

# **SOUTHWEST DETROIT, MICHIGAN**

**October 6 – 11, 2013**

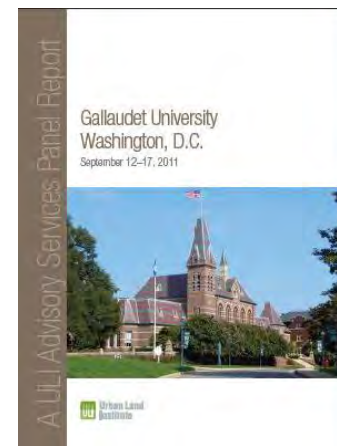
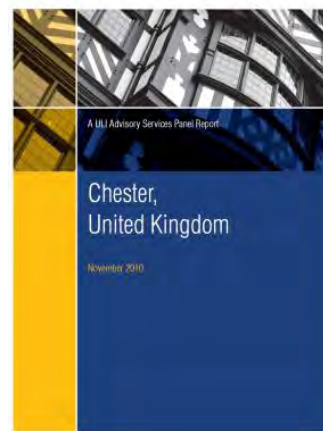
# About the Urban Land Institute

- The mission is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.
- Membership organization with nearly 30,000 members, in 100 countries on 6 continents representing the spectrum of real estate development, land use planning, and financial disciplines, working in private enterprise and public service.
- What the Urban Land Institute does:
  - Conducts Research
  - Provides a forum for sharing of best practices
  - Organizes and conducts meetings
  - Directs outreach programs
  - Conduct Advisory Services Panels



# Advisory Services Program

- Since 1947
- 15 - 20 panels a year on a variety of land use subjects
- Provides independent, objective candid advice on important land use and real estate issues
- Process
  - Review background materials
  - Receive a sponsor presentation & tour
  - Conduct stakeholder interviews
  - Consider data, frame issues and write recommendations
  - Make presentation
  - Produce a final report



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# Thanks to Our Sponsor

## **Southwest Detroit Business Association**

Kathy Wendler, President

Sarah Pavelko, Project Manager



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# Panel Members

## Chair

### **Leigh Ferguson**

Director of Economic Development  
Downtown Development District  
New Orleans, Louisiana

### **Anita Morrison**

Principal  
Partners for Economic Solutions  
District of Columbia

## Panelists

### **Stephen Dragos**

Consultant  
Southport, North Carolina

### **David Stebbins**

Vice President  
Buffalo Urban Development Corp.  
Buffalo, New York

### **Tom Flynn, CEcD**

Consultant  
Middleburg, Virginia

### **Mark Troen**

Managing Partner & Principal  
The Winnmark Group  
Warwick, New York

### **Stephen Gray**

Urban Designer  
Sasaki  
Watertown, Massachusetts

### **Nathan Watson**

Sr. Vice President of Development  
Tradition Properties, Inc.  
Tradition, Mississippi

# Location

- 6.9 acre, former Department of Public Works (DPW) vehicle maintenance facility
- Located on the West Vernor Commercial District, the City's strongest commercial corridor
- Highly accessible from four major freeways (I-94, I-96, M-10, and I-75)



# The Panel's Assignment

- Based on area resources and assets, evaluate potential forms for redevelopment:
  - Economic Development generator
    - microbusinesses, artisan production viewing and sales, light artisanal manufacturing
  - Retail
    - big box or strip mall
  - Office
  - Light Industrial
- Recommend the Best Option





# The Panel's Assignment

- **What is the best program for the identified location?**
  - Provide a program, financial feasibility review, and timetable for redevelopment.
- **What special design considerations are needed to support the end use?**
  - Identify how Southwest Detroit's immigrant heritage can be integrated.
  - Recommend sustainable programming of public space.
- **How can economic development activities capitalize on infrastructure investments of the Detroit Intermodal Freight Terminal (DIFT) and the New International Trade Crossing (NITC)?**
  - Evaluate and identify changes to traffic flow.
- **What partners (e.g.- City of Detroit, Wayne County or the State of Michigan) are needed to facilitate development at this site?**
  - Identify public and private financing tools for development project.



# Agenda

- **Assignment and site context**
- Market Analysis – Anita, Mark
- Development Strategy - Nathan
- Development Concept – Stephen, Stephen
- Implementation – David, Tom
- Conclusion

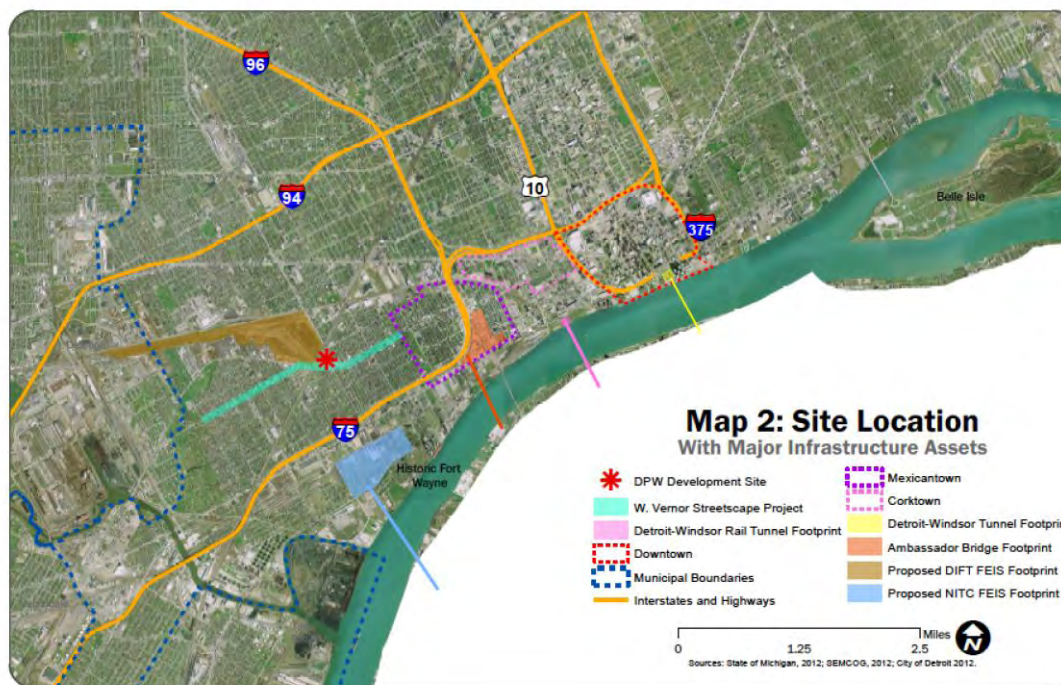
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# Market Analysis

## Regional Context and Profile

- Southwest Detroit and the DPW site well-located
- Good road connections and accessibility
- Good news is also bad news



# Market Analysis

## Southwest Detroit Potential

- Market opportunities driven area demographics
- Southwest Detroit stable and densely populated
- Favorable household characteristics

Southwest Detroit Demographic Profile, 2010			
	Southwest Detroit	Detroit	Tri-County
Population			
2010 Census Count	77,134	713,777	3,863,924
2000-2010 Percent Change	-19%	-25%	-4%
Households			
2010 Census Count	24,596	369,445	1,518,114
2000-2010 Percent Change	-20%	-20%	-2%
Average Household Size, 2010	2.87	2.59	2.51
Age Distribution, 2010			
Under 18	33%	27%	24%
18-64	59%	62%	63%
65 and Over	8%	11%	13%
Source: U.S. Census of Population.			

