

**City Involvement in Development
Dearborn, Michigan
July 2006 Update**

This update builds on a discussion outlined in the February 2006 summary examining why the City of Dearborn engages in development activities. That document summarized how a city has different goals than a developer, not requiring the comparable immediate return on its investment. A city wants to send a message of support for actions that are in the best interest of the community and is willing to invest long-term, “patient” money in the success of a district or neighborhood. Success can be measured by increased tax base, jobs, activity and quality of life.

In cities like Dearborn, which by geographical location are categorized as inner ring suburbs of a major metropolitan area, many challenges must be faced to be competitive in a 21st Century world. Half a century ago, the Detroit metropolitan area was a relatively compact, easily accessible community where nearly 2/3 of the population lived within the boundaries of Detroit. Today, our region sprawls nearly 50 miles from its core and only 20% of the region’s residents are in Detroit. Why is this important to Dearborn?

Because investors and developers follow growth and other investment. They want to be “where the action is” and where they can be successful by their measure of projects and profits. This has led to the creation of communities from farms or “greenfield” development sprawling out from Detroit in concentric rings. Communities spring up in a matter of a few years and as those new communities flourish, it is often at the expense of the inner ring suburbs. Populations shift, schools decline, neighborhoods are weakened and commercial districts wither. Dearborn must have a vision and a strategy that combats this reality or we could easily be left behind as well.

Fortunately, Dearborn has planned ahead and taken actions that maintain a strong and vital community. Neighborhoods, schools, parks and a commitment to a great quality of life have kept Dearborn among the best communities in our region over many decades. While we must continue to invest in all of these aspects to keep Dearborn Clean and Safe, another critical element is our ability to reinvent and sustain our downtowns.

Rapidly changing products in commercial districts have progressed from shopping malls to big box shopping to lifestyle centers and office/technology villages. These changes directly affect the competitiveness of our downtown districts and the redevelopment of “brownfield” sites, or those properties that have already been developed once or more, leaving behind environmental problems, land use incompatibility and worn out infrastructure (streets, utilities and structures).

Redevelopment of an urban area is always more complicated than building on an undeveloped greenfield and requires more complicated public/private partnerships. However, when done well, there is no comparison between the place created in an

authentic, interesting, exciting and fun downtown district that has evolved over 200 years versus an artificial copy created in 20 months.



So what have we done and where are we going? Dearborn has created a pattern of development success of which its employees and residents can be proud! Starting a decade ago with the West Village project in the west downtown and Georgetown Commons in the east downtown, investments by the City in land assembly, site preparation and developer partnerships have yielded desired results. Vacant, underutilized and declining properties were revitalized into viable, exciting catalysts, stimulating additional private investment interest. In the case of West Village, for each dollar the City invested, two were invested by the private sector. In the case of Georgetown Commons, the ratio is nearly 10 to 1 for public dollars leveraging private investment. These projects total \$15 Million and \$22 Million in value respectively today.

When the City makes these kinds of investments, the hope is that over time more private developers will be attracted to the district over options they may be considering in other cities, suburbs, regions or states. The city plants a seed and provides a sense of stability and predictability; the developer sees an opportunity for profit. Together, meeting the goals of both results in a stronger community, better economy, higher property values (and therefore tax base) and a better place to live, work and recreate.

West Village Commons

Following the investment in West Village, another opportunity presented itself where the Jacobson's department store closed and no viable private sector redevelopment proposal emerged. In this case, the City built on the success of the former West Village experience combined with a public/private urban design plan created to solidify a vision for the area.



Next, a development partnership was formulated and the City worked with a developer to transform two city blocks within the heart of the district. In this case a three phase project added two mixed-use retail office buildings (which are complete), two parking decks built by the City of 335 spaces each to serve the project and the larger district (complete), a series of 48 stacked condominiums (under construction) and a mid-rise condominium building that will add an addition 100 units between the parking decks (planned). When complete, this project represents over \$65 Million in reinvestment in the west downtown, and

again, the City has leveraged over \$2 in private money for each public dollar invested.

