

REQUEST for DEVELOPER QUALIFICATIONS



**140 SOUTH
EDWARDS
STREET
Kalamazoo,
Michigan**

TIMELINE

RFQ released:
03/11/2021

Site Showcase
virtual event:
03/26/2021

RFQ proposals due:
05/07/2021

Evaluation period:
05/10–06/04/2021

Finalists teams notified:
06/07/2021

Finalist teams
presentation to
evaluation committee:
June 2021

Finalize terms of a
development and
purchase agreement:
July 2021



**MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION**



DEVELOPMENT REQUEST FOR QUALIFICATIONS



140 S. EDWARDS KALAMAZOO, MICHIGAN

PPN: 06-15-379-005



TABLE OF CONTENTS

Development Opportunity	4
Community Overview	5
Market Conditions and Opportunities	7
Site Overview	8
Site Utilities.....	9
Additional Site Information.....	9
Preferred Development Scenario.....	10
Available Incentives	14
Selection Process and Criteria.....	15
Contact / Questions.....	16



williams&works
engineers | surveyors | planners



140 S. EDWARDS (PARKING LOT #1)

Kalamazoo, Michigan

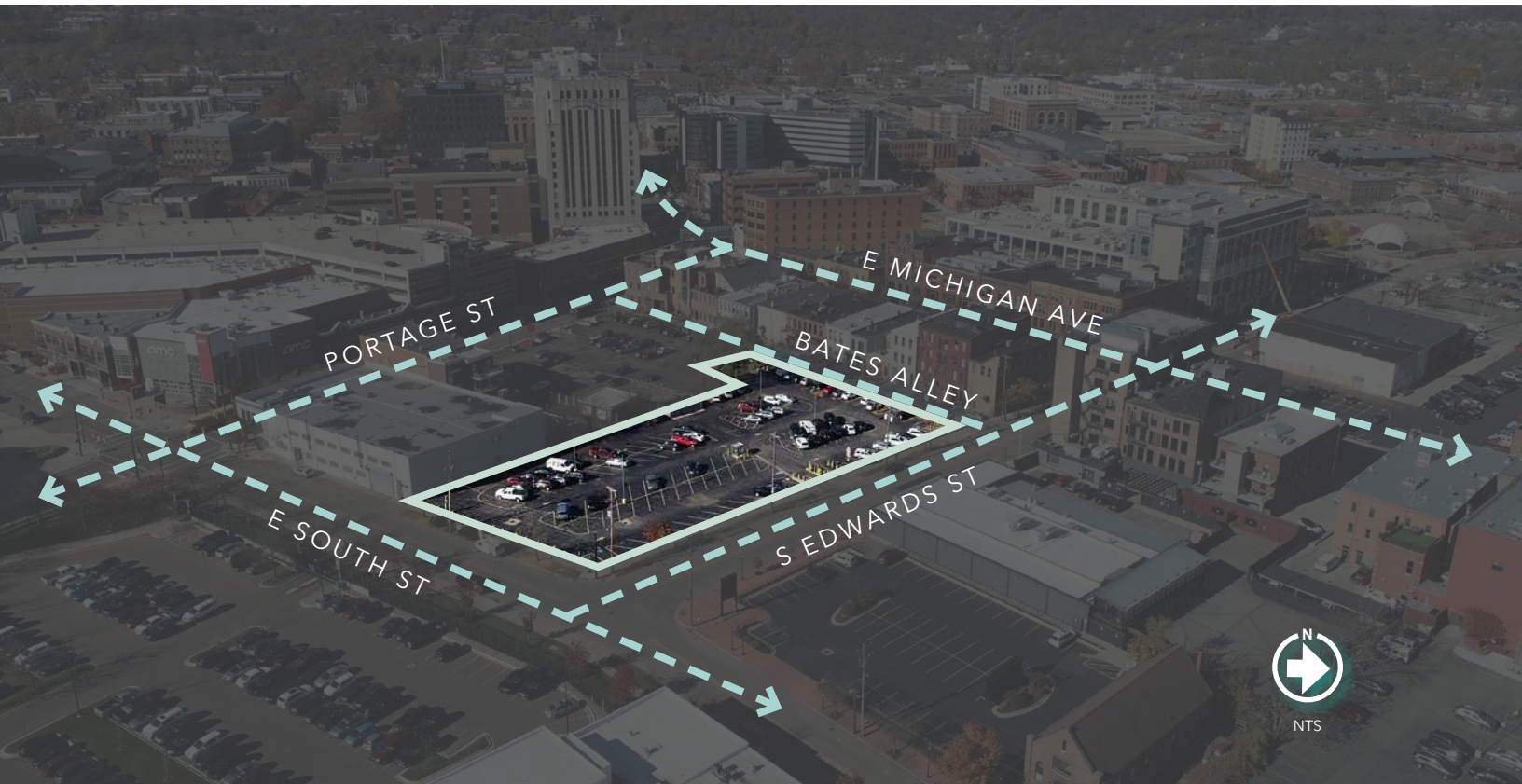
Join the resurgence in urban living and downtown amenities at 140 S. Edwards, where redevelopment abounds. Kalamazoo made history this year. Home to Pfizer and other top medical research companies, media outlets flocked to the city in December as the first COVID vaccines were shipped to points across all 50 states. Kalamazoo is the perfect blend of higher education institutions, medical and manufacturing, historic and well-maintained building stock, and a compelling riverfront. The city is an attractive place to live, work, and play.