# Market Analysis

## Population Characteristics

- Area residents are younger
- Highly diverse population and business base
- Hispanic population dominates
  - 83% of Detroit total / 22% percent of Tri-County total

Southwest Detroit Race and Ethnicity, 2010			
	Southwest Detroit	Detroit	Tri-County
Race (Alone or in Combination with Other Races)	100%	100%	100%
White	46%	12%	69%
Black or African American	29%	84%	26%
American Indian	2%	1%	1%
Asian	1%	1%	4%
Pacific Islander	0%	0%	0%
Other Race	27%	3%	2%
Hispanic or Latino (Of Any Race)	53%	7%	4%
Mexican	42%	5%	3%
Puerto Rican	5%	1%	0%
Cuban	0%	0%	0%
Other Hispanic or Latino	5%	1%	1%
Source: U.S. Census of Population.			



# Market Analysis

## Key Characteristics

- Low incomes
- Extensive cash economy
- Modest housing values

Southwest Detroit Incomes and Homeownership			
	Southwest Detroit	Detroit	Tri-County
Median Household Income			
Census-Based Estimate, 2012	\$24,964	\$27,376	\$48,935
Expanded Estimate, 2010 <sup>1</sup>	\$35,803	\$42,165	NA
Home Owners, 2010	49%	51%	70%
Renters, 2010	51%	49%	30%
Median Home Value, 2012	\$47,923	\$54,644	\$105,737
Source: ESRI; U.S. Census of Population; and Social Compact.			

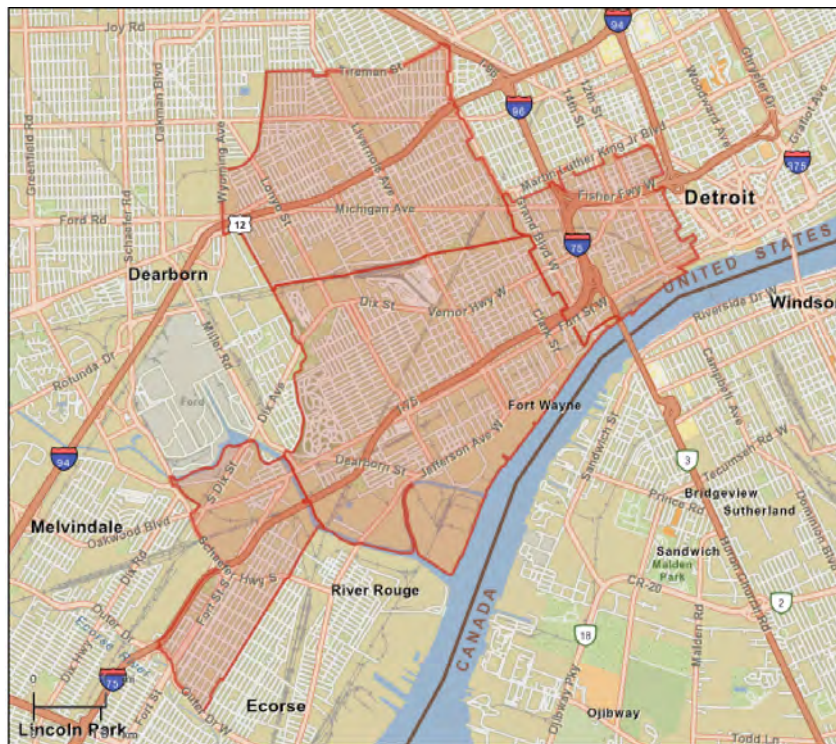




# Market Analysis

## Local Real Estate Market Overview

- Reviewed overall Southwest Detroit market
- Assessed market potentials
- Analyzed key use groups





# Market Analysis

## Use Groups

- **Office**
  - Limited primarily to resident-serving uses
  - Utilize existing space in renovated buildings and/or storefronts
  - Potentials too speculative to serve as the basis for future development
- **Industrial**
  - Deep industrial history in area
  - Available inventory negates need for new development
- **Residential**
  - Disruptions in the overall housing market continue
  - Potential for new market-rate housing is low
  - Current sales prices and rents do not justify investing the cost of construction
  - Vernor Square site not appropriate for housing uses

# Market Analysis

## Use Groups

- **Local / Community Businesses**
  - Very entrepreneurial community
  - 2,400 businesses
    - Two-thirds have 1-5 employees
    - 30% have 6-50 employees
    - 82 medium and large businesses



# Market Analysis

## Use Groups

- **Entrepreneurs and Artisans**
  - Tortilla & other specialty food production
  - Catering
  - Specialty apparel (Quinceañera dresses)
  - Ornamental ironworks
  - Industrial glassworks
  - Low-rider customization
  - Arts and crafts



# Market Analysis

## Use Groups

- **Entrepreneurs and Artisans**
  - Businesses need lower-cost, flexible space and access to equipment
  - Make and sell – cluster of artisans can help businesses develop new markets and collaborations



Greenpoint Manufacturing Design Center in Brooklyn

# Market Analysis

## Retail Assessment and Evaluation

- Existing Businesses and Character
- Retailer Composition and Retail Demand
- Destination and Regional Draw Potential
- Market Capture and Development Potential
- Additional Demand and Supply Factors



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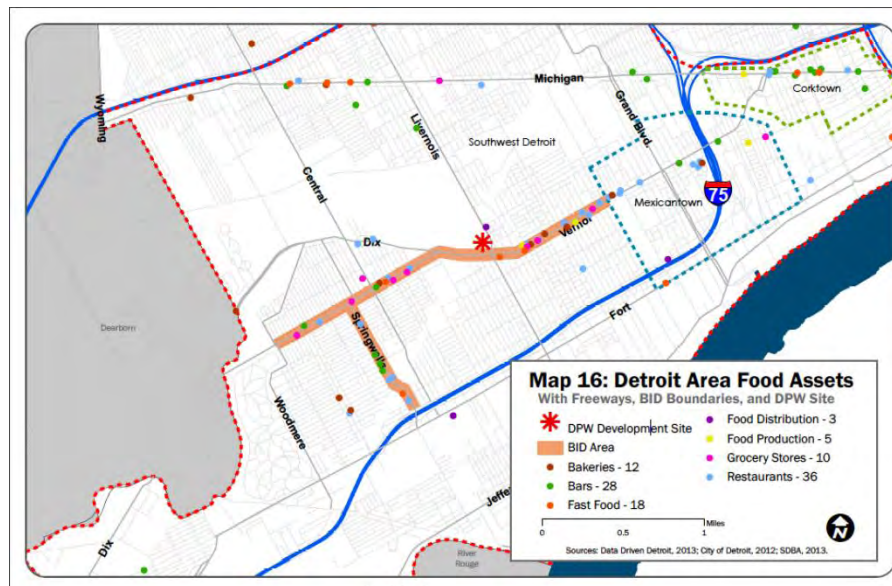
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# Market Analysis

## Existing Business and Character

- Smaller scale retail and industrial dominate
- Concentration and focus on food assets
- 112 businesses in food production, food distribution, bakeries, grocery stores, restaurants, fast food and bars.
- Robust commercial scene on Vernor Avenue & Springwells Avenue



# Market Analysis

## Retail Composition and Retail Demand

- Measure demand by retail sales potential
  - (buying power X population)
- Measure supply by actual retail sales
- Difference equals unmet local demand
- Active local retail environment masks real gaps in the overall retail picture





# Market Analysis

## Retail Composition and Retail Demand

- Total retail demand of \$352 Million
- Nearly 1/3 of demand in underserved soft & hard goods
- Estimated soft & hard goods demand potential is \$125 Million
- Current retail sales total \$19 Million
- \$100 Million gap represents an important retail opportunity

Current Southwest Detroit Retail Spending and Sales				
Retail Category	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Percent Lost to Leakage
Furniture & Home Furnishings	\$5,872,000	\$748,000	\$5,124,000	87%
Electronics & Appliances	\$8,804,000	\$1,915,000	\$6,889,000	78%
Clothing & Accessories	\$18,114,000	\$5,890,000	\$12,224,000	67%
Books & Music	\$8,097,000	\$1,321,000	\$6,776,000	84%
General Merchandise	\$76,373,000	\$5,328,000	\$71,045,000	93%
Miscellaneous	\$8,032,000	\$4,020,000	\$4,012,000	50%
<b>Total</b>	<b>\$125,292,000</b>	<b>\$19,222,000</b>	<b>\$106,070,000</b>	<b>85%</b>

Source: ESRI; Dun & Bradstreet, 2012.



