



235 West Chisholm Street, Alpena, MI 49707 Fax: (989) 356-3999 Phone (989) 354-4181

August 13, 2024

Jesse Osmer Alpena County Administrator and the County Board of Commissioners

Target Semi Annual Report

Please accept the following update as our semi-annual report to the County.

Overview:

The biggest issue to arise since the year began was the announced closure of DPI. More on this below.

Economic development activity remains solid. Despite elevated interest rates, and elevated building material costs, it is great to see some of the large-scale projects are nearly complete, and others being explored more aggressively.

Target has added new staff (6 total staff now) to focus on small business support and development. One began in June and the other joined us in August. Target's strategic objective has been to add specific skillsets and expertise to better serve the economic development needs of the area. We now have Lenny Avery focused on housing and grants and Joe Carr focused on small businesses which are the life blood of most communities. Joe's secondary priority is on doing work to support the establishment a SmartZone centered around the Alpena area.

Outside of overseeing the housing and small business support services, my primary focus remains Alpena and Presque Isle counties activity.

➤ **DPI –**

- *This came unexpectedly. I was unaware of the plans to shut down the facility.*

Target assisted potential buyers that reached out to me on the heels of the announcement. I connected with the CFO who arranged tours / showings right away. Unfortunately, there was no path forward that made sense for either of the interested parties. Both buyers indicated the drain of talent so quickly was a real problem.

I have offered to arrange meetings with company officials and key local stakeholders to talk about the next steps and to plan forward. These offers have gone unanswered. It would be great to know the company's intent for the site. No doubt the cost to demolish

and cleanup will be high. Absent a buyer, this process of ownership transfer and cleanup could take years. I hope this is not the case.

Last week a strategic buyer announced their intent to acquire the plant in Ohio sparking some hope for the Alpena facility. The buyer had no interest in this Alpena plant.

DPI has a realtor that they have engaged to help them market the Alpena property. I will continue to advocate for a joint meeting with the owners and local stakeholders.

Grant Programs

MEDC Small Business Hub Grant – Target applied for this grant under a new program designed to exclusively support small businesses. This program covers the full gamut of small businesses no matter where they are in their life cycle from entrepreneurs seeking to start a business to mature businesses seeking to expand or even sell. Target was selected as one of twenty-seven entities to be funded (70 applicants). We are receiving \$2.149 million to support this work over the next 25 months. The programming expires on Sep 30, 2026.

Under the grant Target will be serving the five lakeshore counties from Iosco to the south up to Cheboygan to the north. We have hired a seasoned small business consultant to run this program for Target. Through this grant, we will be able to focus specific expertise and resources toward the development of an entrepreneurial eco system within the region. The goal is to strengthen our small businesses across the region to better position them for success and the ability to withstand economic challenges. Joe and his team of three others are already engaging in meaningful work with local small businesses.

*A long-term priority for Target is the creation of a smart zone centered around Alpena. We have a couple of unique opportunities that might be viable for the creation of the smart zone. **SmartZone is classified as a region in which there is a growing technology and innovation hub, with the right resources and accelerators available to facilitate entrepreneurial collaboration and incubation for new and emerging businesses.** More on this in future updates.*

Target Business Development Activity:

➤ **Commerce Lots**

There are two lots remaining are they contiguous. We have had recent inquiries into one or both parcels. No offers yet.

➤ **DDA**

The DDA has several different projects underway:



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- *Anne Gentry secured a \$470,000 grant for Façade improvements. The full amount of the grant has been committed to various projects, many of which are buildings in the expanded boundary area.*
- *The DDA went through a facilitated strategic planning session. It had been a few years and with new members and expanded boundaries, we felt the time was proper for such an activity.*
- *The parking plan development has been placed on hold for now given the upcoming elections.*

- o **APC site** – *A project was brought forward a year ago that would be great for the community. The costs of construction have risen dramatically over the last year and the developers are having a challenging time finding a way to fill the financial gap. The limiting factor here is the rents collected. The costs of construction are consistent across the state however the rents that can be charged are not. While rents in the Alpena area have risen in recent years (along with home values) it is not enough to close the gap. MSHDA recently announced a new Tax Increment Financing (TIF) program that is being explored to better understand the mechanics. The amount captured under the TIF will determine how many units need to be set aside at “affordable” rent levels tied to AMI limits for our county. Absent a long-term subsidy program like this, it is not viable for projects like this to be undertaken in our community.*
 - *An EGLE grant (\$615K plus a low interest loan of \$450K) were awarded for this site originally to support the Fairfield hotel project on this site back in 2021. We have notified EGLE that we intend on still taking advantage of both since the site will need to be cleaned up no matter the type of project. EGLE is supportive of the transfer of the grant and loan so long as the project is underway. EGLE will reclaim both if nothing is imminent. EGLE has expressed recently that they would entertain the developer commencing cleanup under the grant but only if they own the property. I intend to discuss this with my board in September if the developer is ready to move forward with a purchase.*
 - *The Brownfield plan for the hotel project was approved and will need to be modified for this project once the details are better known.*
 - **Recent Update:** *I organized an in-person meeting in May with developer, the construction company, EGLE, city staff and the Brownfield consultant to provide an update and coordinate the various pieces that will need to come together by all parties to move this project along. Taking advantage of*

modular construction would speed the project up considerably which would place pressure on the city to plan and execute any necessary upgrades to city infrastructure that might be necessary to support the development. The hurdle we need to clear is the funding gap for the developer. Until that is solved, nothing will happen.

