Agenda

• Project Purpose
• Lessons From Case Studies of Peer Cities
• The Need for Greater Density in West Downtown
• Market Assessment: Potential for new Multifamily Product
• Urban Design Framework: Connections to Activity Centers
• West Downtown Key Site Analysis
• Recommendations
The National Resource Network

- **The National Resource Network** is a key component of the White House’s Strong Cities Strong Communities (SC2) Initiative. Launched in 2011, the SC2 Initiative facilitates partnerships between the federal government and local communities that have faced long-term economic challenges.

- **HR&A Advisors, Inc.** (HR&A), a core member of the Network and a national real estate advisory and economic development consulting firm with offices in New York, Washington, D.C, Los Angeles, Dallas, and Raleigh.

- **SmithGroupJJR** is an integrated architecture, engineering, and planning firm with 10 locations in the U.S. and China, including Ann Arbor, and 1000-employees.
PURPOSE OF NRN ENGAGEMENT

Assist the City of Dearborn activate West Downtown into a vibrant regional destination

- Strengthening the urban framework through enhanced walkability and connectivity to surrounding anchors and activity centers.

- Leveraging City owned property to attract new development to the West Downtown area, with a focus on increasing residential density to drive retail demand.

CASE STUDY ANALYSIS
- Lessons from successful peers

MARKET ASSESSMENT
- Potential for new development

URBAN DESIGN FRAMEWORK
- Attractive environment

KEY SITE ANALYSIS
- Strategies to support new development
Lessons From Case Studies of Peer Cities

Challenge: Need for Greater Density

Market Assessment: Potential for Multifamily

Urban Design Framework: Connections to Activity Centers

West Downtown Key Site Analysis

Recommendations
Comparable cities that transformed small downtowns adjacent to universities demonstrate key lessons for attracting new development

Key Lessons

- Place-making investments such as streetscapes can generate demand to support new construction as well-designed public spaces can change the perception of a neighborhood and the level of pedestrian activity.

- Public surface parking lots are attractive targets for redevelopment.

- Cities often need to create incentives for development in markets that have not experienced growth in many years in order to demonstrate the strength of the market and catalyze additional development.
Initial planning followed by a public-private development of a public parking lot has spurred creation of 550 new units in Chapel Hill.

- 2000 City adopts Downtown Small Area Plan
  - Rosemary Village, 2003

- 2010 City updates Downtown Chapel Hill Small Area Plan

- 2013 140 West Franklin completed
  - 140 West Franklin, 2013

- 2014 Shortbread Lofts completed
  - Shortbread Lofts, 2014

- New open space

- Redevelopment of public parking

- Development on private land

- Remaining public parking

- New open space

- Amity Station, (in planning)

- Carolina Square, 2017

- The Graduate, 2016
Substantial public involvement and support for development has transformed Downtown Normal with 175 new residential units.
Lessons From Case Studies of Peer Cities

**Challenge: Need for Greater Density**

**Market Assessment: Potential for Multifamily**

**Urban Design Framework: Connections to Activity Centers**

**West Downtown Key Site Analysis**

**Recommendations**
Employment and population density in West Downtown trails comparable peer cities with active and attractive downtowns.

**Population and Employment Density, 2015**

- West Downtown
- Dearborn
- Wayne County
- Downtown Chapel Hill
- Uptown Normal
- Downtown Ann Arbor
- Downtown Birmingham
- Downtown Ferndale

- Jobs and Residents per Sq Mile
- Employment
- Population
The density of buildings in Ann Arbor and Birmingham is notably greater than in West Downtown, contributing to their more active downtowns.
In contrast to Birmingham, much of the land in West Downtown is devoted to surface parking for vehicles.
Lessons From Case Studies of Peer Cities

Challenge: Need for Greater Density

**Market Assessment: Potential for Multifamily**

Urban Design Framework: Connections to Activity Centers

West Downtown Key Site Analysis

Recommendations
Despite challenging regional macroeconomic conditions, the population of West Downtown and of Dearborn is stable.
West Downtown has a limited supply of multifamily product

1. **22230 Michigan Ave**
   - Units: 24 units
   - Built: 2006
   - Rent: $1.20 – $1.40 PSF