# Market Analysis

## Major Retail Centers



# Market Analysis

## Destination and Regional Draw Potential

- Southwest Detroit is unique in the area
- Potential as a destination and regional draw
- Build upon Greektown, Mexicantown and Corktown models



# Market Analysis

## Destination and Regional Draw Potential

- Food and entertainment is key component
- Focus includes full-service restaurants; limited-service eating places; specialty food stores and services; and drinking places (bars/taverns).
- Total food group sales are over \$42 Million
- Exceeds local demand by \$5.5 Million
- Demonstrates ability to draw from outside area



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# Market Analysis

## Market Capture and Development Potential

- Estimate market capture and resulting development potential
- Demand analysis accounts for income and potential expenditures
- Supply analysis reviews competition in City and within area



# Market Analysis

## Market Capture and Development Potential

- Capture rate definition - the % of market retail demand achieved by store or group of stores
- Factors determine capture rate range
- Low rate in competitive environment: 5%
- Higher rate in retail “desert”: 10%



# Market Analysis

## Market Capture

Capture Rate			
Scenario	Unmet Retail Demand	Capture Rate	Potential Sales
Low Capture	\$ 106,000,000	5%	\$ 5,300,000
High Capture	\$ 106,000,000	10%	\$10,600,000





# Market Analysis

## Market Capture and Development Potential

Capture Rate and Development Potential					
Scenario	Unmet Retail Demand	Capture Rate	Potential Sales	Sales / Square Foot	Development Potential (SF)
Low Capture	\$ 106,000,000	5%	\$ 5,300,000	\$ 200.00	26,500
High Capture	\$ 106,000,000	10%	\$10,600,000	\$ 200.00	53,000

# Market Analysis

## Development Potential Summary

- Market analysis demonstrates viability of various uses on site
- Soft and hard goods group: 26,500 – 53,000 SF
- Dining and food related retailers: 10,000 – 15,000 SF
- Local businesses, artisans, crafts, entrepreneurs: 5,000 – 10,000 SF
- Total Market-Based Development Potential: 41,500 – 78,000 SF



# Market Analysis

## Development Potential Summary

- Measure against site constraints
- 6.9 acres 300,000 SF
- Parking space to floor area ratio of four (4) spaces per 1,000 SF
- Usable site development potential is 60,000 SF
- Development potential can easily contain the soft and hard good retailers within an overall project containing a variety of targeted users



# Agenda

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# Vision Statement

Vernor Square will be a ***center for employment*** and the sale of local goods, a ***community meeting place***, and a significant ***destination*** for residents and visitors which reflects and engages the community of Southwest Detroit.

# Development Strategy

- **Capitalize on the Uniqueness of the Community**
  - Immigrant welcome mat
  - Hispanic Culture
  - Entrepreneurial
  - Distinctive architecture





# Development Strategy

- **Differentiate Vernor Square within the market**
  - Fill the Retail Gap
  - Need for “Soft Goods” Retail
  - Local Entrepreneurs
  - Artists/Artisans





# Development Strategy

- **Maximize the site's strategic advantages**
  - An “Opportunity Site”
  - Mid-way Point
  - Important intersection
  - Relatively large size
  - Existing structures



# Development Strategy

- **Create a significant public place**
  - Celebrate the community heritage
  - Welcoming visitors from outside of Southwest



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# Development Strategy

- **Connect West Vernor from the east and west**
  - Improve the connecting link through the underpass and along the railyard
  - Improve signage at West Vernor turn



# Development Strategy

- **Create Value**
  - Promote local entrepreneurship
  - Create jobs
  - Increase tax revenues
- **Create THE partnership**
  - SDBA driving the vision and process
  - Partnering with existing groups with specific expertise and resources





# Development Strategy

- Tenant Mix Strategy
  - Local Artisans, craftsmen
  - Soft Goods Retailer
  - Dining
  - Entrepreneurial workspace
  - Food production company





# Development Strategy

- Process Principles
  - Entrepreneurial
  - Open Process/Accountable
  - Engages Community
  - Ability to Move Quickly
  - Replicable



# Development Strategy

- Commit to residential population retention and growth



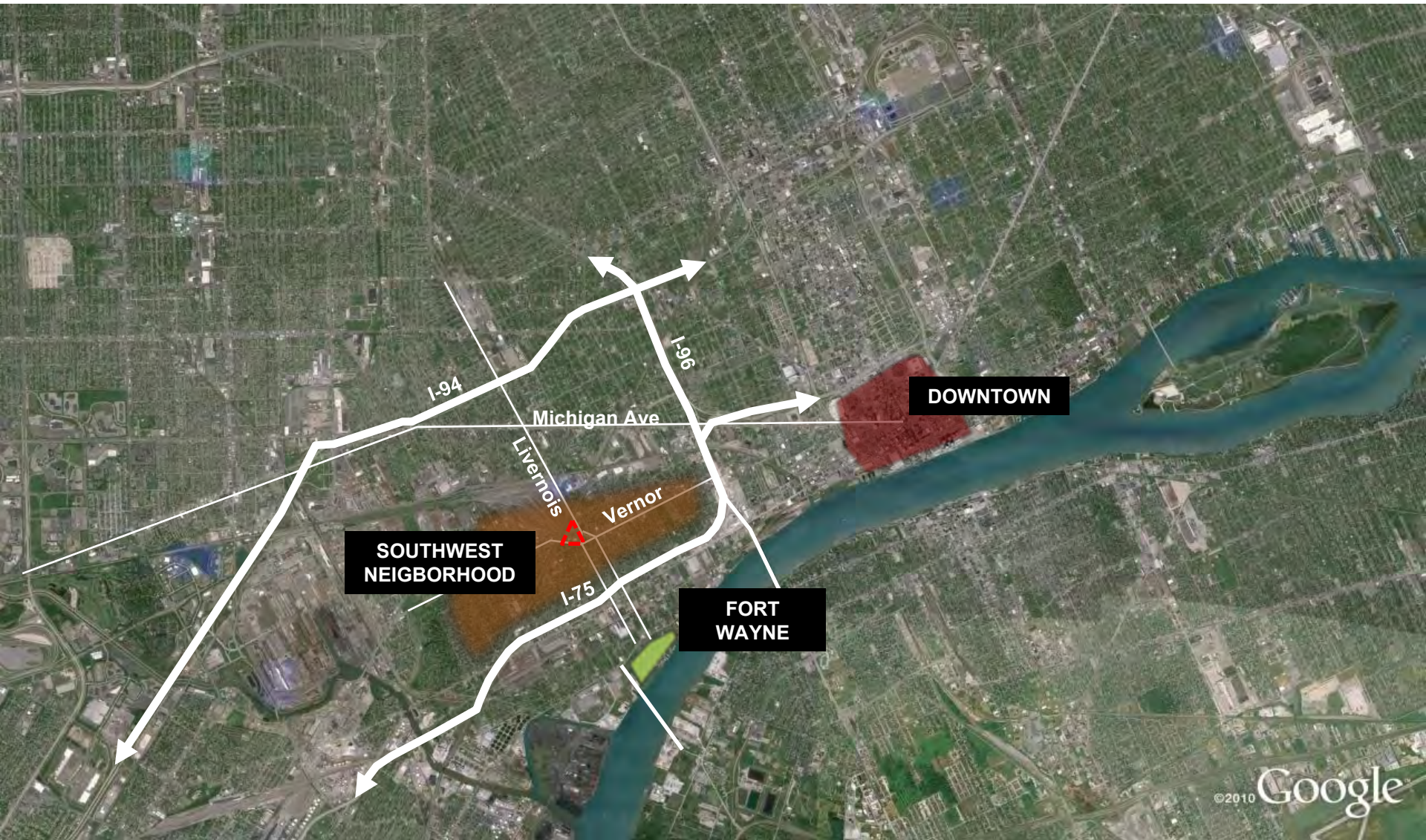
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# City-wide Context





# Vision

Vernor Square will be a **center for employment** and the sale of local goods, a **community meeting place**, and a significant **destination** for residents and visitors which reflects and engages the community of Southwest Detroit.





