provided may not exceed 50% of the total eligible expenses.

If the project includes elements of sustainable design, or is Leadership in Energy and Environmental Design (L.E.E.D.) Certified, then the maximum grant amount may be increased up to \$75,000.

2. Project Type B – Ground Floor Commercial Storefront Improvements

The DDA may provide a maximum grant of \$25,000 to a property owner or business owner who renovates a ground floor commercial storefront within the boundaries of the DDA Development Area 1, for a commercial retail use. Assistance provided may not exceed 75% of the total eligible expenses. Commercial office and financial uses are not eligible to receive assistance under this program.

For a hospitality use, the DDA may provide a maximum grant of \$10,000 to assist in the renovation of a ground floor commercial storefront. Assistance provided may not exceed 50% of the total eligible expenses.

3. Project Type C – Ground Floor Commercial Storefront Exterior Signage

The DDA may provide a maximum grant of \$5,000 to a property owner or business owner who renovates a ground floor storefront within the boundaries of the DDA Development Area 1, for a commercial retail use. Assistance provided may not exceed 75% of the total eligible expenses. Commercial office and financial uses are not eligible to receive assistance under this program.

For a hospitality use, the DDA may provide a maximum grant of \$2,000 to assist in the renovation of a ground floor storefront. Assistance provided may not exceed 50% of the total eligible expenses.

F. Application Procedure:

Applicants may wish to discuss their project informally with DDA staff prior to completing a formal application. Applications will be received and reviewed by the program advisory board. The advisory board will meet periodically as necessary to

review applications and forward recommendation to the DDA. The DDA has final authority to approve or deny funding of each application. A non-refundable application fee of \$150.00 is required with a Building Renovation or Ground Floor Commercial Storefront Improvement Grant application. A non-refundable application fee of \$75.00 is required with a Ground Floor Commercial Signage Grant application.

G. Program Advisory Board:

An Advisory Board is established to oversee the administration of the Building Reuse Incentives Program. The advisory board consists of five members appointed by the DDA. The advisory board has the following responsibilities:

1. To develop and publish evaluation criteria to be used to evaluate applications for assistance. The proposed evaluation criteria and subsequent changes to them must be submitted to the DDA for review and approval.
2. To evaluate requests for assistance under the Building Reuse Incentives Program, and forward recommendation to the DDA for final consideration.
3. To report periodically to the DDA and City Commission on the status of projects assisted through the program and to evaluate the effectiveness of the program.

H. Conditions for Financial Assistance:

The use of public funds made available through the Building Reuse Incentives Program is limited to specific public purposes. Private funds must be available before loan or grant fund commitments can be made. In order to ensure that the program achieves these purposes, applications are required to meet the following minimum conditions:

General Conditions (Threshold Criteria):

1. Project must renovate an existing building constructed prior before 1950, or an existing ground floor storefront (exceptions for newer buildings may be approved by the DDA).
2. Project must be located in the DDA Development Area 1 Boundaries.
3. Exterior renovation must be generally consistent with the Secretary of Interior's Standards for Rehabilitation, or guidelines developed by the BRIP Program Advisory Board.
4. Applicants must demonstrate that the project will provide increased values to the city (i.e. increased income, personal and real estate tax revenue) over a five-year period that will equal or exceed the amount of assistance requested. An exception to this requirement can be made for not-for-profit organizations and commercial retail businesses. The DDA advisory board will, from time to time accept and review requests for assistance from not-for-profit organizations or governmental entities if sufficient funds exists.

Administrative Conditions:

1. The chain of title must show the property owner's legitimate ownership interest in the property. All outstanding mortgage loans, land contracts, deeds, etc. must be recorded with the Kent County Register of Deeds.
2. Financial assistance will not be permitted if taxes, special assessment, liens or other debts remain unpaid at the time of closing.
3. In the case of façade renovation projects, the owner must dedicate a façade easement to the DDA for a period of at least five years. The façade easement will limit changes to the façade during the period covered by the easement.
4. All work must be carried out in compliance with applicable building codes and zoning requirements.
5. For Project Type A – Building Renovation an agreement in a form prepared by the DDA must be executed between the applicant and the DDA. Any offer of assistance will only be effective upon execution of the agreement by both the applicant and by the DDA.
6. For Project Type B – Commercial Retail Improvement and Project Type C – Exterior Commercial Retail Signage a promissory note or personal guarantee must be executed between the applicant and the DDA. Any offer of assistance will only be effective upon the execution of the promissory note or personal guarantee by the applicant and acceptance by the DDA.
7. Any expenses incurred prior to an application being received for review will not be eligible expenses under the program.