2. **624 S Brady St**
   - Units: 80 units
   - Studios: 80
   - Rent: $1.04 PSF

3. **851 Oakwood Blvd**
   - Units: 30 units
   - Built: 1928
   - Rent: $1.50 PSF

4. **21800 Morley Ave**
   - Units: 200 units
   - Built: 1974
   - Senior housing

5. **West Village condominiums**
   - Units: 76 units
   - Built: 1997
   - Condominium

Source: CoStar
As vacancy in West Downtown rental units has declined, rents have risen and are now at a premium compared to Dearborn.
Despite indicators of unmet demand, the lack of new units since 2006 may require a pilot “test” project in West Downtown to demonstrate profitability.
Developers are skeptical of the need for more office in West Downtown due to the high vacancy levels.

Office Inventory by Class, 2015

Source: CoStar
Developers remain interested in new hotel product, but reports indicate that existing hotels struggle to fill capacity

### The New Dearborn Hampton Inn

### Hotel Inventory and Pipeline

<table>
<thead>
<tr>
<th></th>
<th>West</th>
<th>Dearborn</th>
<th>Wayne County</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing Inventory</strong></td>
<td>30</td>
<td>2,415</td>
<td>10,105</td>
</tr>
<tr>
<td><strong>Pipeline Inventory (July 2016)</strong></td>
<td>96</td>
<td>204</td>
<td>204</td>
</tr>
</tbody>
</table>
Lessons From Case Studies of Peer Cities
Challenge: Need for Greater Density
Market Assessment: Potential for Multifamily
Urban Design Framework: Connections to Activity Centers
West Downtown Key Site Analysis
Recommendations
West Downtown is proximate to multiple activity generators that could provide additional customers to West Downtown.

<table>
<thead>
<tr>
<th></th>
<th>West Downtown</th>
<th>1.5-mile radius</th>
<th>2.5-mile radius</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment, All Jobs</td>
<td>1,300</td>
<td>25,600</td>
<td>48,700</td>
</tr>
<tr>
<td>(2014)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The road and rail network are focused on getting people through West Downtown rather than getting them into downtown.

Large roadways are a barrier to non-motorized transportation.

High traffic volumes & speeds on Michigan Avenue.
Additionally, poor non-motorized connections and physical barriers limit the access of potential customers to West Downtown.

Physical barriers surround West Downtown

Planned bicycle routes are incomplete
Within West Downtown, streetscapes are not inviting for pedestrians, hindering the appeal as a regional destination

- Narrow sidewalk and limited pedestrian amenities adjacent to high speed traffic
- Poor pedestrian connection at Oakwood underpass
- Multiple businesses have closed their front doors to Michigan Avenue
- Vehicular oriented commercial development along segments of Michigan Avenue deter pedestrian foot-traffic
However, West Downtown contains attractive assets to build on, notably its intact building stock and walkable urban grid.

**Assets**

- **Consistent building stock** with few gaps
- **Ample public parking**
- **Unique and historic buildings**, such as the Wagner hotel
- **Gridded streets**, creating numerous connection points around downtown and a walkable form
Near-term recommendations to improve the West Downtown urban design

1) Evaluate the opportunity for a shared circulator shuttle

2) Continue to create pedestrian and bike connections between West Downtown and surrounding open spaces

3) Develop vehicular scaled signage to mark the entry to West Downtown as a destination

4) Create a form-based code, and policies prioritizing mixed-use

5) Use street repaving efforts as an opportunity to add pedestrian and traffic-calming features
Shared Circulator Recommendation: Work with Dearborn’s institutions to explore the potential for a shared circulator connected to the downtowns.

Future Potential: Ford Go Ride

- Experimental pilot dynamic shuttle service. Currently only available to Ford employees; not open to the public.
- Work with Ford to explore commercially piloting the Go Ride in Dearborn to connect with West Downtown.