# Primary Open Space Gap





# Retail Corridor Gap





# Existing Conditions – DPW Site





# Development Program

- 60,000 square feet of heated and air conditioned rental space:
  - 35,000 sf of the DPW building renovated
  - 25,000 sf new construction – retail and flexible space
  - Features:
    - 4,000 sf Arcade and Winter Garden in the core of the renovated DPW
    - 240 parking spaces in two convenient locations.
    - One acre public square



# Public Square

- Grand public space
  - Fountain/water feature
  - Fixed and movable chairs, tables and planters
  - Pergola/covered theater stage (performance and movies)
  - Year-round and all-day programming
- Incorporate and expand the West Vernor Greenway/Streetscape improvements onto the DPW site
- Landscaped areas to embellish the public space
- Sculpture and murals to enrich the space





# “Commerce meets Culture”

- A combination of commercial space, substantial public space, and parking with access to public transportation. Attractive to Southwest residents and visitors from the metropolitan area.
- Development program:
  - Local artisans 5-10,000 sf
  - Soft goods retailers 10-25,000 sf
  - Food offerings 10-15,000 sf
  - Food production 10-20,000 sf



# Existing Conditions – DPW Site





# Vision: Vernor Square



\*Monument Park is shown in concept. This land is privately owned.



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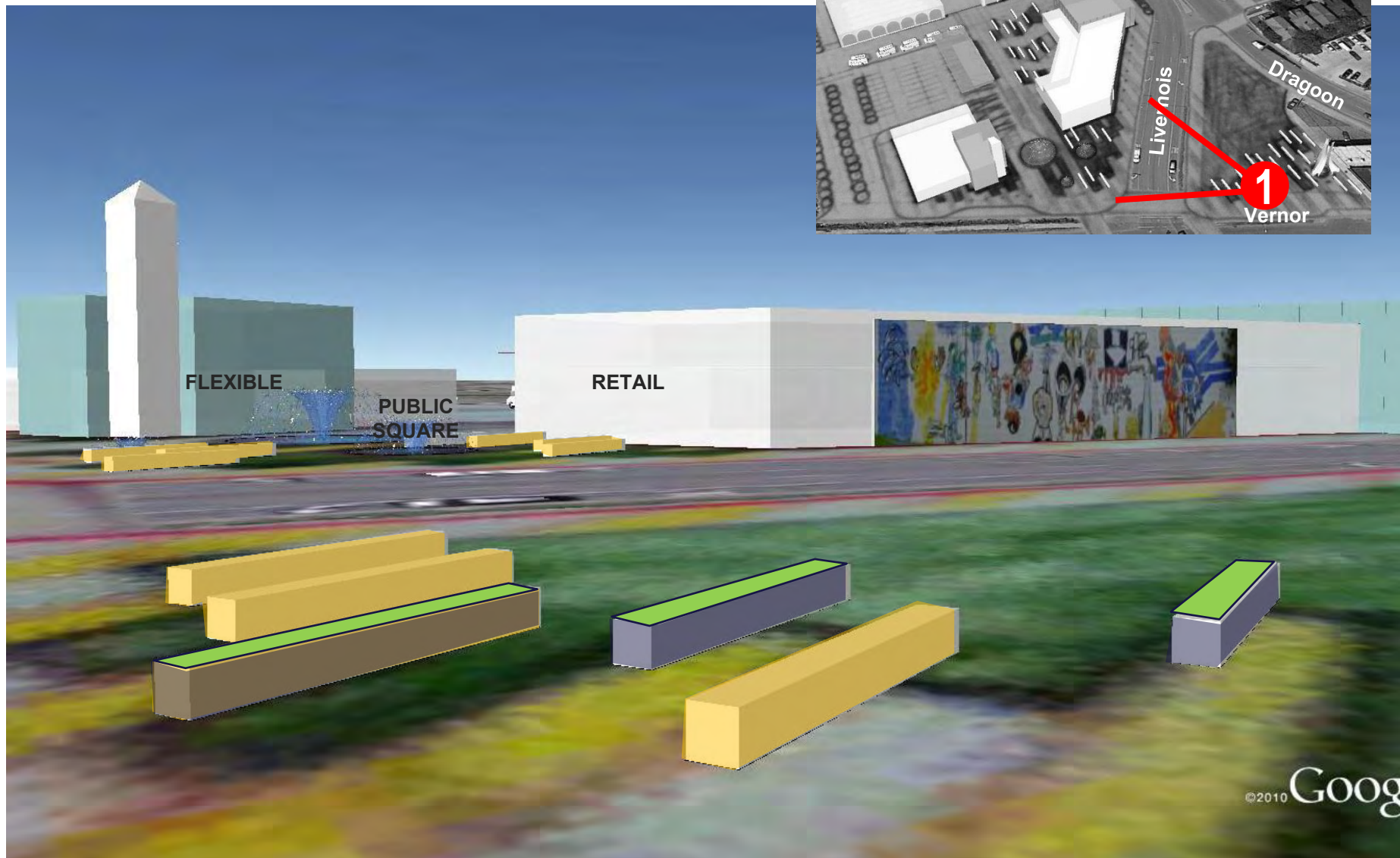


