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All Developers Will Now Be Invited to Propose Plans for the Evergreen Properties ^[1]

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By:

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Above: Director of Planning Tom Fehrenbach at Tuesday's joint Council/DDA meeting. (Photos by Raymond Holt)

A decade after buying property on Evergreen Avenue for a failed redevelopment project, and a year after giving one set of developers an exclusive contract to try to work out a deal, East

Lansing's Downtown Development Authority will now formally open up the properties to proposals from all comers.

The DDA voted unanimously yesterday to instruct the City's Planning Department to issue a Request for Qualifications and Proposals (RFQP) inviting applications. Staff is now cleaning up the final draft [2] and readying an intensive communications plan for getting the word out, and will officially release the RFQP when that is ready ? in about a week.

After that, developers will have 90 days to submit evidence of their qualifications and proposals for the land.

Those pitching will be expected to show some idea of how their proposals would pay off the \$5.4 million owed on the DDA's properties. They are also expected to indicate how their plans would incorporate public infrastructure improvements that would ultimately be paid for with public money, to the tune of about \$3.5 million (before any financing costs).

Applicants are also expected to produce plans that adhere to sustainable building practices, create vibrant public spaces, and ideally follow the intentions of East Lansing's comprehensive plan, which would limit height on the site to 6 stories or 84 feet.

Proposals are also expected to adhere to East Lansing's Ordinance 1384, which requires that big downtown housing projects dedicate at least 25 percent of their housing units to owner-occupied condos, or income-qualified housing, or housing for people aged 55 and up.

In a change that recognizes market realities, the RFQP suggests that the successful applicant would *not* have to propose retail space on the ground floor of a new building.

The RFQP *does* suggest that new parking should be incorporated for customers of downtown businesses and visitors to Peoples Church, which has historically relied on the City to provide nearby surface parking to help with that church's needs.

Below: Structures currently on the Evergreen Avenue land purchased by the DDA for redevelopment.





The RFQP says it prefers that developers use private financing. But it acknowledges that the use of Tax Increment Financing (TIF) may be necessary to deal with the financial reality of the site. The properties are "under water" in terms of the \$5.4 million debt, and large amounts of new infrastructure are needed according to the Department of Public Works and the Planning Department.

The release of the RFQP comes almost a year after a development team from Royal Apartments and Vlahakis Development convinced the DDA to enter into an exclusive agreement to sell them the properties for a very large redevelopment that would have included the Dublin Square property, owned by Vlahakis. That was supposed to have movie theaters, condos, and major new office space.

That proposal fell apart when it became clear Royal Vlahakis could not obtain funding for its proposal. The developer then proposed a much smaller apartment-retail project using only the DDA properties, but that project, too, did not cohere, with Council ultimately voting 5-0 against it [3].

The DDA returned all of the money Royal Vlahakis had paid to maintain its exclusive arrangement. That meant the DDA lost a year of time plus a year of interest payments on the \$5.4 million debt. The DDA and City are consequently now under more time pressure, because large principal payments are looming on the horizon.

Recognizing the need to make progress soon, and in an effort to come to some agreement about how to move forward and to do so in a transparent fashion, the City Council held its first-ever joint meeting [4] with the DDA this Tuesday. That's because both groups will have to agree to any proposal.

City Manager George Lahanas urged the DDA at yesterday's meeting to stop delaying and issue the RFQP.

"Why put things on hold yet again?" Lahanas asked. "We've been talking about an RFP for a

year. At some point, get this thing out there. Start getting proposals now.?

At the meeting, before the vote to issue the RFQP, attorney David Pierson representing DRW Convexity explained a proposal [5] his clients had brought forward for the DDA's Evergreen Avenue properties and his client's properties, and for dealing with the debt and infrastructure costs.

Below: David Pierson at Tuesday's joint meeting.



That plan would have used DRW Convexity's own land at 341 Evergreen Avenue (across the street from the DDA's properties) to expand Valley Court Park by an acre, allowing creation of a new festival and/or market space. It would have used DRW Convexity's big projects on Grand River Avenue to create enough TIF to pay for the infrastructure needs.

