

Project Summary: Boardman Building Redevelopment

412 Webster Street, Traverse City



The Boardman School building was constructed in 1913 and is Traverse City's oldest school structure. It served as a school until 1970 and was then converted to the Traverse City Area Public Schools' (TCAPS) administration building. The old Boardman School building was renamed in 1994 for a long-time Traverse City educator, Ida Tompkins.

When TCAPS announced that it would relocate to a larger building where services could be more centralized and the Ida Tompkins administration building would be sold, local business owners Eric Gerstner and Ken Richmond were immediately interested. Both Ken, an architect, and Eric, a contractor and builder, are long-time Traverse City residents. They met in the 1990s when they were neighbors on Webster Street, across the street from the Ida Tompkins building. They know how deeply the historic building is embedded in the neighborhood's identity, and they knew that demolishing the historic building for new the condominiums proposed by another developer was not what the neighborhood residents or TCAPS wanted to see. The TCAPS board agreed with Ken and Eric, and unanimously voted to accept their substantially lower priced purchase offer for the property provided the building would be preserved and renovated for housing.

In honor of the original school name, the renovated building will be called The Boardman Building. The Boardman Building's historical character, 14 foot ceilings, large windows, and location steps away from downtown Traverse City amenities and the Traverse City/Grand Traverse County government center will make it a highly desirable place to live and work. After studying both the housing and downtown office space markets, Ken and Eric developed a plan for the 23,500-square foot Boardman Building's reuse.

- Provided brownfield tax increment financing (TIF) is approved to help cover project costs, the lowest (garden) level will be renovated into five studio apartments, six one-bedroom apartments, and one two-bedroom apartment (a total of 12 income-qualified residential units). These apartments will all be affordable for renters earning between 60% and 100% of Grand Traverse County's Area Median Income (AMI). Rents are expected to be \$1,000 a month for a studio, \$1,200 a month for a small one-bedroom unit, and \$1,575 for a large one-bedroom or two-bedroom unit. If the brownfield TIF is approved, rents will be kept at or below rates affordable for residents earning up to 100% of AMI for the duration of brownfield TIF reimbursement.
- The middle floor will be built as a "white box" office space and sold as a condominium to an investor who will lease the space out to one or more tenants.
- The renovated building's top floor will have four 1,881-square foot condominium units that will be sold at market rate.

Building costs have skyrocketed in recent years. Renovating an old building is frequently more expensive than building new. The Boardman Building will be stripped bare and rebuilt from the inside. Old plumbing, heating, and electrical systems, walls, floors, and bathrooms must be removed, bricks tuckpointed, and the structure stabilized before new construction can begin. The old boiler can only be removed by cutting a hole in the roof. The ancient elevator must be replaced. The cost to renovate the garden level for workforce housing is almost as much as renovating the two upper floors combined. The reason is simple: 12 apartments cost more to build than four condos and an empty office space. There's more electrical and heating infrastructure. More walls have to be built. Twelve kitchens and bathrooms will be outfitted and plumbed. In addition to materials and labor costs, the Boardman Building also has costs related to environmental conditions. A plume of environmental contamination is migrating onto the Boardman Building property from offsite, and contaminated material was used to fill the site.

Keeping one floor at reduced rents for residents earning up to 100% of AMI means that building revenues are less than the developers' loan payments and operating expenses. Projected rents, starting at \$1,000 for a studio, are affordable for a person earning 60% of the AMI – about \$20 an hour. The owners' proforma shows that without brownfield TIF, the income-qualified apartments can't be built: the owners would lose money. No lender will make a loan on the project. If the brownfield TIF is not approved, the owners will instead build additional market-rate condominiums in the garden level. Sales at current Traverse City market rates will cover their development costs.

Brownfield TIF comes from the difference between the current property taxes on the property (which were zero under TCAPS' ownership) and the taxes based on the value of the completed project. In this case, the tax "increment" is the whole property tax bill since no taxes have been paid on the property in more than 100 years. The taxes paid on The Boardman Building would be reimbursed to the developers for up to 28 years, provided the garden level apartments are rented to residents whose incomes are up to 100% of Grand Traverse County's AMI for the same period. Property taxes include city and county operating revenues and state school taxes, so three levels of government would help support this project. If the project is approved, the State of Michigan will pay 46% of the cost of this project. The remaining 54% of costs are split between Traverse City and Grand Traverse County's future tax revenues. None of these jurisdictions will lose any current revenues since the property was not taxed under TCAPS ownership.