# 3D Views



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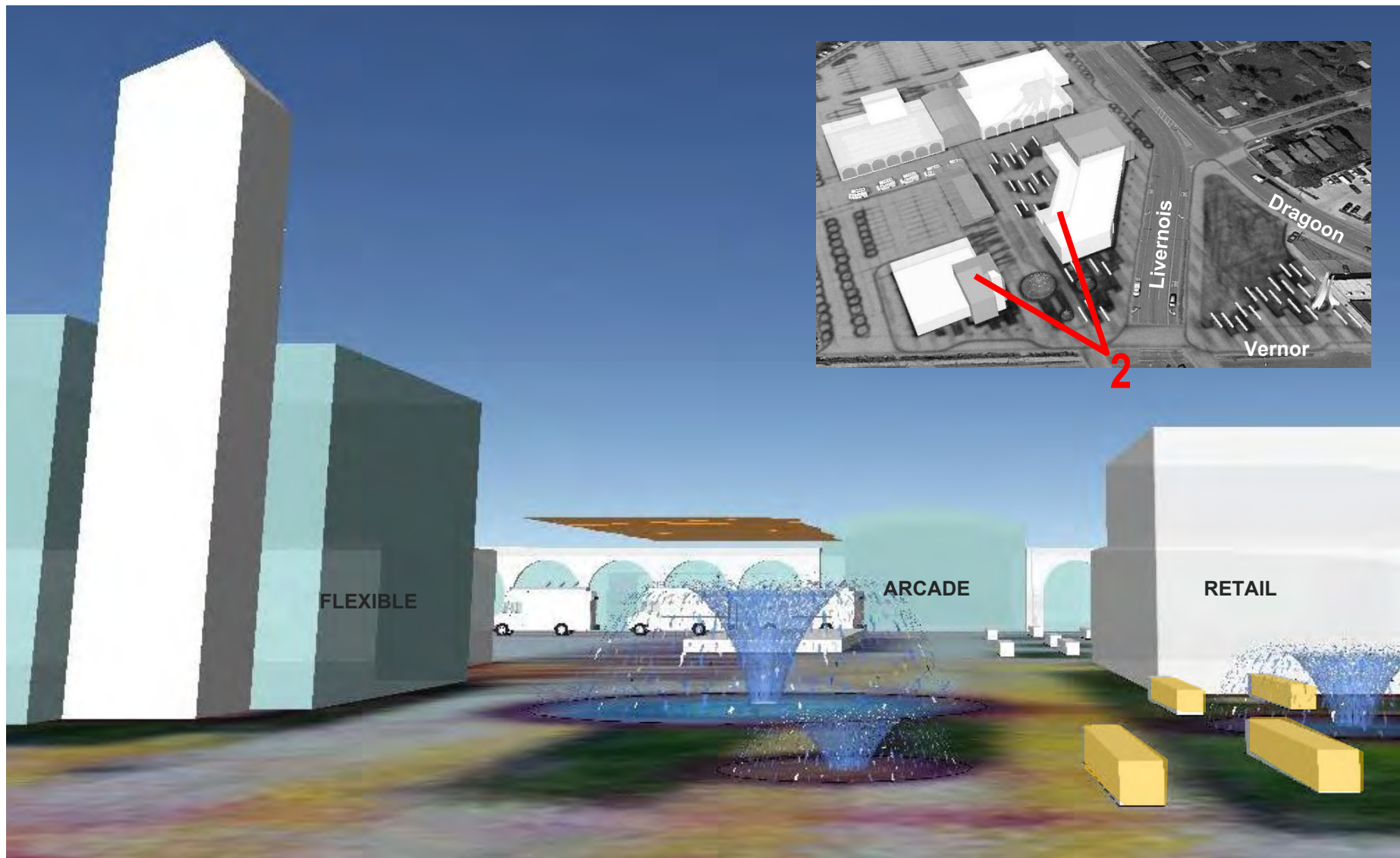
# View from Aranda's Tire



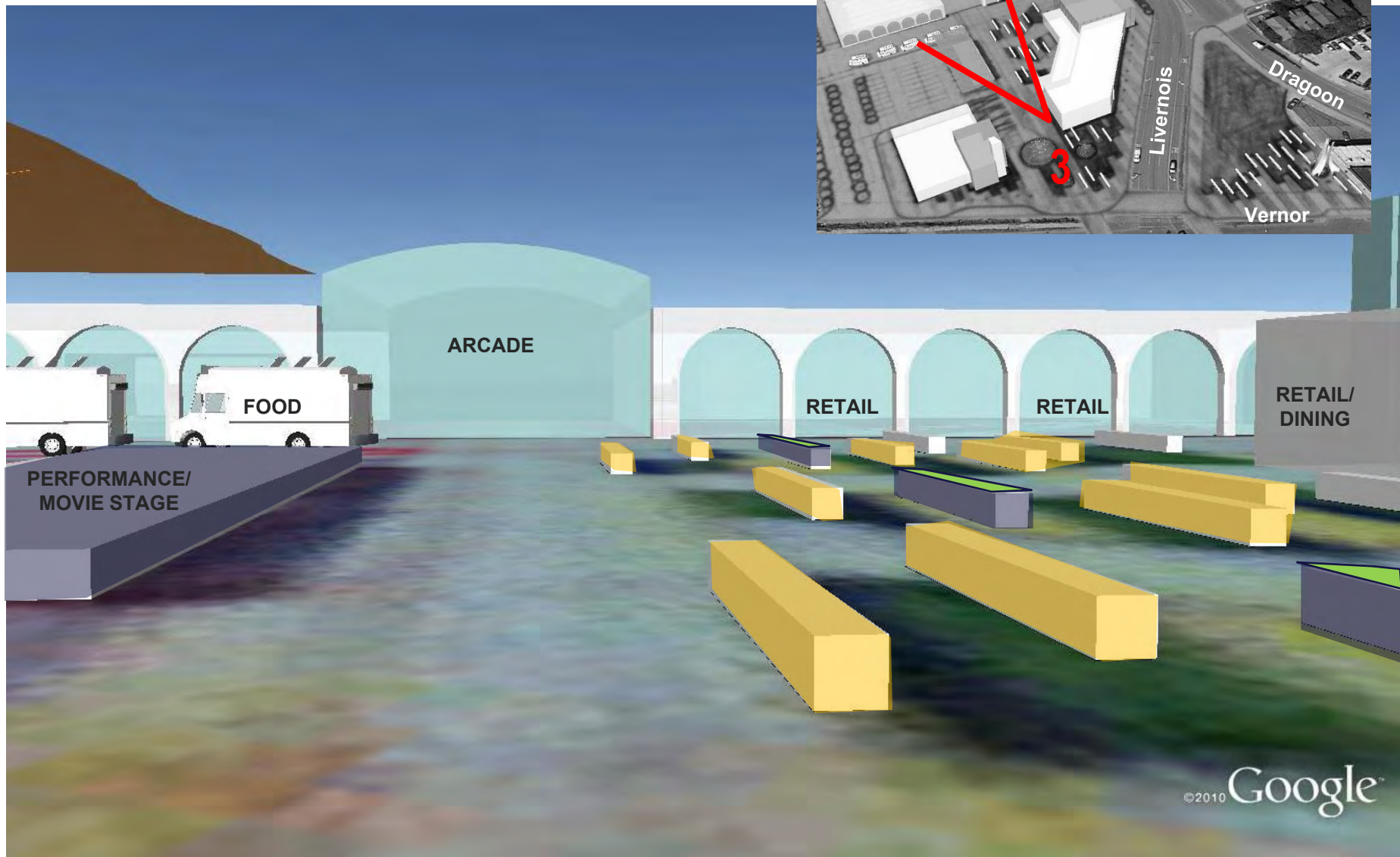
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# View from Vernor & Livernois