Amortization & Release:

Grants for Project Type A – Building Renovation are available as a “self-amortizing mortgage.” The property owner must sign a mortgage and promissory note payable to the DDA equal to the amount of the grant. Upon completion of the renovation project, the balance due will be reduced by one fifth (1/5) of the grant amount pre year, until the amount due is fully amortized (five Years). This amortization schedule is used to establish the remaining balance due to the DDA in the event the property is sold prior to amortization. If the building is owned by the same owner five years after completion of the renovation project, the mortgage will be released.

The DDA will release any personal guarantees and/or promissory note granted by an applicant of a Project Type B – Commercial Retail Improvements and Project Type C – Exterior Commercial Retail Signage project, so long as the retail business remains open and operating for a period of five (5) years.

Distribution of funds:

If an application is approved by the DDA, funds will be distributed in increments similar to construction draws. The application should out-line the schedule for when “draws” of money would be needed based on the proposed budget of a project.

Initial seed money may be distributed based on acceptable collateral, matching funds, or other security from the applicant. Subsequent requests by the applicant for funding will be based on progress made and the release of waiver of any liens associated with work done to date. The applicant would be responsible to show adequate progress and matching equities prior to approval of draw requests.

Attachment I

Eligible Activities

Funds available through the Building Reuse Incentives Program may be used for the following projects related to a building renovation projects:

Barrier Free Access

The American with Disabilities ACT (ADA) requires commercial building and some residential units to be accessible by physically challenged individuals. In order to improve accessibility, funds may be used to:

- Construct ramps to a required means of entry/egress.
- Plan and construct common elevator tower that can be utilized by adjacent buildings.
- Construct barrier-free accessible toilet facilities.
- Fund sidewalk improvements to include barrier free ramps and grade elevations that align with floor levels.

Fire Suppression Systems

It has been noted that no single measure is as beneficial to increase the safety of a building as installing a fire suppression system (sprinkler system). Funds may be used to:

- Design and install adequate fire service lines (water laterals) from the water main into the building.
- Design and install fire suppression systems in buildings that do not have them, or upgrade existing systems to current code standards.
- Install other life safety systems, including alarms, emergency lighting, smoke or heat detectors, knock key boxes and other systems.

Fire-rated Stair Towers and Second Means of Egress

Fire resistive construction assemblies around stairways, or a second means of egress can enable people to escape multi-floor buildings safely. This type of construction is quite expensive and takes up substantial square footage. Funds may be used to:

- Assist owners of buildings to design and construct common stair towers to serve adjacent buildings.
- Upgrade existing stairways to improve fire resistive rating.
- Assist property owners or business owners in the design and construction of a second means of egress to serve a building, or a storefront.

Upgrade Utilities

Many older structures have outdated “combined” storm and sanitary sewer systems that require separation, others have inadequate domestic water supplies or outdated communications facilities. Funds may be used to:

- Design and install adequately sized lines for water, storm draining, sanitary sewerage, gas, electric, or communications facilities.
- Design and install underground conduit or other provisions to accommodate future technology.

- Place existing overhead utilities underground.

Streetscape Improvements

Improvements to the street and sidewalk adjacent to a building can greatly enhance not only the individual building, but also an entire area. Streetscape improvements offer consistency, safety and an attractive environment to complement the building and urban spaces. Funds may be used to:

- Design and install attractive streetscape designs, including trees, tree grates, benches, sidewalks, special paving materials and lighting.
- Reduce owner costs associated with rebuilding or removing building vaults located under sidewalks (areaways).

Façade Improvements

The renovation and restoration of building façades can also greatly enhance a building and the entire area. Renovated properties increase property values of the renovated property as well as surrounding structures. The marketability of attractive buildings is far greater than vacant deteriorating structures. Funding may be used to:

- Underwrite the cost of professional design assistance related to façade renovation and restoration.
- Remove inappropriate siding to reveal original building facades.
- Restore facades, consistent with the Secretary of Interior's Standards for Building Rehabilitation.
- Improve the transparency of any building wall that faces an urban open space, or public right-of-way.

