

CITY OF MUSKEGON
CITY COMMISSION WORKSESSION
COMMISSION CHAMBERS
933 TERRACE STREET
MUSKEGON, MI 49440

Monday, October 12, 2020
5:30 p.m.

AGENDA

1. Progress Presentation for 880 First Street Redevelopment – Economic Development
2. Community EnCompass Infill Housing Partnership Presentation – Economic Development
3. Update to the Lot Sale Policy - Planning
4. Marihuana Social Equity - Planning
5. PILOT Policy
6. Adjournment

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Agenda Item Review Form

Muskegon City Commission

Commission Meeting Date: 10/12/2020	Title: Progress Presentation for 880 First Street Redevelopment
Submitted By: Jake Eckholm	Department: Economic Development
Brief Summary: Representatives from Ferguson Development will join us to give a progress report now that engineering and rental market studies are completed on their vision for the redevelopment at 880 First Street.	
Detailed Summary: The City has been working with Ferguson Development and Brianna Scott for nearly a year now to finalize plans to redevelop the former AmeriBank building at 880 First Street. Economic Development staff have worked closely with project management for the developer to coordinate extensive testing on the structure, foundation, and design of the existing building. Tonight the developer's consultant will be here to present findings and ambitions for the development and to take questions, with the hope that the Commission will vote in favor of a purchase and development agreement at your meeting on 10/27/2020.	
Amount Requested: N/A	Amount Budgeted: N/A
Fund(s) or Account(s): N/A	Fund(s) or Account(s): N/A
Recommended Motion: N/A	
For City Clerk Use Only: Commission Action:	

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Agenda Item Review Form

Muskegon City Commission

Commission Meeting Date: 10/12/2020	Title: Community EnCompass Infill Housing Partnership Presentation
Submitted By: Jake Eckholm	Department: Economic Development
Brief Summary: An informational presentation on a proposed low-to-moderate income new home construction program.	
Detailed Summary: In an attempt to further our Economic Equity efforts and to create diversity of housing price points as we build infill, we have been working for quite some time with Community EnCompass to try and construct a deal within the Brownfield TIF and their institutional capacity to construct homes that would be specifically for buyers at or below 80% AMI. The presentation tonight is meant to inform the Commission of our proposed development scope and take questions/feedback, with hopes to present a development agreement for your consideration at the Regular Commission Meeting on 10/27/2020.	
Amount Requested: \$250,000	Amount Budgeted: Consistent with CNS Development Plan, CNS Budget Amendment Required
Fund(s) or Account(s): CDBG HOME Funds (Current and previous year carryover/program income)	Fund(s) or Account(s):
Recommended Motion: N/A	
For City Clerk Use Only: Commission Action:	

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Agenda Item Review Form Muskegon City Commission

Commission Meeting Date: 10/13/2020	Title: Update to the Lot Sale Policy
Submitted By: Mike Franzak	Department: Planning
Brief Summary: Staff has prepared an updated lot sale policy that outlines procedures and incentives to direct the use and sale of vacant, city-owned residential properties.	
Detailed Summary:	
Amount Requested:	Amount Budgeted:
Fund(s) or Account(s):	Fund(s) or Account(s):
Recommended Motion: To approve the lot sale policy as presented.	
Check if the following Departments need to approve the item first: Police Dept. <input type="checkbox"/> Fire Dept. <input type="checkbox"/> IT Dept. <input type="checkbox"/> For City Clerk Use Only: Commission Action:	

City of Muskegon

Policy for the Use & Sale of City-Owned Residential Property

Objective

The City of Muskegon owns a significant number of vacant lots throughout the city. These lots cost money to maintain and do not generate taxes, but they do offer opportunities for infill housing development and public use. Selling vacant lots for residential development will create much needed housing options, expand the residential tax base and alleviate the City of maintenance costs. Citizen lead initiatives like urban farms, community gardens and the Neighborhood Empowerment Program (adopt-a-lots) are all resources the City can utilize to defer maintenance costs and reduce blight while the lots are being marketed for sale. There are also instances in which the City may wish to hold on to a vacant lot or acquire additional land to combine with an existing property. Vacant lots can also be valuable to complete existing/planned projects or to offer easements to essential/recreation services. In order to utilize City-owned vacant lots to their fullest potential, the City has developed this policy for their use and sale to private ownership.

