50 Projects – 50 States: Michigan

Martineau Division-Oakes
Grand Rapids, MI

NMTC Allocatee

LISC NMTC Program
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Community Profile

- CDFI Hot Zone
- SBA Hub Zone
- 52% poverty rate
- Family income 50% of area median income

LISC NEF INC
NEW MARKETS TAX CREDIT PROGRAM

Project Highlights

- Real Estate: Gallery, Retail, Live-Work space
- Total Project Cost: $10.6 million
- NMTC: $8.7 million
- Investor: National City Bank
- Lender: National City Bank, Heartside Non-Profit Housing Corp.
- Jobs: 40 construction, 21 permanent

The Martineau Division-Oakes revitalization project will transform several blighted parcels on Division Avenue in Grand Rapids. The project is located in Grand Rapid's Heartside district, south of downtown. From the late 1800s through the mid 1900s, Heartside was a thriving mixed-use district consisting of modest apartments above commercial store fronts, mid-sized manufacturers, and warehouses. Starting in the 1950s, residents migrated to the suburbs and Heartside fell into a cycle of decline and disinvestment resulting in vacant storefronts, seedy bars, and deteriorating houses.

Prior to this effort, the street contained empty, dilapidated buildings two to three stories tall. The project calls for the area to become a mixed-use development for arts-related activities with 23 live-work residential units for artists and approximately 12,772 square feet of commercial space. Calvin College, the anchor tenant, will use much of the commercial space for its arts faculty and student studios. LISC provided $8.7 million from its New Markets Tax Credit (NMTC) allocation in a mix of debt and equity to make this project happen.

Four galleries already operate in Heartside and a 3-story mural by nationally known artist Richard Haas was unveiled in 2004, one block from the project. Martineau Division-Oakes is designed to leverage these art destinations, attract a critical mass of artists, patrons, and visitors, and thereby provide an economic engine for broader neighborhood growth. The project's art theme also aligns with Governor Granholm's Cool Cities Initiative launched in 2003 that seeks to encourage the growth of "cool cities" – hip, urban environments to attract and retain younger workers. Dwelling Place of Grand Rapids, Inc., a nonprofit developer, has played a critical role in this effort.

Located in a commercially unproven and economically distressed community, the project faced obstacles to securing adequate financing. LISC offered a way to leverage available financing to overcome this obstacle and close the gap. LISC provided a custom product featuring a mix of NMTC equity and debt. Other non-traditional/favorable terms included a below-market interest rate; a longer interest-only payment period; and a higher loan-to-value ratio. The product's equity feature was used to capture federal Historic Tax Credits.