The opportunity at 140 S. Edwards includes a 1.23 acre site located within the Central Business District with excellent access to parks, schools, and nearby neighborhoods. Since the 1930's, the property has been vacant, serving as a municipally-owned surface parking lot. The site is within walking distance to several bus routes and the popular pedestrian mall. Nearby are pubs, restaurants, breweries, the Radisson Park Hotel, and many new mixed-use developments.

The City would like to partner with a visionary developer to infill the site with active ground-level uses, micro-industry or maker spaces, parking, residential, and retail uses. The City, with stakeholder input, has developed a vision for a project featuring mixed-use commercial buildings, integrated parking, alley activation, and residential development.

Interested development teams are invited to submit qualifications in accordance with **the attached schedule**; please refer to **page 15** for submittal details.

DEVELOPMENT OPPORTUNITY



The 1.23 acre lot is vacant and owned by the City of Kalamazoo. The site address and parcel number follows. Please also see the recently completed ALTA survey for the property and market assessment, available as appendices to this RFQ:

- 140 S. Edwards (06-15-379-005)

It is anticipated that any new development may occur in phases and could include multiple buildings or incremental approaches to knit this site into the existing urban fabric. City leaders are flexible in terms of end uses and the newly updated zoning ordinance allows for many uses and development scenarios by right. There are no maximum building heights or lot coverage standards in the downtown. Additionally, underground parking could be contemplated. Parking requirements are waived for the property, acknowledging the surrounding walkable environment.

The site is bounded by city streets, S. Edwards and South Street, both with driveway access. Further, the site is adjacent to the recently amenitized Bates Alley, which provides a unique sense of place with decorative paving, landscaping, murals, and catenary lights. Sidewalks, on-street parking and water, sewer, electric, and gas utilities are available to the site.

Site Location Key





COMMUNITY OVERVIEW

Kalamazoo values education. Business and philanthropists recognized the importance of higher education for the community and established the Kalamazoo Promise, Michigan's first place-based college scholarship program for high school graduates. Educational outcomes are indicators of community stability and Kalamazoo has seen that investing in the future of its students has returned measurable benefits including an increase in property values and in the number of people who choose to live downtown.

A prosperous city, Kalamazoo boasts three institutions of higher education, two nationally-recognized healthcare systems, cutting-edge medical research (including the first COVID-19 vaccine), many world-class breweries, restaurants, and cultural amenities. Its historic downtown is walkable, safe, and well connected to the Kalamazoo River where afternoon floats are

commonplace. The city is passionate about their forward-thinking city planning, that is both efficient and collaborative. Kalamazoo city leaders connect the dots of land use, transportation, education and economic development through a focus on strong neighborhoods and housing for all.

As the county seat, Kalamazoo has a strong government sector and diverse economy, showing its resilience during national economic ebbs and flows. The community is an anchor, well situated within the state of Michigan, being less than an hour to Grand Rapids, Lansing, and the Indiana border. The city has seen strong population growth, including growth in families choosing Kalamazoo because of the excellence in educational opportunities. Businesses appreciate the central location, with direct access to I-94 and US 131.