Lot Types

Buildable Lots – Buildable lots are defined as lots suitable in size and configuration under Zoning Ordinance regulations for the construction of housing units. Some City-owned lots are much larger than needed to construct various housing types. Where applicable, staff will split or combine lots to create the best potential for future development. Staff may also recommend that only a portion of a buildable lot be sold if it is in the best interest for future development and if the remaining portion is also a buildable lot. As a condition of sale, the buyer must commence construction¹ within 18 months of the date of purchase of the property or it will revert back to the City's ownership, free and clear of any claim of the buyer.

Non-Buildable Lots – Non-buildable lots are defined as lots that are insufficient in size or configuration for new construction under Zoning Ordinance regulations. These lots may only be sold to adjacent property owners, neighborhood organizations, or valid non-profit agencies to expand, improve, or beautify the property. In the event that multiple adjacent owners seek to purchase a property, the City shall divide the property in the most equitable manner.

¹ “Commence Construction” means that a buyer has been issued a residential building permit by the City of Muskegon and also (in the sole opinion of the City of Muskegon’s Building Official) that at least seventy-five percent (75%) of the dwelling has been completed.

Lot Use

The following is a list of potential uses for City-owned vacant lots.

Buildable Lots and Large Blocks of Land

Permanent Use Options (listed in order of highest priority):

- Easement/sale – The first step is to check if all or a portion of the property can be used for an easement (or sale) to an existing or planned development project.
- New housing development – If no other project can use the land, it will be marketed for sale for residential development. Preference will be given to projects with higher density and, where applicable, staff reserves the right to split or combine lots to create the best potential for future development.
- Public space – The use of the lot for a park or other type of community gathering place. Most lots may not be appropriate for public spaces, such as those located in close proximity to existing public parks or neighboring houses.
- Yard addition – Only non-buildable lots should be sold to adjacent property owners. Non-buildable portions of existing buildable lots can be sold to adjacent property owners for expanded yard space as long as the unsold portion of the property remains buildable.

Temporary Use Options (listed in order of highest priority):

- Community garden – Groups that agree to maintain the lot may use it for gardening. Please see Section 2313 of the Zoning Ordinance for guidelines on community gardens.
- Adopt-A-Lot – Neighborhood Organizations may adopt lots as part of the Neighborhood Empowerment Program. Please see the Neighborhood Empowerment Program brochure.

Non-Buildable Lots

Permanent Use Options (listed in order of highest priority):

- Easement/sale – The first step is to check if all or a portion of the property can be used for an easement (or sale) to an existing or planned development project.
- Yard addition – If the lot cannot be used for a nearby project, it should be sold to an adjacent property owner who may take advantage of the landscaping grant (see below).
- Public space – The use of the lot for a park or other type of community gathering place. Most lots may not be appropriate for public spaces, such as those located in close proximity to existing public parks or neighboring houses.

Temporary Use Options (listed in order of highest priority):

- Community garden – Groups that agree to maintain the lot may use it for gardening. Please see Section 2313 of the Zoning Ordinance for guidelines on community gardens.
- Adopt-A-Lot – Neighborhood Organizations may adopt lots as part of the Neighborhood Empowerment Program. Please see the Neighborhood Empowerment Program brochure.