# View of the Arcade



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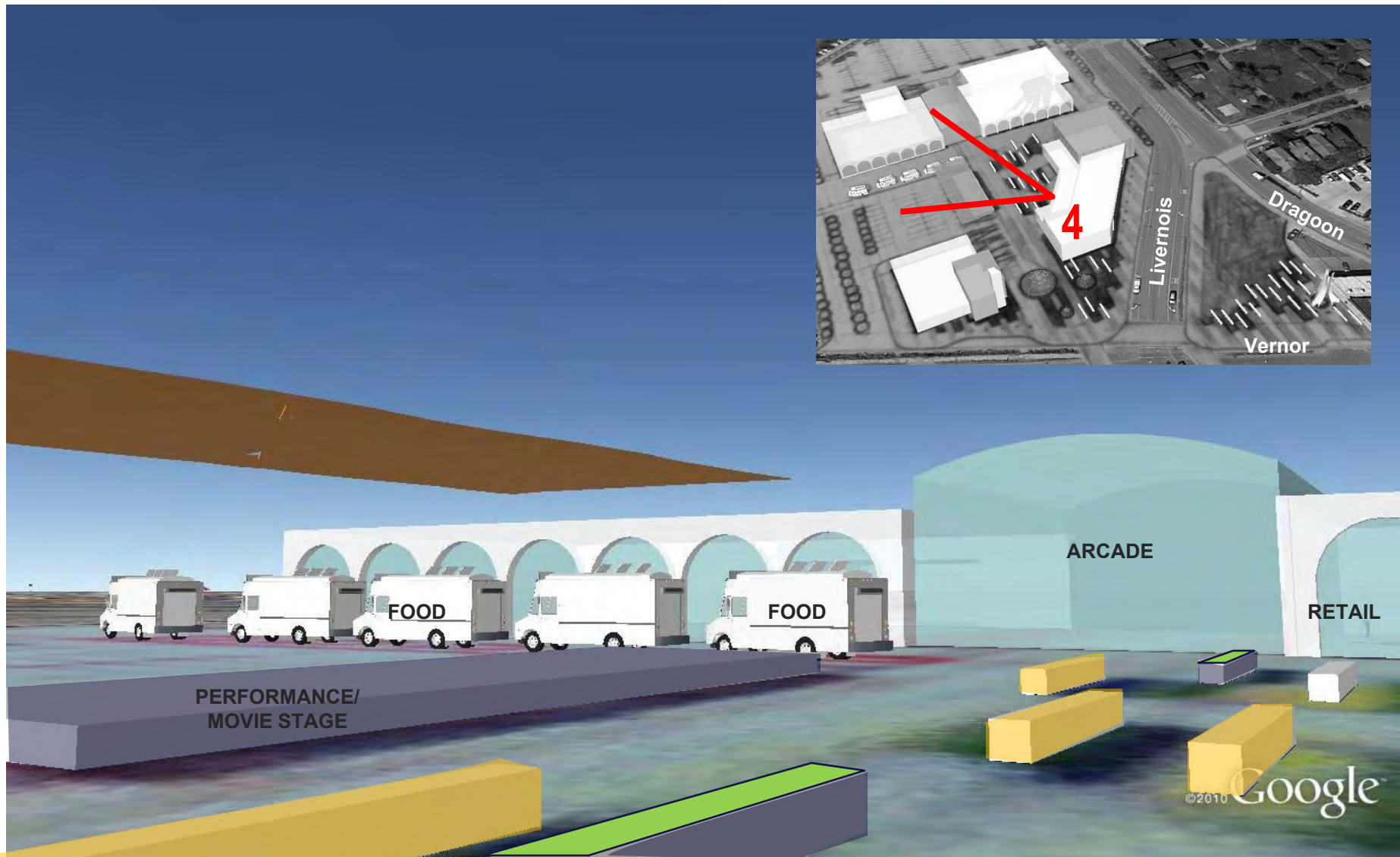


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# View approaching the stage



# Development Principles

1. ***Take a three tiered approach to Public, Private, and Community Cooperative development.*** Planning & Design, Economic Development, and Management.
2. ***Improve pedestrian, bicycle and transit connectivity*** with public realm improvements along and across major corridors, transit coordination, community investment, and ***“local living” initiatives***.
3. ***Establish a new mixed-use core*** to connect both sides of the Southwest Neighborhood commercial District.
4. Increase pedestrian access ***to highly programmed and flexible open spaces*** that supports ***community gathering*** and fosters an entrepreneurial ecosystem.
5. ***Stabilize existing housing fabric***, promote appropriately scaled ***residential infill***, and ***increase connectivity*** to and around the adjacent neighborhoods.



1. Take a three tiered approach to Public, Private, and Community Cooperative development: Planning & Design, Economic Development, and Management.



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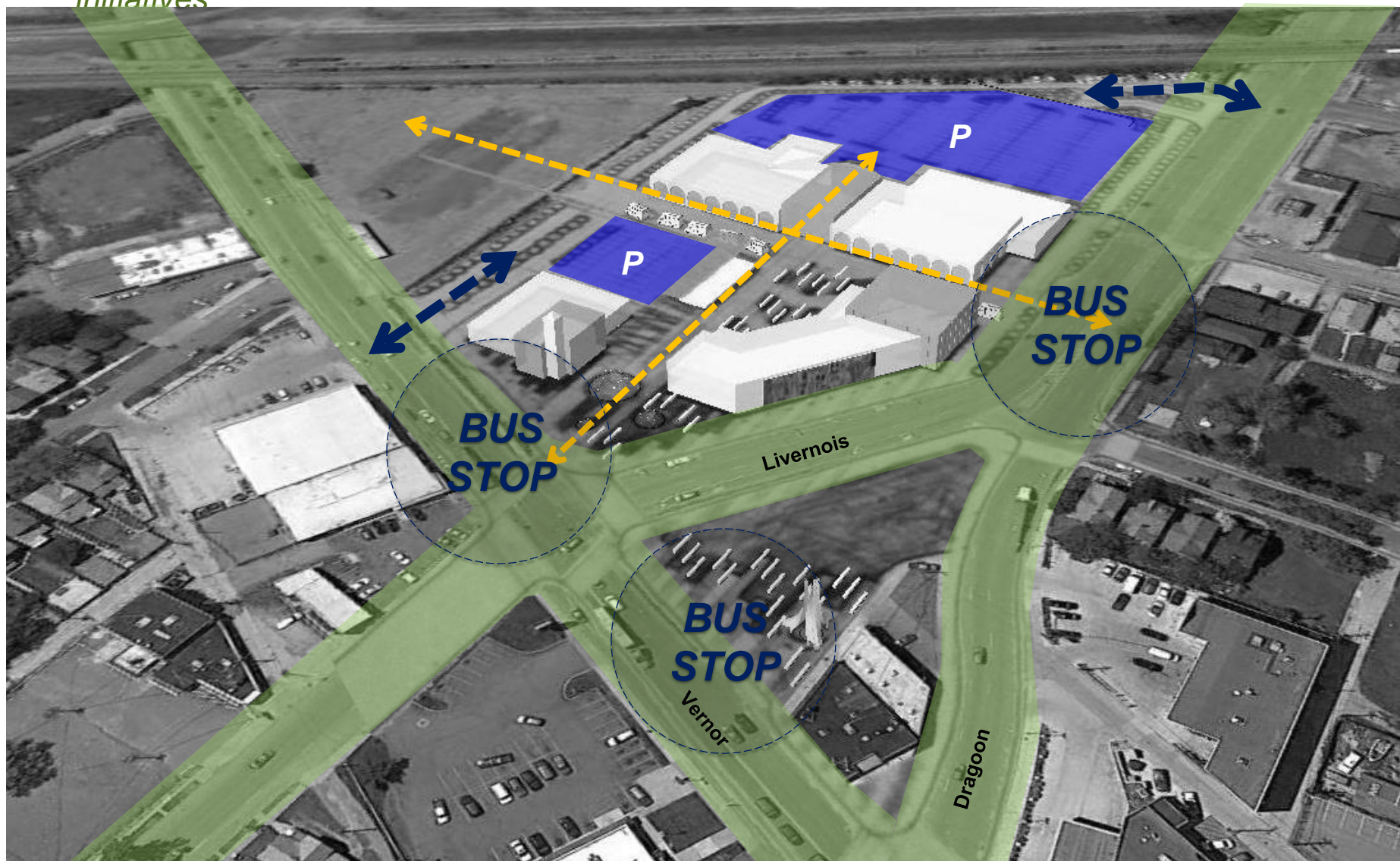


1. *Take a three tiered approach to Public, Private, and Community Cooperative development: Planning & Design, Economic Development, and Management.*





2. *Improve pedestrian, bicycle and transit connectivity with public realm improvements along and across major corridors, transit coordination, community investment, and “local living” initiatives*