The city and surrounding communities have been growing over the last decade. Since 2010, total population has grown with approximately 30% composed of in-migration patterns. In contrast between 2000 and 2010 the overall population trend was net migration out of the region. The overall study area has had relatively stable growth over the last ten years to an increase of roughly 5% since 2010, which calculates to an annual growth rate of about 0.5% per year on average since the 2010 census. The downtown area (5-minute radius) is forecasted to increase in population at a greater rate than the region by an additional 0.7%. Growth rates are fastest in the downtown and new housing inventory is absorbed upon hitting the market.

In terms of cultural amenities in the walkable area surrounding 140 S. Edwards, there are a wide range of activities to choose from. Adjacent to the project site is a dynamic mixed-use development which includes a movie theater and arcade.

The Kalamazoo State Theater and nearby Miller Auditorium both host award-winning national acts, drawing audiences from near and far. Nationally-recognized museums include the Gilmore Car Museum and the Air Zoo.

Nature is nearby. Downtown Kalamazoo is bounded by the Kalamazoo River, a popular destination for paddling, walking, biking, and fishing. The Kalamazoo Nature Preserve, Bow in the Clouds Preserve, and Kleinstuck Preserve protect hundreds of acres and offer dog-friendly and family-friendly trails. With four season amenities, there are plenty of places to enjoy all that nature has to offer.

Every season welcomes new and exciting events. The City hosts a number of seasonal family-friendly events throughout the year including monthly art hops, holiday decorations within the downtown, a summer Blue's Festival, and weekly music and arts festivals in nearby parks and within the downtown.



Image Credit: Jaqua Realtors



Image Credit: Southwest Michigan First



Image Credit: Kalamazoo Downtown Partnership



MARKET GROWTH

Population projected to grow 2.7% by 2025.

Households projected to grow 2.8% by 2025.

An additional 518 housing units need to be constructed by 2025.



RETAIL MARKET

More than \$380 million flows outside this study area.

7,000 to 10,000 square feet of retail space can be absorbed.

14,627 square feet of retail space is currently available in the downtown.



HOUSING MARKET

For-Rent Multi-Family Absorbable Market Product - 75 units.

For-Sale Multi-Family Absorbable Market Product - 10 units.

For-Sale Absorbable Attached Single-Family Product - 14 units.

Sources: ESRI 2020 Forecast Modeling, CoStar, MLS.com, US Census Bureau, HUD Office of Policy Development and Research, 2019, US Bureau of Labor Statistics, 2019, US Department of Housing and Urban Development, 2020

MARKET CONDITIONS AND OPPORTUNITIES

Retail/Commercial Market Potential

Current retail and market conditions have been compiled and details of this analysis are available. The downtown Kalamazoo market presently contains 14,627 square feet of dedicated retail space available within one half mile of the project site. The downtown area within a half mile of the project site could safely absorb an additional 7,000 to 10,000 square feet of dedicated retail space. The largest regional (15-minute study area) leakages represent opportunities for the downtown, among the most significant are:

- Electronic Shopping Retailers (Amazon, ETSY, eBay) - \$25 million
- Specialty Food Stores - \$6 million
- Other Motor Vehicle Dealers (motorcycles, ATVs, snowmobiles, etc.) - \$5 million
- Electronics & Appliance Stores - \$4 million
- And dozens more which could be absorbed into small-mid format stores, including general merchandise, home goods, clothing, and children's products, and many others.

Residential Market Potential

Housing product absorption in the City of Kalamazoo was analyzed by Zimmerman Volk in 2018 which calculated the absorption rates for the Kalamazoo area with a target market of greater than 50% AMI (low- to moderate-income). This resulted in the total housing market product potential breaking down to 71% multi-family for-rent market, with 9% multi-family for-sale market, 8% attached single-family (townhouse/rowhouse) market, and 12% detached for-sale market. Using the conservative estimates of absorbable product, the immediate project site downtown can safely absorb approximately 75 units of for-rent product, 10 for-sale multifamily units, or 14 attached single-family units. The average market rate for-sale condo/apartment in the downtown is, at present, a 1,091 square feet 1-bedroom, 1-bath unit listed at \$210,950 per unit.

A full market study report for the 140 S. Edwards property is available as an attachment to this document.