Eligible Activities

State law determines what TIF can be used for. If a building will be renovated for income qualified residents, any of the renovation, demolition, abatement, site preparation, and infrastructure costs are eligible for

reimbursement with TIF. This helps developers build housing they would otherwise not build because the numbers just don't work. It's the state's way of addressing Michigan's housing shortage, which is particularly acute in northern Michigan. In this case, since The Boardman Building will include office space and residential units for families that are not income qualified, shared costs (elevators, parking) have been prorated to 38%, according to the building's square footage that will be reserved for income qualified residents. The brownfield plan also includes reimbursement to TCAPS for its moving expenses, a cost that is also eligible under the statute. The Grand Traverse County Brownfield Redevelopment Authority (GTCBRA) will be reimbursed for its administrative costs, and the GTCBRA's local brownfield revolving fund will collect taxes for the final five years of the brownfield plan. A detailed project budget is included in the draft brownfield plan.

Eligible Activity	Estimated Cost	Reimbursement to
Environmental due diligence and due care costs	\$433,250	Developers
Renovation of garden level for income restricted apartments and prorated shared costs (elevator, roof, parking)	\$3,452,931	Developers
TCAPS relocation costs	\$100,000	TCAPS
Brownfield plan and work plan	\$30,000	Developers and TCAPS
Brownfield plan implementation	\$50,000	GTCBRA
BRA Administration	\$172,271	GTCBRA
Local Brownfield Revolving Fund	\$785,068	GTCBRA
Total plan cost	\$4,238,452	

Share of the total paid by state taxes: 46.3%

Share of the total paid by city and county taxes: 53.7%

Brownfield Plan Approval Process

All brownfield plans in Grand Traverse County must be approved by the city or township where the project is located, by the GTCBRA, and by the Grand Traverse County Commission. The plan was approved by the City Commission of Traverse City on September 3, 2024 and by the GTCBRA on September 12, 2024. A public hearing must be held prior to approval. This is likely to be held during a county commission meeting in October 2024.

If the brownfield plan is approved at all levels, another plan will be created and sent to the State of Michigan for approval to use state taxes for the project.

If the project is not approved by the city council, GTCBRA, the county commission, and the state agencies, the income qualified housing will not be constructed and the garden level will be built as eight market rate condominiums instead.



Boardman School / Ida Tompkins Administration Building as it appears today (Photo from The Traverse Ticker)

Development Team Background: Eric Gerstner owns and renovated the midcentury Tru-Fit Trouser Building in Traverse City, and restored the historic Birney Building in Manistee. He is a licensed builder and a licensed electrician.

Ken Richmond has worked on a number of historic buildings, including some that were thought to be impossible to save. Ken was a consulting architect for Buildings 50 and 88 at the Grand Traverse Commons, Fishtown in Leland, and others. He converted the original Munson Hospital building adjacent to the Commons into offices, which he still owns.

Further Information: These local news stories describe the two competing bids for the Ida Tompkins building and the TCAPS Trustees' and community support for sale of the building to Eric Gerstner and Ken Richmond.

8/14/23 <https://www.traverseticker.com/news/tcaps-to-talk-property-offers-bond-projects/>

8/18/23 <https://www.traverseticker.com/news/whats-next-for-tcaps-administration-building/>

9/5/23 <https://www.traverseticker.com/news/two-housing-projects-marina-changes-on-planning-commission-agenda/>

10/10/23 <https://www.traverseticker.com/news/tcaps-board-approves-purchase-agreement-for-admin-building-agrees-to-list-bertha-vos-on-market/>

3/11/24 <https://www.traverseticker.com/news/tcaps-prepares-for-admin-move-to-glenn-loomis/>

3D scan of the Boardman Building and building history: <https://jscottsmith.com/project/3d-laser-scanning-historic-boardman-building/>