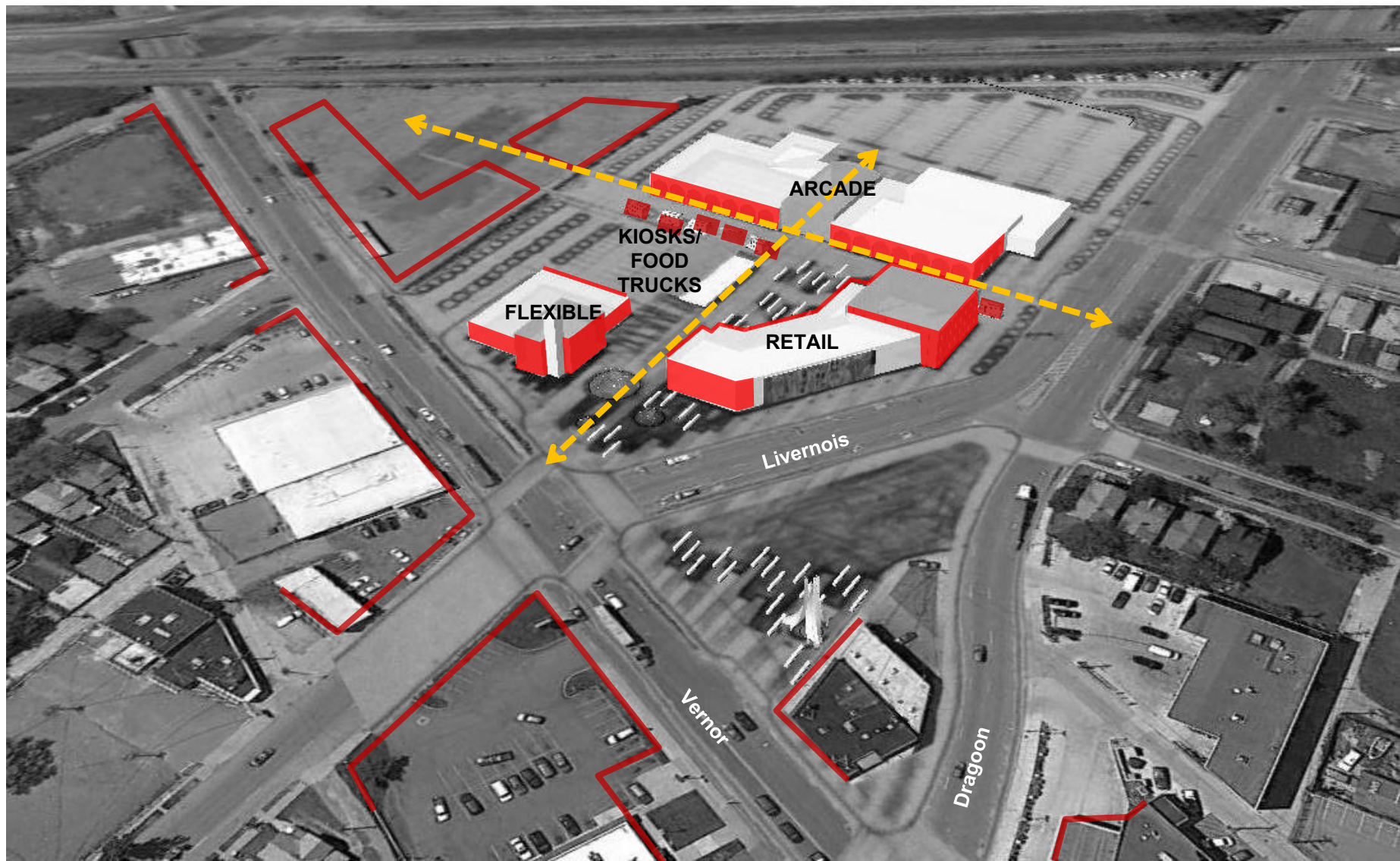
2. *Improve pedestrian, bicycle and transit connectivity with public realm improvements along and across major corridors, transit coordination, community investment, and “local living” initiatives*



Health Line Transit Corridor, Cleveland, OH



3. *Establish a new mixed-use core to connect both sides of the Southwest Neighborhood commercial District.*





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Hacienda, Southwest Detroit, MI



Miller Plaza, Chattanooga, TN



Taco Trucks, Detroit, MI



3. *Establish a new mixed-use core* to connect both sides of the Southwest Neighborhood commercial District.



Artisans Asylum, Brooklyn, NY



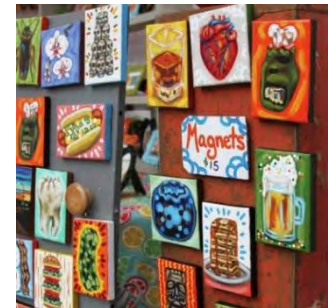
Greenpoint Manufacturing Design Center, Brooklyn, NY



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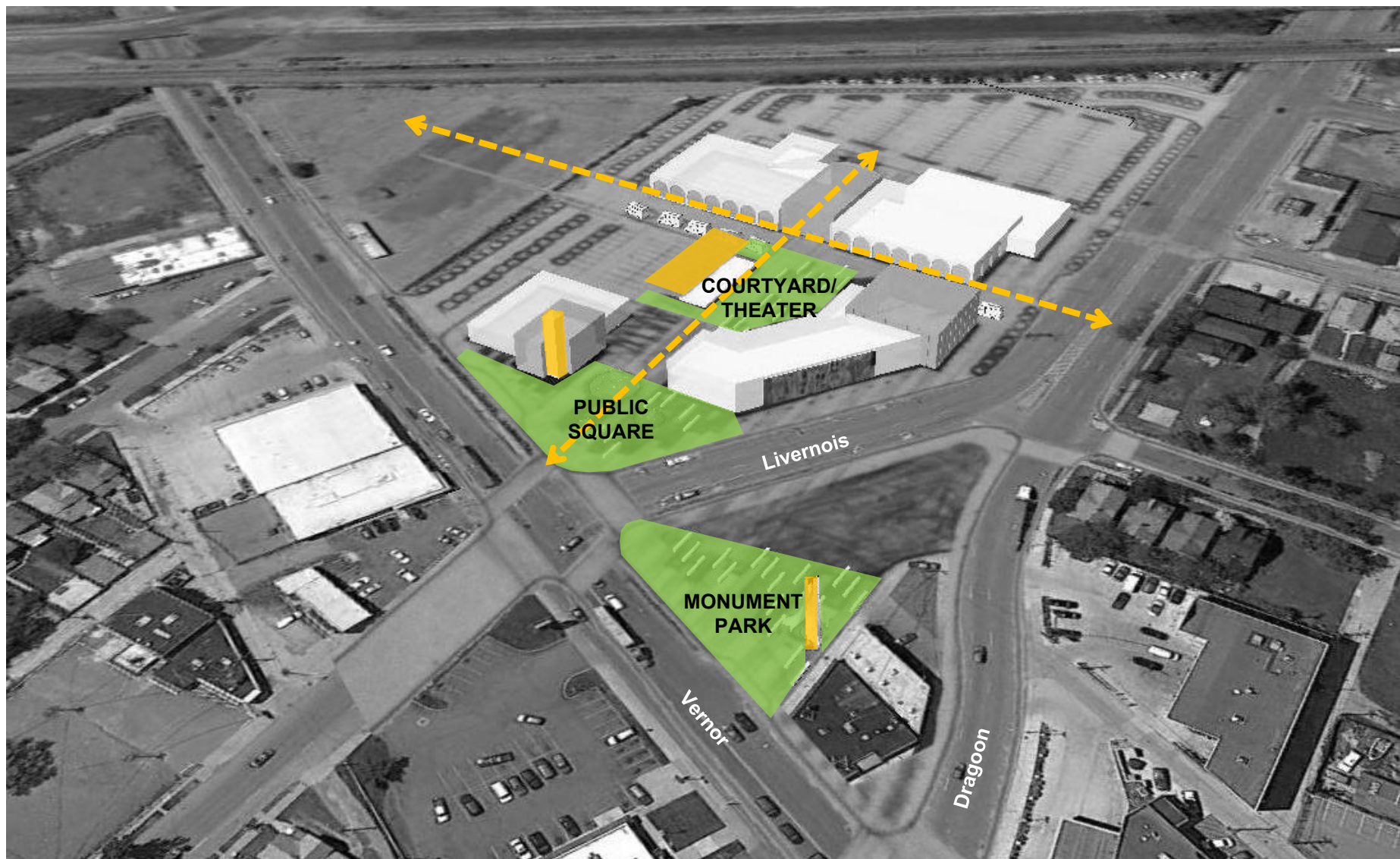


SOWA Art and Craftsman Market, Boston, MA





4. Increase pedestrian access to highly *programmed and flexible open spaces* that supports *community gathering* and fosters an entrepreneurial ecosystem.