SITE OVERVIEW

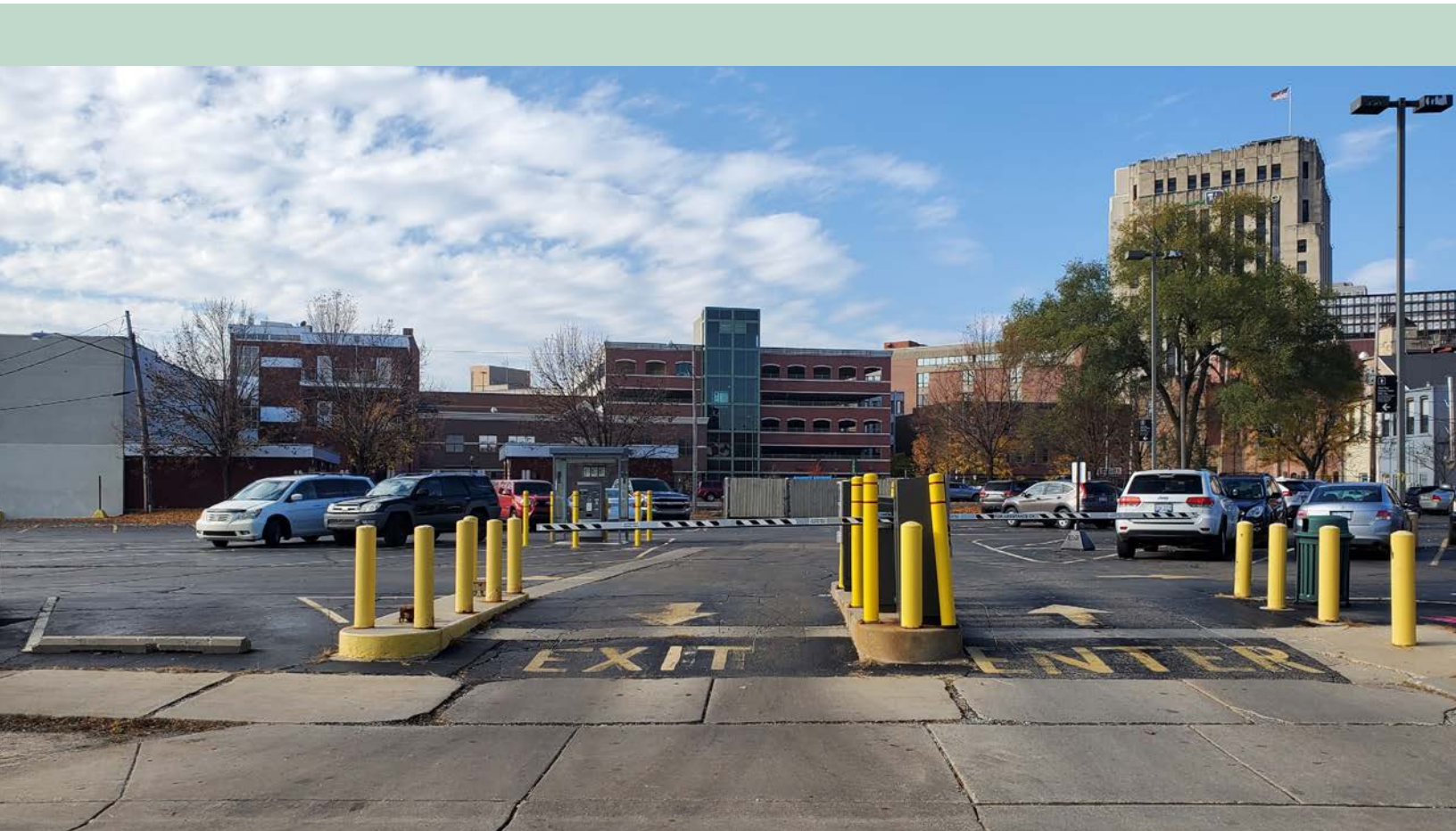
The development site is level and surrounded by multi-story, turn of the century mixed use buildings fronting Michigan Avenue, the city's primary business corridor. On Edwards, there is a blend of one-story retail buildings, restaurants, and surface parking. Across South Street is are major employers, Zoetis and the Western Michigan University Medical School. Bronson Health and Hospital System is within a 5-minute walk from the site.

A review of the historic Sanborn Maps, which were developed for fire insurance purposes, indicates that the site was once occupied by a single family home, a lodging house, and a small commercial building which fronted S. Edwards prior to 1920. The 1936 Sanborn Maps show that the lot is vacant. Since this time (or potentially earlier) the lot has been vacant and has been

used for surface parking. There are no known contaminants on the site.

Notably, the site is adjacent to the popular Bates Alley, which is part of the city's unique system of 3rd places, maintained by the local downtown development authority as unique locations for dining, walking, and relaxing. It is envisioned that any new development would take advantage of the alley frontage, considering also 2nd and 3rd story roof top activation.