Many positive things have come from the West Village and West Village projects including a new and updated look for the west downtown, mixed-use development that allows people to live and work downtown, more restaurants and entertainment that enliven the district throughout the day and evening hours, and a sense of pride that we can all feel when we bring friends, family or visitors to our town to enjoy our west downtown. Important to this summary and development are two other aspects of these projects. First, a different way of thinking about parking; and second, additional developer interest in investing in the district.



User Paid Parking

Many people forget that Dearborn had user paid parking back in the 1970's before suburban shopping malls and office complexes began to offer vast seas of free parking. So the City tried to be competitive and provided free parking in large lots behind the commercial district along Michigan Avenue in the west downtown. It was never free parking at the mall or in the downtown, it was just a shift of the costs that must be paid (paving, lighting, snow plowing, etc.) from the user to someone else. In the case of the downtowns, a special assessment district paid by the property owners provided funds for operations, and the City and property owners provided the capital improvements funding.

Now, we are moving to a user paid system in the west downtown. This means that the fees charged to those who use parking spaces in the district will be used to care for the parking system. It is a fair and equitable means of providing for the parking needs of an urban district. And, it provides us with the opportunity to increase the development density of the area by adding parking decks, which in turn create a more pedestrian friendly, interesting downtown where people come to have multiple experiences.



The two parking decks built as part of the West Village Commons project are a great example of the strategy for the district. Where this site was once a surface parking lot primarily serving the Jacobson's department store, today it not only provides enough parking for the needs of the entire West Village Commons project, it has freed up enough land to accommodate an additional 100 housing units and related retail and service businesses.

It should also be noted that much thought has been put into the development of the user paid system to allow for daily use patterns of visitors. The first thirty minutes are always free, so if a user wishes to stop in for a morning coffee, pick up a newspaper or run an errand there should be no charge. Second, Sundays are always free as are the first two hours on Saturday to accommodate our many parishioners and weekend visitors. Our rates are 50 cents per hour, which is roughly half of what Ann Arbor, a nearby city of our size charges. Our monthly permits range from

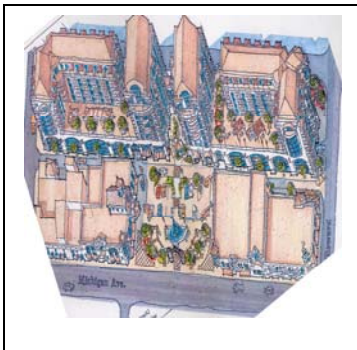
\$25 to \$40, where their permits are as much as \$140/month. And, our merchants can always choose to validate parking by providing a sticker that is placed on the parking stub and results in free user parking.

Most studies have shown that user paid parking is an incidental cost to people using downtown districts. This does not minimize the fact that some people feel it is an inconvenience; however, it is a change that once accepted will become part of everyday district life. While it is not the City's desire to place a burden on anyone, this approach will provide immense assistance to the redevelopment of the district and the ability of everyone to enjoy clean, safe, well maintained and convenient parking throughout our urban downtowns.

Other Development Projects

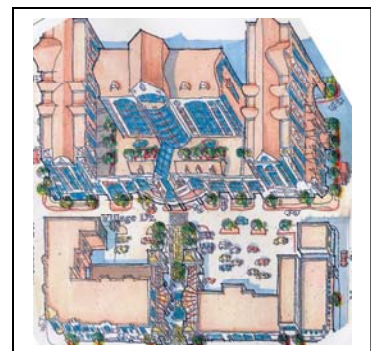
Since the successful redevelopment of the "Super Block" as West Village and the former Jacobson's store as West Village Commons interest by other developers has been piqued. Other development projects fall into two categories – those initiated by the City and those which are purely developer driven.