Source: Media.ford.com
Streetscapes Recommendation: Create a design framework of street typologies based on location, function, size and benefit
Streetscapes Recommendation: Create a design framework of street typologies based on location, function, size and benefit

Michigan Avenue

Commercial Connector

Neighborhood Transition

Festival Street – Normal Operation

Festival Street – Event Operation
Lessons From Case Studies of Peer Cities

Challenge: Need for Greater Density

Market Assessment: Potential for Multifamily

Urban Design Framework: Connections to Activity Centers

West Downtown Key Site Analysis

Recommendations
To demonstrate the potential for new development the NRN evaluated four key sites in West Downtown

<table>
<thead>
<tr>
<th>Site #</th>
<th>Approximate Size</th>
<th>Current Use</th>
<th>Proposed Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site 1</td>
<td>1.2 acres</td>
<td>Vacant Lot</td>
<td>Entertainment Venue, multifamily Housing</td>
</tr>
<tr>
<td>Site 2</td>
<td>1.1 acres</td>
<td>Open Lawn</td>
<td>Student Housing &amp; Retail</td>
</tr>
<tr>
<td>Site 3</td>
<td>2.2 acres</td>
<td>Free Public Parking</td>
<td>multifamily Housing</td>
</tr>
<tr>
<td>Site 4</td>
<td>0.85 acres</td>
<td>Free Public Parking</td>
<td>multifamily Housing</td>
</tr>
</tbody>
</table>
The feasibility of a residential tower at site 1 is currently low. The plan envisions an entertainment venue at street level to increase area activity.

**Key Assumptions**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Cost per Square Foot</td>
<td>$240</td>
</tr>
<tr>
<td>Residential Tower Rent/SF/Month</td>
<td>$1.70</td>
</tr>
<tr>
<td>Entertainment Venue Rent/SF/Month</td>
<td>$2.00</td>
</tr>
<tr>
<td>Required Developer Returns</td>
<td>15%</td>
</tr>
</tbody>
</table>

**Table**

<table>
<thead>
<tr>
<th>Name</th>
<th># of Floors</th>
<th>Gross Square Feet (GSF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entertainment Venue</td>
<td>1.5</td>
<td>34,500</td>
</tr>
<tr>
<td>Residential Tower</td>
<td>8</td>
<td>67,200</td>
</tr>
</tbody>
</table>
After abating taxes and providing a loan, rents would need to increase to $2.52 per GSF per month to make the entertainment venue feasible.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>($/GSF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development cost</td>
<td>$8.3 million</td>
<td>$240</td>
</tr>
<tr>
<td>Supportable cost at market rents</td>
<td>$4.9 million</td>
<td>$141</td>
</tr>
<tr>
<td>Gap</td>
<td>$3.4 million</td>
<td>$99</td>
</tr>
</tbody>
</table>

Incentives to close the financial gap:

- 20-year Municipal Tax Abatement: $1.0 million ($28 /GSF)
- Community Revitalization Loan: $0.5 million ($16 /GSF)
- Remaining Gap: $1.9 million ($56 /GSF)
Site 2 includes a residential development aimed at University of Michigan – Dearborn students at the gateway to West Downtown.

<table>
<thead>
<tr>
<th>Name</th>
<th># of Floors</th>
<th>Gross Square Feet (GSF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Space</td>
<td>1</td>
<td>3,000</td>
</tr>
<tr>
<td>Residential</td>
<td>4</td>
<td>60,800</td>
</tr>
</tbody>
</table>

Key Assumptions

- Construction Cost per Square Foot: $180
- Rent/SF/Month: $1.70
- Parking Required: 75 spaces
- Developer Returns: 15%
Rents would need to increase to $2.35 per SF per month to make the development on Site 2 viable after various incentives.
Site 3 involves a new multifamily building on the remaining lot adjacent to the Ford West Downtown development proposed parking structure.

### Key Assumptions

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</tr>
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<tbody>
<tr>
<td>Construction Cost</td>
<td>$180 per Square Foot</td>
</tr>
<tr>
<td>Rent/SF/Month</td>
<td>$1.70</td>
</tr>
<tr>
<td>Required Developer Returns</td>
<td>15%</td>
</tr>
</tbody>
</table>

### Name

<table>
<thead>
<tr>
<th>Residences</th>
<th># of Floors</th>
<th>Gross Square Feet (GSF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>4</td>
<td>96,000</td>
</tr>
</tbody>
</table>
Rents would need to increase to $2.35 per SF per month to make the development on Parcel 3 viable after incentives.