- **Federal Building** – Jeff Konczak owns it. I do not know the intent or timing for the building.
- **Fletcher Paper** – Target submitted a grant for the demolition of the former papermill. It was unsuccessful. We scored well and came in just below the cut line. For now, no plans to take it down are in the works although it remains a priority of the owner.
- **DDA Boundary Expansion**
 - Now that this process is behind us, we created a budget for allocating funds into the expanded boundary. The goal is to prioritize an immediate impact in the new areas. We want to demonstrate our commitment to the expanded area and begin the beautification process. Our approach includes a residential façade grant program, which is new for the DDA.
 - We have added 4 new board member to the DDA and 3 of them own buildings and businesses from the expanded areas.
 - Several projects in the newly expanded boundary have come to light as a direct result of the expansion. The acquisition of the former Big Boy and the plans for redevelopment (following tear down) are a direct result of this expansion. My hope is the project being considered will move forward. There has been considerable engagement between the owner / developer, me, and the city. Another property in the expanded section has also come forward. Their plans were in the works prior to the expansion but they are excited and willing to commit to incorporating the look and feel of our current downtown into their project.
- **Former Habitat Site (MEDC RAP Program)**
 - This parcel owner intends on developing it. We met this spring and discussed a couple of options including a mixed-use project to be developed in phases. We also discussed a housing only project. He has discussed both with the MEDC and they have expressed interest in each. He was gathering some cost ideas for each to help shape his thought process on which to pursue. No update on timing at this point.
- **Vaughn Building** – No update on this project or the timing therein.



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➤ **City property North of town:**

- *This winter / spring I coordinated an offer to the city from Eric Ferguson for the parcel on Hemlock drive where his new Edward Jones office is being built. Glad to see our first project on that section of road.*

I have shown various parcels to other interested parties. One has been up here three times exploring the site for independent and assisted living. They have several locations down state and are looking to replicate one of their facilities up here. They have prioritized Alpena for such a project just past the new Edward Jones office. The project they are considering would be great for the community in that it will impact housing by giving seniors an option to sell a home that is too big for them and use the proceeds to move into an independent living property. Making some of these homes available to families moving here would be great. This developer just completed a similar project down state. They have said they intend on using local contractors to build it. Here are the specs:

- *Independent Living 2 stories, 68 Bedroom units 91,000 sf.*
- *Assisted living: 41,000 sq ft, thirty units assisted living and thirty units of memory care.*

The developer indicates a Purchase Agreement is forthcoming. The timeline the developer shared has the project beginning next spring assuming they reach a deal with the city and close on the land purchase this fall.

We have also shown some of the land to housing developers. There have been conversations with one of them on a proposed project but nothing formal has been presented. The project being discussed would be terrific in addressing housing in the area should their plan come to fruition.

These above-mentioned projects on the city property represent significant investment in the region. These are complicated and have many moving parts. Any number of elements could delay or prevent these projects from coming to life. These projects have long time horizons for completion and can be disrupted anytime during that process.

Other activity outside of the city:

- **Hampton Inn** – *The mild winter allowed for great progress. The hotel looks great.*

- **Aldi** – So glad to see this finally happen. This has been an 8-year ordeal. Nothing that I have been involved in so far in this role has garnered more favorable feedback to me than this project.
- **CRTC** – A groundbreaking took place in the fall for a fifth-generation aircraft hangar. Couple this with the recent runway repairs, these will enhance the viability of both the airport and base for years into the future.
- **PACE** – Program of All-inclusive Care for the Elderly is coming to Alpena. This state funded program helps income qualified seniors to remain in their homes longer (and out of assisted living) saving the state money. They are beginning to remodel the former Peebles location in Bear Point Plaza. It is great to see this empty spaces on the south end of town get a facelift and a new tenant. They were seeking a 15-year lease with 5-year extensions.
- **Thunder Bay Shopping Center** We have a new Ollies planned for a portion of the former Nieman’s store. In the same shopping center, we also have a restaurant Starlight Café’ that opened in the former Mangos express that will be a breakfast / lunch location with an emphasis on scratch made foods.
- **Airport Lots M-32** - I have been assisting the county with the sale of six parcels west of Airport Road on the north side of M-32. Two of the parcels are under contract to build a branded fueling site along with a convenience store and some form a food stop. This development is complicated in that the water comes from the township, the sewer is provided by the city, and the township controls the zoning change needed for that type of business. That is an excellent location and with projected enhanced military activity at the CRTC, this is a great business idea. My expectation is that this sale closes by the time we get to this meeting.