On the City side, the largest downtown redevelopment project undertaken through the City process is the Dearborn Village Partners (DVP) mixed-use development in two phases in the west downtown. Phase I consists of DVP North, which includes most of the



frontage on Michigan Avenue between Howard and Military and the entire city surface parking lot directly adjacent and north to Garrison Street. The first element of this project is the new four story restaurant/retail and apartment structure under construction at the corner of Michigan and Howard on the former site of the F&M Drug Store. Once completed, this entire block will contain additional retail shops and restaurants, a parking deck (owned by the City), a public plaza area, a movie theatre complex, live/work spaces and four mid-rise buildings containing 256 condominiums.

Phase II consists of DVP South, which includes some of the Michigan Avenue frontage on the already partially redeveloped block between Mason and Monroe, plus the City parking lot directly adjacent and south of West Village Drive to the Norfolk Southern rail line. When complete, this project will include new and redeveloped retail uses, a second parking deck (also owned by the City), a public plaza area, a boutique hotel with 120 rooms and two mid-rise condominium buildings containing 104 units. In total, the two DVP projects represent over \$120 Million in new investment in the west downtown district.





On the private side, the first phase of the DVP North project represents \$4.5 Million initiated by the private sector based on the substantial investments made in the West Village and West Village Commons project. In fact, the developer has indicated that the parking decks already built by the City are a key factor in the future success of their developments as they take shape and parking is shared by various uses within the district.

The Golden Gateway project is located at the corner of Michigan and Military, which is another mixed-use redevelopment, transforming former retail space into restaurants, shops and apartments in a two story configuration. This project adds a series of outdoor patios to the Military frontage along with several parking area adjustments to improve access, convenience and pedestrian safety. This project totals \$2.5 Million in private investment.



Additionally, all of the above have stimulated private sector interest in a series of other west downtown sites to continue to build on the momentum of the excitement already created in this great district.

Montgomery Ward Redevelopment Project

In the east downtown district, the major redevelopment effort for this year centers on the Montgomery Ward site. The former department store contains nearly 100,000 square feet of area that could be adaptively reused for new retail, restaurants, entertainment and housing uses. The contiguous site is nearly 5 acres, and together the buildings and site represent about 25% of the east downtown district. This is a truly unique opportunity to have a project act as a catalyst for redevelopment in the remainder of the district.



The City of Dearborn purchased the property in the fall of 2005, after several years of private developer interest (since 2001) didn't result in any viable proposals for reuse of the property. The major redevelopment effort for 2006 is getting a development partner selected for this special redevelopment site. The City is following a similar process to those used for the West Village and West Village Commons projects in selecting a private development partner to work on the project. This requires a public bidding process, selection of a preferred developer, working with the developer to refine a concept and formalization of a development agreement that is used to guide the implementation process. Usually this process takes about a year, after which the development can begin.

The site has been targeted for two distinct possible paths for redevelopment. One is the mixed-use idea of retail/restaurant/entertainment that has worked well in the west downtown and can bring much activity and interest to the district. The other is the idea of locating a minor league ballpark on the site, which would be a family friendly regional destination for the Greater Detroit area. In either case, it is estimated that the project goal is to see between \$25-\$35 Million in investment on the site.

An important note about the Montgomery Ward site is worth discussing here. There has been much publicity about the City's purchase of the site apparently because of the intrigue surrounding one of the partners of the corporation that was the previous owner and the purchase price of the property. In the first case, the City cannot control how the newspapers choose to select their stories or what information they will choose to print. Suffice it to say that the City owns the entire site, has title insurance to back the clear title on the site, and is moving forward with purpose and resolve on the redevelopment path.

On the purchase price, it remains unclear exactly what the previous corporation that owned the site paid for it. For the City's part, Dearborn followed exactly the process that is required to follow to purchase the site. Two independent appraisals were prepared that identified \$3.5 Million and \$3.7 Million as the appraised value. The property owners were asking in excess of \$4.0 Million for the site. The City negotiated a final purchase price of \$3.35 Million, which was approved by the City Council in a 5-1 vote.