Signage

Signage that is unique, attractive and well-maintained is an effective economic development strategy to improve the marketability and viability of ground floor commercial retail. An effective sign will inform, identify and direct customers to a particular location, and promote an attractive and vibrant downtown. Grand funds will be made available to a ground floor commercial retail or personal service business to help defray some of the cost of placing a sign above a downtown storefront. Funding may be used to:

- Underwrite some of the cost associated with the professional design, engineering and soft cost associate with the installation of new exterior signage above the ground floor level of a building.

Attachment II

Sustainable Design Eligible Activities

In lieu of requiring a project be Leadership in Energy and Environmental Design (L.E.E.D.) Certified, the DDA will consider any project, that has some or all of the following activities, as having elements of sustainable design and eligible to receive an additional maximum grant amount of up to \$25,000. These activities include:

Energy Performance – Heating, Ventilation and Cooling System Efficiency

- Solar Shading –
A passive solar design technique which tries to maintain the interior comfort level of a building throughout the sun's daily and annual cycles through the use of manual or motorized interior insulated drapes, shutters, exterior roll-down shade screens, or retractable awnings.
- Triple Glazed Insulated Windows –
Are window units that use the thermal and acoustic insulating properties of air to provide good temperature and sound insulation without sacrificing transparency.
- Solar Domestic Hot Water Systems –
Are heat transfer units that use solar energy to heat water for a variety of different industrial, commercial and residential uses.
- Landscaping –
Entails the use of plant material, usually trees, hedges, or planter boxes to shade a structure during the warm season and shelter a structure during the cold season. Additionally, plant materials that reduce or eliminate the need for energy, or water-intensive irrigation should be encouraged whenever possible.

Alternative Energy Production – Green Energy

- Photovoltaic Panels -
Photovoltaic panels, also known as solar panel, use light energy (photons) from the sun to generate electricity. Solar panels can provide electricity to a variety of different applications that are either on-the grid, or off-grid. Use of photovoltaic panels shall not have any adverse or detrimental effect on adjacent property.
- Wind Turbines -
A wind turbine is a rotating machine that converts kinetic energy, powered by the wind, into mechanical energy to create electricity.

Environmentally Friendly Materials – Sustainable Buildings Materials

- Reclaimed Building Materials On Site –
Entails the use of existing building materials, found on site, to construct or renovate a building.
- Reclaimed Building Materials Off Site –
Entails the use of reclaimed buildings materials, found in other parts of the community, to construct or renovate a building.
- Rapidly Renewable Materials –
Entails the use of easily replenishable building materials to construct or renovate a building.

Indoor Environmental Quality – Use of Low VOC (Volatile Organic Compound) Building Materials

- Use of Low VOC (Volatile Organic Compound) Building Material -
Is the use of low-impact, low VOC (volatile organic compound)-emitting materials such as natural paints, finishes, building insulation and adhesives as opposed to more traditional building materials, which may contain carcinogenic or toxic materials such as formaldehyde.

Water Management

- Green Roof -
A green roof is a partially or completely covered roof top, of a building, with plants, soil, or a growing medium planted over a waterproofing membrane. It may also include additional layers such as a root barrier, drainage and irrigation systems.
- Stormwater Capture & Reuse System -
Stormwater capture and reuse systems are designed to capture the stormwater runoff or grey water of a structure for reuse on site.
- Low Flush Toilets and Waterless Urinals –
In an effort to reduce water usages and additional burdens place upon the public infrastructure, low flush toilets and / or waterless urinals should be encouraged.
- Automatic Plumbing –
Automatic fixtures use sensors to operate plumbing fixtures. Automatic plumbing fixtures help to reduce wear and tear on valves and other movable parts. Additionally, sensors help to reduce the water usages of a building.

Waste Management

- On Site Recycling Program - Recycling programs help to prevent the waste of potentially useful materials, reduce energy usage and water pollution. Development project should establish an on-site recycling program to reduce the amount of waste generated by the project both before and after the project is completed.
- On Site Composting Program (Primarily for Hospitality Uses) - Composting is the purposeful biodegradation of organic matter, such as yard and food waste as a means of reducing solid waste.