Lot Sales

Buildable Lot Sales

Lot Price – 75% of the True Cash Value. Sale price reimbursements are available for the following:

- Duplex or Small Multiplex Development (where permitted by zoning) – 100% price reimbursement
- Single-Family House that meets the following design standards²:
 - Open front porch of at least 60 sf – 20% price reimbursement
 - Picture or bay window - 20% price reimbursement
 - Alley-loaded parcel – 20% price reimbursement
 - Shutters or other acceptable window treatments – 20% price reimbursement
 - Underground sprinkling – 20% price reimbursement

Development Incentives – In addition to price reimbursements, additional incentives include:

- Neighborhood Enterprise Zone (NEZ) Certificate – For those properties already located in a NEZ District, NEZ certificates will be offered using the following scale:
 - Single-family house: 3 years
 - Single-family house that incorporates three of the five above listed Design Standards: 6 years
 - Duplex: 12 years (owner-occupied unit only)
 - Small Multiplex: 15 years (owner-occupied unit only)
- Water/Sewer Connection Discount – Discounted water/sewer connection fees will be given for the following housing developments:
 - Duplex – 50% reduction
 - Small Multiplex – 100% reduction
 - Three or more single-family houses (all built within 18 months) – 100% reduction

How to Purchase – The Planning Department may approve the sale of buildable lots for residential development as long as all of the above requirements are met. The City Commission will review the sale of any lots that do not meet all of the above requirements. All parties must be current on local taxes. Projects that do not meet these requirements must seek approval from the City Commission.

² Price reimbursements will be awarded to approved projects after verification of project completion.

Non-Buildable Lot Sales

Lot Price – \$1

Landscaping Incentive – Non-buildable lots that are used for beautification or creation of natural habitat may be eligible for a landscaping grant.

- Landscaping Grant – This grant is intended to assist in the beautification of neighborhoods by transforming underutilized land into attractive landscapes and/or natural habitats. Natural landscaping projects with a mixture of native species as well as animal/pollinator habitat improvements are eligible for support. For every \$1,500 an applicant spends on landscaping, they will be reimbursed \$250 (up to \$1,000). Applicants must submit a landscaping plan with estimates to the Planning Department. Approved applicants will complete the project as described in the application and submit receipts to the Planning Department in order to receive the grant funds.
 - Grant Requirements – Decorative/natural landscaping projects must include the following elements:
 - A mixture of at least three different decorative plant species.
 - Decorative ground substrate such as woodchips or landscaping rocks.
 - Landscaping area must be at least 100 square feet total and be located within 20 feet of the front property line.
 - Landscaping must be a focal point and not solely used as a buffer between properties.
 - Landscaping may not interfere with zoning ordinance requirements for clear vision at intersections, alleys, and driveways.
 - Watering/maintenance plan and/or drainage pipes where rain gardens are created.

How to Purchase: The Planning Department may approve the sale of non-buildable lots to adjacent property owners, neighborhood organizations and non-profit agencies. Properties will be sold to qualifying parties on a first come, first serve basis. All parties must be current on local taxes. Once payment is received (lot price plus cost of deed registration) the City will register the deed with the Muskegon County Register of Deeds.

Lot Sale Terms

Closing Costs

All closing costs will be split between the buyer and the seller.

Property Survey

All costs and activities associated with a survey are the sole responsibility of the buyer.

Environmental

Properties will be sold as is. Any environmental analysis is the sole responsibility of the buyer.

Title Evidence/Insurance

Quieting title of tax reverted properties sold and properties split for minimal amounts such as non-buildable lots, shall be the responsibility of the buyer. City staff may choose to quiet title on certain lots deemed necessary for development plans.

Financing

Financing the acquisition of City-owned property and subsequent construction (if applicable) is the sole responsibility of the buyer. Failure to provide proof of adequate financing may be used as a basis for denial of a sale.

Deeds

All sales will be handled as quit claim deeds.

Appeal Procedure

Any denial of a sale can be appealed to the City Commission.

Applicability

Pursuant to the above, the City will periodically implement neighborhood marketing strategies. Elements of this policy may be superseded by a marketing strategy, if said strategy is approved by the City Commission as an exception to this policy, and only while said strategy is being utilized to market properties identified by the strategy.