Under the plan, DRW Convexity would also have paid \$3 million to the DDA for the publicly-owned properties, paying for the rest of the debt out of TIF.

In exchange, DRW Convexity wanted an exclusive agreement while it obtained permission to build a market-rate (student-attracting) rental building with 230 apartments and about 180 parking spaces. That building was designed to be 80 to 120 feet tall.

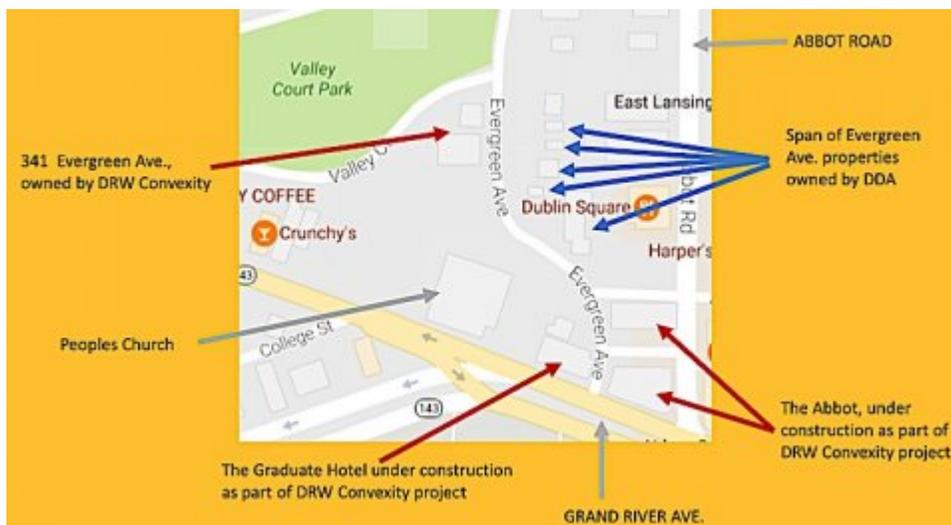
The design for the apartment building has no "housing diversity" component and is taller than

many Council members seem to want to see at that location.

Like Lahanas, the majority of the DDA wanted to move forward to invite all proposals rather than considering entering into an exclusive agreement with DRW Convexity for this proposal.

Consequently, Pierson made clear that DRW Convexity will instead move forward with its plans to construct a new apartment building at 341 Evergreen Avenue, featuring moderate-income-restricted rental units. Construction is intended to start in spring, which appears to mean that the opportunity to expand the park is probably now off the table.

The DDA voted 6-3 to recommend Council support DRW Convexity's latest version of the site plan for 341 Evergreen Avenue, and Council is expected to vote December 17 on the plan. (Peoples Church is against that plan because it does not have much parking built in, although that conforms to the City's zoning code.)



DRW Convexity might still submit a proposal for the DDA's properties in response to the RFQP, according to Pierson, but in answer to questions from the DDA, Pierson seemed to suggest that what is now being sought in the RFQP is not something that DRW Convexity would consider to be economically viable.

Pierson said that "if it is [limited to] 84 feet, it doesn't work. That's an honest answer."

He also said there is "not sufficient market to build" major new office space there because of lack of tenants, something that DDA member Lynsey Clayton said she had heard from other players in the commercial real estate industry.

Lahanas said he was still hopeful there might be major office space constructed and occupied in downtown East Lansing, as in some other college towns.

Fehrenbach told the DDA that City staff will push out the RFQP through dozens of different channels, and there will be a press release and extensive information on the City's website. In addition, Planning staff will hold a group conference call to answer developers' questions and will be available to answer additional questions throughout the application period.

After that, a review committee ? yet to be named ? will use the rubric in the RFQP to rate applications. It is likely thereafter that several applicants will be publicly interviewed about their proposals.

At the meeting, Mayor Pro Tem Aaron Stephens was sitting in for Mayor Ruth Beier, who could not attend. Remarks from Stephens, Lahanas, and Fehrenbach indicate that their goal is an orderly, fair, and transparent process.

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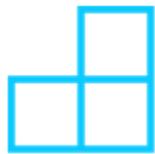
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