The property is within a 5-minute walk of several community and regional park spaces, including Arcadia Creek Festival Place, the Kalamazoo River Valley Trail, and Bronson Park. These spaces keep nature nearby, and provide formal and informal gathering opportunities for residents of downtown, visitors, and those looking for a space to enjoy lunch.





SITE UTILITIES

The site is surrounded by city-maintained streets, and on-street parking is available. There are 5 municipal parking structures and surface lots within a short walk of the property, occupancy hovers around 55-60%.

Water/Sewer

- Site is fully served. James J. Baker, PE, City Engineer, City of Kalamazoo Public Works, (269) 337-8601

Gas/Electric

- Site is fully served, contact Consumers Energy and/or DTE.
- DTE Energy: (855) 383-4249
- Consumers Energy: (800) 477-5050

Planning/Zoning

- Christina Anderson, (269) 337- 8893, andersonc@kalamazoocity.org

Economic Development

- Antonio Mitchell, (269) 337-8165, mitchella@kalamazoocity.org

ADDITIONAL SITE INFORMATION

Master Plan and Zoning

The land use category for the subject site is "Downtown." Downtown is welcoming year-round with inviting public spaces; events and activities for all ages and interests; and ease of movement in, around, and to Downtown. The site is bounded by Edwards and South streets which are designated as "main street" corridors encouraging active ground-floor uses, storefront design with entries facing the streets, and clear, non-reflective windows.

Recent amendments to the City of Kalamazoo Zoning Ordinance designate the subject site in the Downtown 2 District. This district allows for entertainment, commercial and retail, office uses, restaurants, attached single family, and multi-family residential. Craftsman industrial uses are also allowable with development standards. The site is within the Downtown Exempt Parking area, meaning any future development is exempt from providing off-street parking.

PREFERRED DEVELOPMENT SCENARIO

The City of Kalamazoo is certified as a Redevelopment Ready Community by the Michigan Economic Development Corporation. The RRC certification recognizes the city's development regulations and processes as up-to-date, clear, and predictable, as determined by a rigorous external assessment.

The City has undertaken an analysis of preferred uses for the site that includes two multi-story, mixed use buildings, with step backs from Bates Alley to encourage the use of rooftops to enliven various levels of the public realm. The use mix includes active uses at the ground floor, including a desire for maker spaces and live/work opportunities which incubate and foster small business and increase urban vitality. With new construction, the City is open to ceiling heights that enable clean, light industrial uses that can co-exist with residential and commercial uses.

Building A is two stories, with rooftop activation overlooking Bates Alley. Cantilevered garage parking accommodates six vehicles, two live/work units, five residential one-bedroom units, and an additional 3,200 square feet of commercial space. Building B is five stories, with 24 covered parking spaces, 62 residential one-bedroom units, and just over 8,500 square feet of commercial uses.

Recognizing that development may occur in phases, the site may include multiple buildings. To encourage a continuation of the walkable nature of downtown and Michigan Street to the north, the predominant vehicular and service access would be taken from South Street. Active uses wrap internal surface parking, where an additional 51 surface spaces would provide shared parking for both buildings A and B.

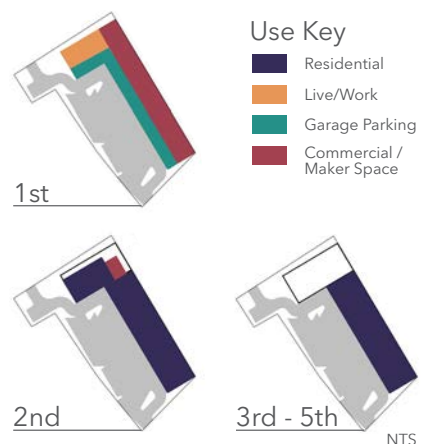




Conceptual Site Plan Legend

- A** Building A: 2-story mixed use commercial, residential, and live/work, with at grade first floor covered parking in rear
- B** Building B: 5-story mixed use commercial/maker space, and residential with at grade first floor covered parking in rear
- C** Point of entry
- D** Shared surface lot
- E** Pedestrian alley
- F** Community greenspace
- G** Stepped back 2nd story for rooftop balcony
- #** Parking counts

Use Diagrams by Story





Building A | Connection to Bates Alley

Turning the corner of Bates Alley from S. Edwards, building A shows a stepped back architecture that provides space for rooftop patios and balconies. A two-story restaurant is envisioned to hold the corner, while live/work spaces fill the remaining first floor and residential on the second along Bates.