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Miller Plaza, Chattanooga, TN



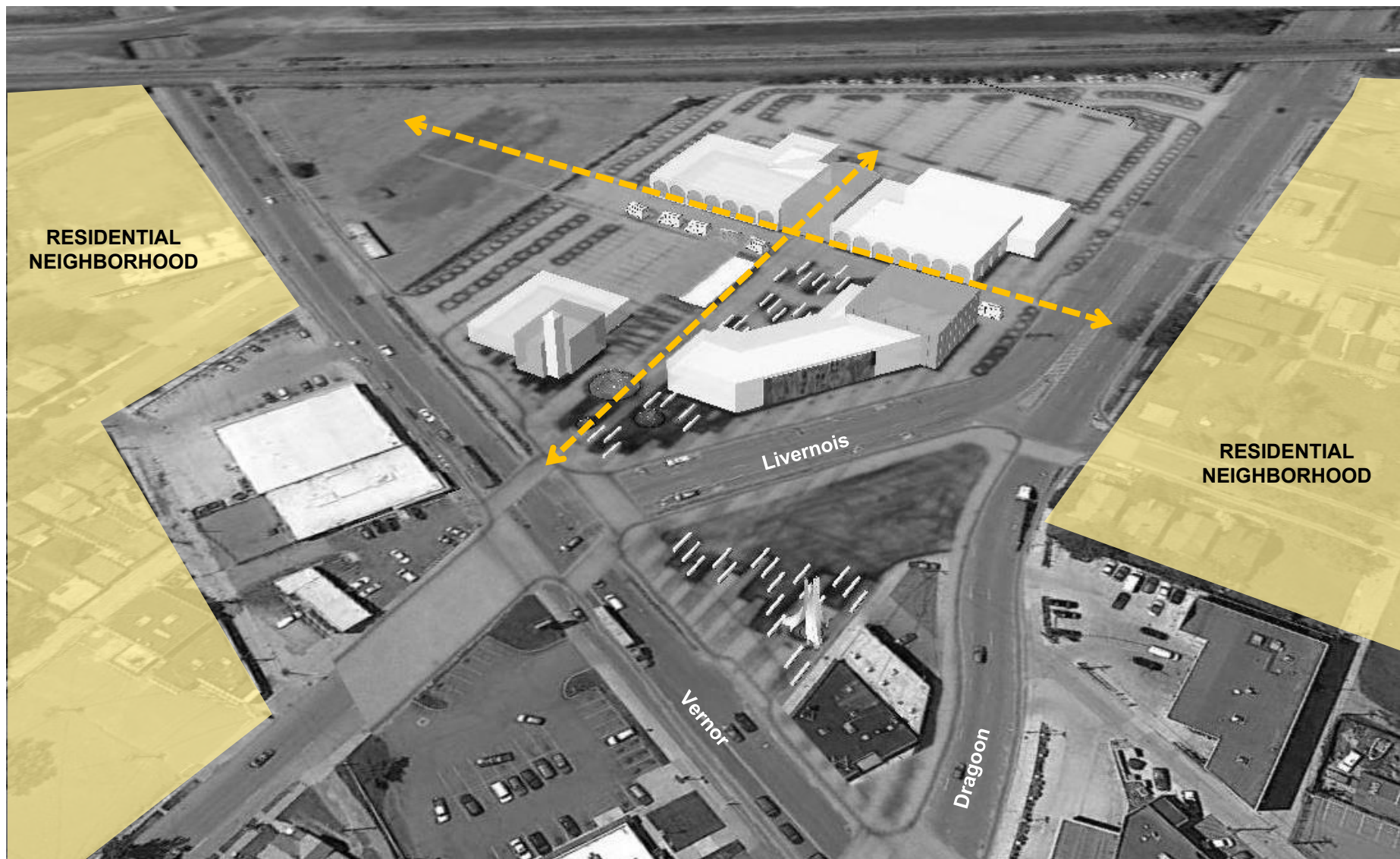
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Shaw Center for the Arts, Baton Rouge, LA



5. *Stabilize existing housing fabric, promote appropriately scaled residential infill, and increase connectivity to and around the adjacent neighborhoods.*





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# Vernor Square



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# Vernor Square



Chattanooga, TN



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# Implementation



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# Implementation

## Partnership

- Key Partners
  - Southwest Detroit Business Association (SDBA)
  - Detroit Economic Growth Corp. (DEGC)
- Vision, Focus, Tools
- Memorandum of Understanding (MOU)





# Implementation

## Public – Private Principles

- Create a shared vision
- Be clear on the risks and rewards
- Establish a decision-making process
- Leadership
- Fair deal structure



# Implementation

## Other Partners

- City of Detroit
- Project Advisory Committee:
  - Southwest Housing Solutions
  - Eastern Market Corporation
  - Urban Neighborhood Initiatives
  - Detroit Hispanic Development Corporation
  - Hispanic Chamber of Commerce
  - Foundations
  - Community Residents and Business Owners



# Implementation

## Site Control

- Conveyance at no cost
- Designated not-for-profit entity
- Expedited approvals and transfer
- Funding for pre-development expenses





# Implementation

## Pre-Development

- RFP for development partner
- Environmental investigations
- Geotechnical studies
- Market Study
- Pre-Leasing & Programming
- Preliminary design
- Zoning
- Select demolition
- Build project support



# Implementation

## Pre-Development

- Financial Analysis
- Capital Fundraising
- Private Partner Solicitation
- Schedule
- Communication



# Implementation

## Financial Analysis

- Estimated total project cost: \$12-15 Million
  - Significant investment in public plaza
  - Placemaking to reflect & engage Southwest Detroit community
  - Entrepreneurial space
- Funding Requirements
  - Free Land
  - State & City grants and loans
  - Other grants and investments



## Vernor Square Schedule & Assignments

Project Month	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
<b>PHASE I PRIMARY MARKET RESEARCH</b>																														
1. SDBA & DEGC MOU																														
2. City Transfer Property																														
3. City Predevelopment Funding																														
4. SDBA Advisory Group																														
5. DEGC: Env Phase I & II & Clean Up Plan																														
6. SDBA Communication Strategy																														
7. Developer Conduct Mkt & Prelim Financial Analysis																														
8. Developer Prepare Preliminary Design																														
9. SDBA Conduct Capital Fundraising																														
10. Developer Contracts for Partial Demo & Clean Up																														
11. DEGC & SDBA RFP for Development Partner																														
12. Create Project SPE																														
13. Developer Secures Zoning Approvals																														
14. Developer Conducts Leasing & Marketing																														
15. Developer Completes Financing																														
16. Developer Begins Construction																														



# Communications Strategy

- Communicate Early and Often
- Variety of Stakeholders
  - Neighborhood residents and businesses
  - Funding partners
  - Elected and non-elected government officials
  - Media
- Communication Vehicles
  - Specific vehicles for specific stakeholders







# Conclusion

- A unique opportunity to:
  - Add economic energy to the community
  - Create more local jobs
  - Provide for neighborhood and regional retail needs
  - Serve as a pilot for private-public revitalization

# Thank you!

## Questions