Development cost: $17.3 million ($180/GSF)

Supportable cost at market rents: $9.2 million ($96/GSF)

Gap: $8.1 million ($84/GSF)

Incentives to close the financial gap:
- TIF 5-year Tax Abatement: $1.0 million ($10/GSF)
- Community Revitalization Loan: $1.4 million ($14/GSF)
- Remaining Gap: $5.7 million ($59/GSF)
Site 4 involves a new multifamily building on the free parking lot adjacent to the West Downtown library.

### Key Assumptions

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<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Construction</strong></td>
<td>$180</td>
</tr>
<tr>
<td><strong>Cost per Square Foot</strong></td>
<td>$1.70</td>
</tr>
<tr>
<td><strong>Rent/SF/Month</strong></td>
<td>$1.70</td>
</tr>
<tr>
<td><strong>Parking</strong></td>
<td>75 spaces</td>
</tr>
<tr>
<td><strong>Required Developer Returns</strong></td>
<td>15%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name</th>
<th># of Floors</th>
<th>Gross Square Feet (GSF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>3</td>
<td>54,750</td>
</tr>
</tbody>
</table>
Rents would need to increase to $1.85 per SF per month to make the development on Site 4 viable after incentives.

### Development cost

- $11.2 million ($204 / GSF)

### Supportable cost at market rents

- $5.0 million ($91 / GSF)

### Gap

- $6.2 million ($113 / GSF)

### Incentives to close the financial gap

- **20-Year Municipal Tax Abatement**
  - $1.8 million
  - ($32 / GSF)

- **Community Revitalization Loan**
  - $0.9 million
  - ($16 / GSF)

- **Parking Offset Program**
  - $1.2 million
  - ($23 / GSF)

- **Remaining Gap**
  - $2.3 million
  - ($41 / GSF)
Taxes make up a high portion of potential development cash flow

**Dearborn Real Estate Tax Structure**

\[
\text{Tax} = \frac{73.227}{1000} \times \frac{2/3 \text{ construction}}{2}
\]

**Taxes As a Portion of Potential Revenues**

<table>
<thead>
<tr>
<th>Sites 2,3,4</th>
<th>National Average*#</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes</td>
<td>25% to 28%</td>
</tr>
<tr>
<td>Vacancy</td>
<td>10%</td>
</tr>
<tr>
<td>Operation Costs</td>
<td>20%</td>
</tr>
<tr>
<td>Realized Revenues</td>
<td>42%</td>
</tr>
</tbody>
</table>

* Source: National Apartment Association 2015 Survey

# Per instruction from the City of Dearborn Assessor, building replacement value is assumed to be 66% of construction cost and not 100% of costs.
Dearborn’s tax levels exceed many comparable cities for an equivalent development project

<table>
<thead>
<tr>
<th>Tax Value Basis</th>
<th>Dearborn</th>
<th>Detroit</th>
<th>Ferndale</th>
<th>Ann Arbor</th>
<th>Birmingham</th>
<th>Chapel Hill, NC</th>
<th>Normal, IL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millage/$1000 Value</td>
<td>73.227</td>
<td>87.1307</td>
<td>71.1414</td>
<td>48.2228</td>
<td>53.5169</td>
<td>16.104</td>
<td>84.209</td>
</tr>
<tr>
<td>Tax as a % of Gross Potential Revenues</td>
<td>25%</td>
<td>38%</td>
<td>24%</td>
<td>17%</td>
<td>19%</td>
<td>19%</td>
<td>21%</td>
</tr>
</tbody>
</table>
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West Downtown Key Site Analysis

Recommendations
Recommendations

1. Release a request-for-expressions-of-interest (RFEI) covering all underutilized City-owned parking lots and properties in West Downtown to explore the market potential and generate developer interest.

2. Work with Dearborn’s institutions to explore implementation of a joint shuttle.

3. Improve wayfinding and signage to better brand the West Downtown area.
Recommendations

4. Implement a form-based code as well as policies and zoning that prioritize mixed-use in West Downtown

5. Implement pedestrian and traffic calming measures like bumpouts and bike lanes when repaving streets

6. Examine potential redesign of the tax structure to reduce the burden on new construction and improve the feasibility of new development