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## Convexity's Park District Plan Moves to Council for Decisions <sup>[1]</sup>

Friday, April 21, 2017, 6:13 am

**By:**

Alice Dreger



*Above: The blighted buildings where DRW/Convexity has proposed a major new redevelopment.*

Following East Lansing's Brownfield Redevelopment Authority unanimous vote yesterday afternoon to support the latest version of a tax plan, DRW/Convexity's proposal for redevelopment of the blighted area of downtown will go to City Council next Tuesday evening, April 25.

After hearing public comment, Council is expected to review and possibly vote on some version of a site plan and tax increment financing (TIF) plan. They also will need at some point to approve a development agreement for this project because it involves publicly-owned land.

The site plan now calls for a thirteen-story building at the main corner with retail space on the first floor, two floors of fully screened private parking above that, and above that, a hotel and rental apartments. The hotel would be a new location for The Graduate chain, which specializes in hotels near universities. Farther up Evergreen Avenue, Convexity would build a condo apartment

building. A series of older rental houses on Evergreen Avenue, owned by East Lansing's Downtown Development Authority (DDA), would be demolished and replaced by a series of parking lots. (Read more <sup>[2]</sup>.)

The TIF plan is now smaller than what Council approved before, totaling \$19.4 million rather than the \$26.3 million TIF plan offered by City Council in January for a larger project that had included a new parking ramp. The duration of the proposed tax plan has also been reduced from 30 years to 20 years.

The plan calls for an 80/20 split, meaning that 80% of newly generated taxes would be used to pay for allowable expenses, as noted above. The plan would last up to 20 years, after which 100% of the taxes would go to the various taxing jurisdictions. The TIF plan drafted by the developer requires that eligible expenses on their own properties be reimbursed first, likely within the first five years of the plan.

What would be reimbursed with newly captured taxes under the TIF plan has also changed since the version adopted by Council in January. The developers are still asking for reimbursement of some of their own costs associated with environmental work, site preparation, excavation, earth retention, infrastructure improvements including structured parking, and "associated soft costs." According to the developer, they will have about \$15.3 million in TIF-eligible expenses on their own properties, of which a maximum of \$2.5 million will be reimbursed through taxes under this TIF plan.

The TIF plan would also cover up to \$7 million in repayment to the DDA for debt on the Evergreen Avenue properties that the DDA purchased years ago in the hopes of redevelopment of the area. The paying off of the DDA's debt on the Evergreen Avenue properties <sup>[3]</sup> would begin probably in the fifth year of the TIF plan. City Planning staff and members of the Brownfield Redevelopment Authority (which has the same membership as the DDA) appeared yesterday to think it is financially workable to manage the debt this way.

The DDA/BRA and City Council have been eager to use TIF from this project to pay off the DDA's debt, as there is no other obvious way to do so. As we've previously explained <sup>[3]</sup>, those properties are now worth less than half what is owed on them, and the City is facing increasing payments on the debt.

Finally, the TIF plan would also cover up to \$6.4 million of public infrastructure improvements, plus up to \$3.2 million in interest payments to reimburse the developer for the financing costs of paying upfront for those improvements. These expenses include aligning Albert Avenue at Abbot Road and extending it to Valley Court Drive, demolishing the Evergreen Avenue houses and replacing them with City parking lots, building a combination sewer to serve the Oakwood neighborhood to the north, new water mains, landscaping, etc.



*Above: Convexity's proposed "Building A" for the main blighted corner.*

After rejecting City Council's last TIF plan offered in January because they found the financial terms unfavorable, DRW/Convexity had gone back to the drawing board <sup>[4]</sup> and come back with a revised site plan and the revised, reduced TIF plan. Both the site plan and TIF plan have since been through several iterations, following discussions with various involved parties including the Planning Commission, City staff, Peoples Church, and East Lansing's Brownfield Redevelopment Authority.

Last week, in an unusual move, the BRA tabled Convexity's TIF proposal in order to work out more issues before taking a vote yesterday to approve it. Mayor Mark Meadows, who is a member of the BRA by virtue of being mayor, said at yesterday's BRA meeting that he wanted to be clear that, while he was voting yes on this TIF plan at the BRA, he was doing so to move it on to Council.

East Lansing's City Council could still vote to change the site plan and TIF plan further before approving some versions of them, as happened previously. If the developer doesn't agree to the changes, the plan could be subject to additional negotiation and delays. Council has reduced the amount of several TIF plans that have come before it recently, including the planned hotel and drive-through <sup>[5]</sup> on Trowbridge Road this week, the planned Costco store <sup>[6]</sup> in December 2016, and the proposed White Oak Place apartments <sup>[7]</sup> in May 2016.

Convexity has said they hope to have local approval and agreements settled soon because they are seeking to secure a \$10 million state-level tax credit for the project, and that depends on East Lansing coming to an agreement with the developer. The developer has told Council that state tax credits depend on the blighted buildings remaining standing until the Michigan Strategic Fund Board approves the credits, and Council has indicated they may require the buildings to be knocked down soon if a local agreement is not reached.

At yesterday's meeting, Convexity's Chris Oakley told the BRA he hopes they won't start talking publicly soon about converting the to-be new parking lots along Evergreen Avenue to some built redevelopment. He said having that happen could impede Convexity's ability to pre-

sell the proposed condos across the street from the Evergreen Avenue lots. Convexity is building the condos not because that is their preferred plan but because City Council requires that at least 25% of residential units in a downtown project like this be for some type of housing other than market-rate rental of the type attractive to students.

At yesterday's BRA meeting, BRA Chair Peter Dewan and BRA member and former mayor Doug Jester thanked Convexity's representatives for working with the various parties to come to an agreement. Dewan thanked the developer for "going through a number of hoops and hurdles." He said the project "will be of tremendous value to the community and we appreciate you being sensitive to the needs of the nearby neighborhoods and other stakeholders."

*Below: Convexity's proposal for the condo building on Evergreen Avenue.*



*Reminder: You can speak at City Council during the "public comment" period or write to City Council by email <sup>[8]</sup>.*

*Reporting assistance on this article was provided by Chris Root.*

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