



Metro Detroit

Metro Detroit Gets Ready to Grow with Transit-Oriented Development

NINA IGNACZAK | THURSDAY, JANUARY 16, 2014



David Lewinski Photography

Bedrock Properties Along Woodward Ave



All around the Motor City, people are starting to talk transit.

In 2013, M-1 Rail broke ground along Woodward in Detroit, work commenced to speed up the Pontiac-to-Chicago Amtrak line, talk of an Ann-Arbor to Detroit commuter line moved incrementally closer to reality, AirRide expanded bus service between Ann Arbor and DTW, Bus Rapid Transit emerged as the preferred alternative for regional mass transit, and after 40 years of failed attempts, a Regional Transit Authority was finally established for metropolitan Detroit.

Now, public officials and developers across the region are readying themselves to reap the economic potential of functional transit - something many cities across the country have already done.

Take Atlanta, for example.

"Atlanta was the poster child for sprawl," says Chris Leinberger, Research Professor at George Washington University School of Business. "The metro area grew from 50 miles north to south in 1970 to over 120 miles today, sprawling farther and faster than any city in human history."

Leinberger authored *The WalkUP Wake-up Call: Atlanta*. The study documents that over 60 percent of Atlanta's recent real estate development was concentrated in just one percent of its land area - most of it near transit stops.

"Now Atlanta is witnessing the end of sprawl," he says. "If it's happening in Atlanta, this is a significant national real estate trend. The market is saying no more sprawl."

Leinberger expects that trend to take place in Metro Detroit - both in the city and in the suburbs.

"Probably 40-50 percent of walkable urban development will be in the center city," he says, "but the majority of it -50 to 60 percent- will be in surrounding suburbs in places like Birmingham, Ferndale, Royal Oak, and Ann Arbor."

A 2013 study by the Institute for Transportation and Development Policy suggests those places can expect significant economic activity. The study measured the economic impact of Cleveland's HealthLine BRT, which leveraged \$5.8 billion in economic development over five years from a \$200 million initial investment - an ROI nearly 30 times the initial construction cost.

"We're behind the curve in starting this process," says Richard Murphy, Programs Director at the Michigan Suburbs Alliance and Washtenaw County representative to the RTA.

In 2012, Murphy worked with five southeast Oakland County communities to develop a South Oakland Woodward plan outlining TOD-friendly policies each city should adopt in preparation for rapid transit - things like increasing building heights and establishing zero lot-lines and parking restrictions.

"The plan is a good example of how we should be approaching TOD in the region," says Murphy.

Brad Strader, a consultant with LSL Planning who worked on the plan, agrees.

"All of the Oakland County community representatives are enthusiastic about transit and TOD, and the developers just want to know where the stations will be," he says.

The City of Ferndale already has much of the zoning in place, according to Derek Delacourt, Director of Community and Economic Development for Ferndale.

"A functional, well-designed rapid transit system along Woodward is an opportunity for the city to evolve," he says.

The City of Dearborn is also planning for TOD. Working with the Michigan Municipal League to develop a place-based TOD strategy for its new multi-modal train station, the city plans a mix of uses at a scale appropriate for transit users and pedestrians, according to Luke Forrest, Program Coordinator with MML.

"The plan orients development to rail commuters, calling for a mix of uses like a coffee shop, a dry cleaner, and a newsstand, anchored by housing," says Forrest. "It also connects with west downtown Dearborn, which is only a couple of blocks away but feels much farther because today it's hard to walk to from the train station."

Murphy sees potential for TOD across many of metro Detroit's corridors, such as 8 Mile and Gratiot.

"Gratiot is the next place for TOD," says Murphy. "It's the highest ridership corridor in the region and the homework has been done by Macomb County and the local governments, so they have a lot of the pieces in place."

Meanwhile in Detroit, Dan Gilbert's Rock Ventures continues to snap up land and buildings along Detroit's Woodward corridor ahead of M-1 Rail.

"What we have seen around the country is tremendous economic development on transit routes," says Matt Cullen, CEO of Rock Ventures and M-1 Rail. "The benchmarks suggest four to as much as eight times the investment in transit, you get back in economic development. So that puts us into the billion-dollar range."

M-1 Rail worked in collaboration with multiple partners to complete a Downtown Detroit Woodward TOD study. The plan was an opportunity to coordinate multiple plans completed by various groups over the years and get everyone on the same page, says Cullen.

Sue Mosey, President of Midtown Detroit Inc., sees an urgent need for more mixed-income housing in the Woodward corridor, something she thinks will only increase after rail begins operating in 2016. But even though Midtown is currently 97 percent occupied, Mosey says a financing gap remains because the market is so undervalued.

That gap is narrowing, according to Cullen.

"The gap is much smaller now than it used to be," he says. "Market rents are increasing, and plenty of people want to live along the Woodward corridor."

But as rents rise, low- and moderate-income residents can be pushed out.

"We need mixed-income development," says Cullen. "Before there wasn't any demand, but now we have an opportunity for the same kind of mixed-income housing as many areas across the United States."

Ensuring commercial development within a TOD serves mixed incomes is critical, according to Scot Spencer, transit equity expert and Associate Director at the Annie E. Casey Foundation.

"In many places with TOD, there's no provision that the mix of uses allows for a mix of incomes," says Spencer. "The services along transit stops are important to someone for whom transit is not a choice or luxury. Are there day care centers or social services agencies helping folks who are transit-dependent?"

To help bridge the finance gap, investors have established a Woodward Corridor Investment Fund to provide longer-term funding with lower equity requirements than traditional financing typically allows.

"Our investors have stepped up to make the longer-term commitment," says Ian Weisner, Senior Loan Officer with the fund. "We are willing to take the risk of a 20 percent loan-to-value ratio over 30 years, because we have faith that the market is undervalued."

The \$30-million fund already has \$54.5 million in applications that would create 540 units, says Weisner. The first projects are expected to be announced in 2014.

Leinberger calls this long-term investment strategy "patient equity."

"Ten years from now, those investments will look inspired," he says. "It's your classic buy-low and sell-high scenario."

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