Alternative Modes of Transportation –

- On Site Bicycle Facilities & Changing Rooms
The construction of bicycle friendly facilities can help encourage the use of alternative mode of transportation. These facilities could include, bike racks, bike lockers and changing rooms.

Other Sustainable Design Activities –

- Described the use of new or innovative sustainable design activities that are not listed, but go above and beyond the sustainable activities found on this list.

Attachment III

DDA Priority Areas

The DDA will give special consideration to a business that is located within one of the six (6) priority areas within the district. The six priority areas are:

Riverfront

Host to Grand Rapids' "Class A" convention center and three first-rate hotels including the new JW Marriott, this area offers classic arts, entertainment, and restaurants. Thousands of daytime office workers are just steps away.

Monroe Center

Just steps away from the riverfront hotels, this epicenter of Grand Rapids is flourishing with boutiques, restaurants and coffee shops along its tree-lined street. The centrally located Monroe Center Parking Ramp offers 60 minutes of free customer parking. The Grand Rapids Art Museum attracts thousands of visitors each year, and downtown workers, residents, and visitors enjoy unique programming at the adjacent Rosa Parks Circle.

East Fulton

A traditional business district conveniently located between three regional medical centers and several cultural organizations including: the Grand Rapids Public Library, Urban Institute for Contemporary Arts, the Grand Rapids Children's Museum, and St. Cecilia Music Society. The buildings are perfect for small shops and retail boutiques desiring high visibility and easy access.

Grandville Avenue

Contemporary and dynamic, significant redevelopments of entertainment and living spaces makes this is one of the newest hotspots in Grand Rapids, attracting many young adults. Home to the Grand Rapids Ballet Company's new theatre, as well as the popular Founder's Brewery and the Intersection Lounge.

Arena Zone

Home to the Van Andel Arena, this entertainment district is buzzing with progressive restaurants and night clubs, and some of Grand Rapids' most popular venues.

Avenue of the Arts

The Avenue of the Arts is an edgy trendsetting corridor, celebrating diversity, innovation, music, and art. This renovated area has become home to affordable artist lofts and unique live/work spaces, and is an emerging arts center in the core of downtown Grand Rapids.

Attachment IV

Estimating Tax Benefits

Questions B4 of the Building Reuse Incentives Program Application asks the applicant to attach an estimate showing the projected tax benefits of a proposed project. This attachment provides some examples of how to estimate the projected tax benefits.

Tax Category	Tax Rate	Sample Tax Calculation
1) Personal Property	<i>(value of personal property)</i> = taxable value taxable value X (.05) = SEV <u>SEV X 48 Mils = Tax Benefit</u>	4 Business @ \$50,000 personal property each 4 X \$50,000 = \$200,000 taxable value \$200,000 X 0.5 = \$100,000 <u>\$100,000 X .048 = \$4,800 per year</u>
2) Real Estate Property	<i>(value of investment)</i> = increase in taxable value increase in taxable value X (0.5) = SEV <u>SEV X 48 Mils = Tax Benefit</u>	\$750,000 invested X 0.5 = \$375,000 SEV <u>\$375,000 X (.048) = \$18,000</u>
3) Income Tax	<i>(number of new jobs)</i> X <i>(average salary)</i> = annual payroll annual payroll X .013% = Tax Benefit	45 jobs X \$20,000 = \$900,000 payroll \$900,000 X .013 = \$11,700 per year
4) Corporate Income Tax	<i>(number of business)</i> X <i>(average tax liability)</i> = Tax Benefit	4 business X \$350 each = \$1400 per year

Annual Tax Benefit = \$35,900
Five Year Tax Benefit = \$179,500

Notes: Question B4 of the BRIP Application is designed to assist the program advisory committee in understanding the long-term benefits of your project. The above table is intended to show the typical assumptions made in determining long-term benefits. The applicant should adjust assumptions to reflect the peculiarities of his or her project. For example, a residential project should revise the income tax calculations to reflect the number of residents rather than jobs and the residents tax rate (.013), and a hotel would add estimate of hotel/motel tax benefits.

MAP I

DDA Development Area 1