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Agenda Item Review Form Muskegon City Commission

Commission Meeting Date: 10/12/20	Title: Marihuana Social Equity
Submitted By: Mike Franzak	Department: Planning
<p>Brief Summary: Discuss ways to empower local entrepreneurs to become participants in the marihuana industry. Also to discuss the implementation of the Muskegon Social Equity Program.</p>	
<p>Detailed Summary: In recent City Commission meetings, some Commission members have stated that they would like staff to research ways for local caregivers to have an opportunity to get into the recreational industry. A total of 18 Caregivers currently operate in several different business and industrial corridors throughout the City. Caregivers are allowed to collocate, so some buildings host up to a few hundred plants. Sometimes these buildings can cause odor nuisance issues when located near residential areas. This, along with other concerns from citizens, makes it difficult to allow for many marihuana license types outside of the current overlay zones. However, microbusinesses allow for the cultivation (only up to 150 plants), processing and sales of marihuana out of a single building. This license type is very affordable (\$8,000 compared to \$25,000 for retailer), making it more feasible for smaller-scale, local entrepreneurs to get into the industry. The 150 plant restriction would also reduce the possibility of odor nuisances. It also appears to be the license type that most caregivers are seeking.</p> <p>There are two local marihuana entrepreneurs petitioning for two different properties to be rezoned to allow for microbusinesses at the October Planning Commission meeting. However, instead just rezoning these two parcels, staff encourages the Commission to consider creating a new microbusiness ordinance that would allow all caregivers the opportunity to participate throughout the City. Staff has also recently received a few other requests to allow for microbusinesses in other business corridors.</p> <p>A major issue with getting local entrepreneurs into the recreational industry is the fact that many do not currently own a building in an approved overlay district. These overlay districts have lead to dramatic increases in property values, essentially pricing out many locals. Staffs proposal should eliminate this concern.</p> <p>Staff proposes to allow microbusinesses in the same zoning districts that we allow caregivers (B-2, B-4, MC, I-1, I-2.) as long as they obtain a special land use permit from the Planning Commission. Special use permits are parcel and applicant specific, which should eliminate the land speculation problem. If an applicant is approved at a location, that applicant is the only one approved for the use at that property. Any new applicant at that location would require their own special land use permit. Allowing</p>	

these permits throughout the City would eliminate the need to be in a certain location, eliminating the land speculation. It would also restrict the building owner from obtaining the necessary zoning approval, then selling the building to the highest bidder rather than the applicant they have been working with from the beginning.

The Muskegon Social Equity Program should have some funding early next year. Staff would like to revisit the spending allocations, listed below.

MSEP REVENUE

Medical and Recreational licensed marihuana businesses in Muskegon may elect to contribute to the City's MSEP. Additionally, 35% of all local excise tax receipts will be allocated to the City's MSEP.

ALLOCATION OF MSEP RESOURCES

1. 30% for business micro-loans/grants for those that have had a low-level marihuana conviction.
2. 35% will be dedicated towards facilitating marihuana related expungement clinics.
3. 35% for education, youth support and community outreach for responsible marihuana consumption related to harm reduction.

Amount Requested:	Amount Budgeted:
Fund(s) or Account(s):	Fund(s) or Account(s):

Recommended Motion:

Check if the following Departments need to approve the item first:

Police Dept.

Fire Dept.

IT Dept.

