



# Motor City is primed for development

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Surprise: Detroit has led the region in residential development for two years.

Detroit last year was far ahead of the pack in terms of nonresidential construction, with some 4 million square feet – nearly half of the region's 8.8 million square feet under construction – under way.

It's a tough economic climate for optimists, especially when talking about a city that has for years struggled to keep and attract businesses and residents. So Detroit's recent construction activity is examined by some who cautiously ask: Can this last?

The answer is just as cautious: probably. "I would say that right now, there are a few, though it's a very small few, private developers that are pushing forward on brand new projects in Detroit. They're taking stock and working on what they've already started, but not necessarily jumping to start anything new," said Scott Clein, principal at Giffels-Webster Engineers.

That firm has worked on many of Detroit's largest and most notable projects, including Ford Field Condominiums, Book-Cadillac Condominiums, the St. Anne's Gate multi-family development, Karmanos Cancer Institute and the Detroit Institute of the Arts expansion.

At the same time, Clein added, things are tough all over, so Detroit could still be Southeast Michigan's hottest market even if the waters are in general lukewarm.

"The city, with all its potential and inexpensive land and buildings available for purchase, provides a great opportunity," Clein said. "Detroit has arguably one of the great building stocks in the country, with architectural importance and available property."

That building stock has made the market ripe for redevelopment of obsolete buildings.

One was Sharpero Hall, Wayne State University's former pharmacy building at 1401 Rivard. The property sold this summer for \$2.3 million. The building, which had been vacant for four years, is 160,000 square feet, but even more attractive to the buyer was the 5.25 acres on which it's situated.

The buyer, Elizabeth Street Lofts, will convert the property into mixed or primarily

residential use, said Steve Eisenshtadt, vice president at Friedman Real Estate Group, which represented Wayne State.

It took a good deal of time to get the building prepared for sale and priced right, and Eisenshtadt acknowledged that \$2.3 million for such a large building sounds like a steal. But some older buildings pose expensive challenges, and either require costly renovation or demolition, Eisenshtadt said.

Among those who came forward to inquire were a few charter schools and a law firm. But the bulk of the interested buyers were those interested in repurposing the property for residential use.

The property was attractive due to its desirable and stable neighborhood, which is near newer upscale residential developments. It's also near easy freeway access, the university, Greektown and downtown.

"Detroit is certainly prime for this kind of redevelopment, Clein said. "It's just crucial to provide the right mix of residential and commercial."

Detroit led the region in 2006 with 739 housing units started. In 2005, there were 1,053.

Since residential rooftops precede retail development, Detroit could be just a small economic upswing away from a genuine construction boom.

"If you look at economic indicators, that could start to occur next year in the second quarter," Clein said.

Detroit has been a strong growth environment largely due to young professionals and empty nesters seeking an urban lifestyle, and a general eagerness to return to urban core cities. The biggest impediment is perception.

"Many people say it's very difficult to develop in Detroit and get through the bureaucracy. That's not necessarily true. It's difficult if you don't know how the city operates," Clein said. "There are also of course a lot of perception issues and service issues that the city has to deal with. But to be fair, Chicago wasn't always attractive to younger folks either, and look at it today."

Commercial real estate broker Myrna Burroughs of CB Richard Ellis also sees the potential in the region's urban core. She

## the buzz Unpredictability, old Detroit

Unpredictability is one of the rewards and challenges of working and building in old cities like Detroit.

"I love it," said Scott Clein, an associate at Giffels-Webster Engineering. "I can tell you that working on old sites – that is the reason I do what I do. It's the odd things you find. I enjoy working with the unique redevelopment and reconstruction."

Like the time Clein found an original brick sewer line, installed in the 1880s, when he was working on a site in Corktown.

"At that point, we had to decide whether to install something new or whether we could even breathe on it without it falling apart," Clein said.

Sometimes these surprises are like small gifts from the past, Clein said, recalling an even more venerable find not long ago at the St. Anne's Gate site in Mexican Town.

Engineers found an old wooden water main, made of a hallowed-out tree, about 4 feet underground. It was probably built in the 1850s, or earlier.

"It wasn't still in use, of course, but it was still damp. It was just a very cool thing to see," Clein said.

Some of the old water mains, circa 1870, are still in use in Detroit. Those aren't that difficult to work around, Clein said. But private utilities – like gas, electric, telephone and cable – can be a bear.

"On old private utilities, the documentation can be very hard to come by, especially for those that are no longer in use," he said. "You have to do a lot of pre-planning. You may have 10 gas lines that were abandoned but left in place in the 1940s. Then you have to wonder, 'Where are those, exactly?' If you look at a map of all of the old utilities, it's a lot like looking at a bowl of spaghetti."

Hiring a firm that's experienced in working on old sites can help, he added.

"You do as much preliminary design as you can. You get a great survey. You put together a design that works the way you want, but also has flexibility. And a wise client would hire a firm like ours that would be on site during construction," Clein said.

"If you do your due diligence in the beginning you have a greater chance of success."

■ Carol Marshall

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started working in Detroit just as the economy began faltering in 2000, and admits that it hasn't been easy to attract commercial property users to the city.

"One of the biggest challenges I see the region's shrinking population. Detroit's population has been on the decrease for many years. They like areas like Canton, where the population is still increasing," Burroughs said.

The other challenge, she said, is the automotive industry.

"That industry's challenges have trickled down," she said. "I have companies pulling out of the market because they just don't see the opportunities for themselves anymore."

And those that stay, if they are automotive related, are taking shorter leases because they don't know if they'll have contracts from the Big Three next year."

But Burroughs is still a believer in Detroit's potential.

"There's still a lot to be done with the old Hudson's site and with other businesses on Woodward, but there is so much going on and so much has been improved, from the riverfront to Campus Martius. It's just incredible," she said.

"There are new hotels and new housing going up on the riverfront and all that development around Wayne State. People and businesses do seem to want to come back to Detroit. We're definitely on our way," she said. ■