Site Elements = Commercial, Residential, Live/Work, Parking

Number of Stories = 2

Dwelling Units = 7
 Apartment Units = 5
 Live/Work Units = 2

Commercial Space = 3,200 sf

Garage Parking Spaces = 6



Building B | Activating South Edwards

The mixed-use frontage of Building B completes S. Edwards and brings activity all the way down to South Street. A mixture of commercial and maker space front the street while garage and surface parking are located in the rear. The upper four floors could provide 62 residential dwelling units that are a short walk to the many amenities of downtown Kalamazoo, major employers, and university facilities.

Site Elements = Commercial/ Maker Space, Residential, Parking

Number of Stories = 5

Dwelling Units = 62

Commercial/Maker Space = 8,510 sf

Garage parking spaces = 24

Off Street Parking = 81 spaces
 Surface Lot = 51
 Garage (Building A & B) = 30

On Street Parking = 32 approximate spaces on directly adjacent blocks of S. Edwards and E. South Streets.

Total Parking = 113 spaces

PREFERRED DEVELOPMENT SCENARIO PROJECT COSTS

The preferred development scenario has been validated against local market conditions and typical development costs. A pro forma report for the 140 S. Edwards property has been created. Highlights from this report are represented below in the *Project Costs & Income* section.

The construction, development, and operating costs for a future project may differ greatly from this estimate and pro forma depending on a number of factors. This pro forma should not be considered as final or approved by MEDC in any way. It has been created as a representative sample for a project similar to the size and shape of the preferred development scenario featured in the RFQ.

.....



Project Costs & Income

Contains residential and commercial rental income and income calculated from dedicated parking.

- IRR = 7.10%
- COCR = 9.70%
- DSCR = 1.30
- NOI = \$1,051,288

..... **Real Estate Valuation after 20 years = \$17,528,799**

..... **Proceeds available upon sale = \$8,737,191**

.....

AVAILABLE INCENTIVES

The City of Kalamazoo is a Core Community and the following incentives may be leveraged by the developer:

- MEDC Community Revitalization Grants & Loans – Up to 25% of site improvement and construction costs.
- Brownfield Tax Increment Financing – Reimbursement through paid taxes of 100% of demolition, site preparation, public infrastructure, and lead and asbestos abatement, as well as environmental remediation.
- Neighborhood Enterprise Zone – For new home construction, instead of the full millage rate, the new home is taxed at half of the statewide average up to 15 years.
- Purchase Price Reduction – Developments that include affordable housing units are eligible for discounted purchase price based on the share of units included.

Respondents are encouraged to review the City of Kalamazoo's incentive policy and evaluation worksheet, available at www.kalamazoo.org/development





SELECTION PROCESS AND CRITERIA

The City of Kalamazoo will review and evaluate all complete proposals in response to this Request for Qualifications (RFQ) to identify and engage with qualified developers. An initial response to this RFQ must include the following information:

- Letter of Interest: Provide a letter (up to 3 pages) identifying the development team and providing a brief description of the team's vision for the site and timeline.
- Concept plans or renderings.
- Estimated purchase price and potential incentives requested.
- Development Experience / Portfolio: Provide a short description of past projects of a similar nature completed by the development team (up to 10 pages). Include a description of the projects, cost, completion date, and references.
- Evidence of development team's fiscal capacity to undertake the proposed project.
- Resume of firm and lead team members.

City of Kalamazoo staff may seek additional information upon receipt of a development proposal.

The RFQ and responses should not be considered a legally binding agreement. Upon selection of a qualified development team, City of Kalamazoo will enter into a pre-development agreement including purchase price, due diligence period, and other terms.

Proposal Format

Six (6) printed proposals and a PDF version shall be submitted by the deadline stated in the attached schedule to:

Antonio L. Mitchell
Community Investment Manager
Community Planning & Economic
Development Department
245 North Rose Street, Suite #100
Kalamazoo, MI 49007

(W) 269-337-8165
(F) 269-337-8513
www.kalamazoocity.org
mitchella@kalamazoocity.org

CONTACT / QUESTIONS

Questions may be directed to:
Antonio L. Mitchell
Community Investment Manager
(W) 269-337-8165 | (F) 269-337-8513
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140 S. EDWARDS KALAMAZOO, MI

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