For City Clerk Use Only:

Commission Action:

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Agenda Item Review Form Muskegon City Commission

Commission Meeting Date: 10/12/2020	Title: PILOT Policy
Submitted By: LeighAnn Mikesell	Department: Development Services
Brief Summary: Staff are seeking input on a revised policy to standardize tax incentives for Payment In Lieu Of Taxes (PILOT) developments within the city.	
Detailed Summary: At the request of the City Manager, the Tax Incentive Committee has continued to review and make recommendations for standardizing our tax incentive policies in the City of Muskegon. Our most recent effort is specifically dedicated to PILOT developments. As with the previous revisions shared with the commission, the attached document outlines a more standardized method for determining payments with lower rates given to developments that meet more of the city's goals. Also in line with the previous revision, the proposal is for these developments to be reviewed by the tax incentive committee with a recommendation provided to the City Commission.	
Amount Requested: None	Amount Budgeted: N/A
Fund(s) or Account(s): N/A	Fund(s) or Account(s): N/A
Recommended Motion: None	
Check if the following Departments need to approve the item first: Police Dept. <input type="checkbox"/> Fire Dept. <input type="checkbox"/> IT Dept. <input type="checkbox"/> For City Clerk Use Only: Commission Action:	

**CITY OF MUSKEGON
TAX INCENTIVE POLICY PILOT PROPOSAL
OCTOBER 2020**



COMMITTEE CHAIR: LeighAnn Mikesell

MEMBERS: Beth Lewis, Mike Franzak, Sarah Petersen

Ken Grant, Peter Wills, Jake Eckholm

PURPOSE

The Tax Incentive Committee Meeting continues to review policies and make recommendations to standardize incentives. The following document lays out the committee’s proposal for scoring and setting fees for Payment In Lieu Of Taxes projects.

ANALYSIS

The City currently has X PILOT developments where a percentage of shelter rents, and in some cases a municipal service fee, is paid to the city rather than the standard ad valorem property taxes. PILOTs are made available to low income housing projects owned by a nonprofit housing corporation, consumer housing cooperative, limited dividend housing corporation, mobile home park corporation, or mobile home park association financed with a federally-aided or authority-aided mortgage or grant through the State Housing Development Authority Act of 1966.

The committee examined our existing policy and application process, and determined that more standardization could help us drive some goals that have been expressed by the City Commission and the community regarding housing development. Specifically, we can create a system by which developers can earn a lower PILOT rate by committing to certain city goals. City staff will monitor the developer’s continued ability to meet the goals that earned the reduction in fee. The committee recommends setting the base PILOT rate at 7% of annual rents with potential to reduce the fee if certain goals are met and developing a PILOT application that features the following cognates:

Cognate	Reduction
Serving Families	1%
Minimum 15% of Units offered at Market Rate	1%
Located outside DDA Boundary	1%
Average AMI greater than 70%	1%
TOTAL POSSIBLE REDUCTION	4%

In addition to the PILOT rate, local governments are able to collect municipal service fees that fund essential services to the development such as police and fire. The committee recommends setting the municipal services fee at 3% for all developments.

The cognates, described in more detail below, require developers to demonstrate effort to reflect goals and values of the community:

SERVING FAMILIES: The PILOT rate will be reduced by 1% for developments that make housing available to families rather than restricting apartments only to senior citizens. This cognate addresses the city's goal to provide more affordable housing to families as informed by the rental housing study which indicated that need.

MINIMUM 15% OF UNITS OFFERED AT MARKET RATE: The PILOT rate will be reduced by 1% for developments that include a minimum of 15% of units offered at the current market rate. This cognate addresses the city's goal to provide a mix of affordability.

LOCATED OUTSIDE DDA BOUNDARY: The PILOT rate will be reduced by 1% for developments located outside the DDA boundary. This cognate addresses the city's goal to provide affordable housing in all neighborhoods within the city.

AVERAGE AMI GREATER THAN 70%: The PILOT rate will be reduced by 1% for developments that achieve an average of 70% AMI among their occupants. This cognate addresses the city's goal to provide workforce housing within the city.

RECOMMENDATIONS

The committee continues to work carefully to develop incentive policies that will keep us competitive with other communities and afford developers opportunities to achieve the maximum benefits of tax benefit statutes, while also prioritizing stated goals of the community and City Commission. This system would also standardize all applications for PILOT developments in the City of Muskegon and allow staff to have a tool to equitably compare all developers and applicants.