I might suggest given the title issues that arose through this sales process for lots 5 and 6, the county might want tot to undertake some preliminary title work now. Future buyers may not be willing to be as patient as Mr. Jennings was through this transaction. I would anticipate elevated interest in the remaining parcels once this project commences and begins to take shape.

- **APLEX** – I have been involved with the Plaza Pool project and the conversations on next steps associated with the pool replacement. There remains a lot of work on this issue including the financial analysis and proforma projections should a new pool be built, funding the cost of the pool and how to manage and run it once complete. I have been asked to model the financial projections of various operating forms under consideration.
- **Recycling** – I have a limited role in the process. My involvement has been related to reviewing the loan docs and covenants associated with any credit offerings.



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I am aware of other projects across the area that are in the early exploration stages. I will continue to collaborate with the various parties to help address needs that arise. My goal remains to bring these projects from concept to reality. When it is appropriate to share information about these projects, I will do so.

Other Matters:

Grant Pursuit

Target has gotten involved in seeking grants on behalf of our constituents and for our own benefit in the name of improving the impact on our community. We have pursued several grants to support housing and capacity building. We have had success in bringing funding to the area.

- *We assisted the city in seeking grants for Culligan Plaza and the marina.*
- *Target has also pursued direct funding for several local projects or organizations.*
- *Target pursued a grant to establish a small business hub headquartered in Alpena but serving Iosco, Alcona, Alpena, Presque Isle County and Cheboygan counties. This is a 3-year grant program designed to help small businesses which are the lifeblood of many smaller communities. We are receiving over \$2.1 million under this grant.*
- *Lenny worked with the Alpena County Land Bank to secure funds for various projects.*
- *Lenny has secured grant funds to help income limited homeowners with repairs thereby extending the life of the home and improving the appearance of the property which serves to elevate values of neighboring homes and preserves the community housing stock by extending the life of some of these homes.*
- *Lenny pursued a grant under the land bank to selectively demolish the former Fletcher paper company mill buildings. We were unsuccessful. It is important we secure some level of subsidy to tear it down. The owner is willing to pay a portion of the tear down costs (estimated to be \$3.0 million) which will make securing a grant more likely. The site cannot be redeveloped until it is taken down, which makes this a priority project for Target.*

Housing

Target has chosen to pursue the region E leadership role under the newly formed MSHDA housing program. We were selected to lead the 11-county region helping to assist in the development of a regional housing plan that included a plan for each of the counties involved.

- *Lenny secured a grant to fund Region E housing needs assessment. That is underway. While we have already undertaken this process for Alpena as part of our housing task force, our hope is both reports are consistent with respect to their findings related to our county.*
- *Among the elements cited in the Alpena housing needs assessment is the need for homes in the price range from \$175,000 to \$250,000. There is significant demand and little available in this price category. With construction costs exceeding \$300 / square feet, it is hard to stay in this range with a new build. The housing total need identified in the report was 450 to 500 units from rental apartments to free standing homes for sale.*

Community Highlight Tour – *Target (Lenny) organized a meeting in Alpena inviting State level leaders up here to tour the community and meet and hear from local community leaders about the needs and opportunities that exist up here. Jeff Grey, Anne Gentry, Jeff Konczak and Don MacMaster were among those that led tours and discussed the needs of the area. Overall, it was well done and garnered considerable favorable commentary from attendees.*

Loan Report Updates

- *Target has made five loans since the year began. We made eight the prior year.*

County Unemployment Rate: As of April 2024, 4.2% up slightly from Nov 2023 (4.0%)

Final Thoughts: *Despite negative macro-economic forces at the start of the year, development activity remains solid. For some projects, these economic factors had a negligible impact since the project was already committed to. I am encouraged by the level of interest that still exists. We saw in late 2023, however, these same factors were enough to cause the abandonment of the former Habitat mixed use development project. This is my single biggest disappointment since I took on this role 4 and 1/2 years ago.*

Lastly, we are actively evaluating where the broad geographic housing support fits into the Target organization. Target is mindful of our mission to support the Alpena and Presque Isle areas and to focus on broad economic development activities. As the RHP lead for eleven counties, it is not practical for Target, which is Alpena and PI County centric, to focus on the other nine counties and their housing needs.

It makes the most sense for housing to be led by a newly formed entity focused on only housing and serving a larger geographic area centered around NE Michigan. Members of this organization should set priorities and provide the resources needed. There are many elements to housing and it does require specialized skills (knowing and understanding the various tools) and focus to make any meaningful progress on this front. There will come a time when Target and



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Lenny come back seeking input and your level of interest in supporting and being a part of such an entity. We are calling the entity NMHA (Northeast Michigan Housing Alliance)

These moves that have taken place in the last year are in alignment with our strategic direction and fully supported by the Target board of directors. This journey of growth and our evolution as an organization is exciting for Target and should prove beneficial for the broader Alpena area. These moves help us to fulfill our mission statement of improving the lives of all people living in northeast Michigan. While Target is branching out in terms of services and support, my focus will continue to be the Alpena and Presque Isle areas.

Thank you for your support of Target and our mission.

Respectfully submitted,

*Michael W. Mahler
Director of Economic Development Director*