

The art of the \$1 building deal: Gambling on incentives

WITH THE ACQUISITIONS OF FOUR BUILDINGS AT A NOMINAL PRICE, 180URBAN TAKES THE NEXT SHOT AT DOWNTOWN DEVELOPMENT.

[Dillon Davis \(/staff/36581/dillon-davis\)](#), Battle Creek Enquirer

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For those that know it best, downtown development is far more an art than a science. Often, it takes little brush strokes along a corridor and the right accents spanning sidewalks and cityscapes for a vibrant picture to come into form. Sometimes, though, it can feel like watching paint dry.

In Battle Creek, the city has long sought to revitalize its downtown, a journey officials agree starts by filling up its vacant buildings. But local development history shows that can be a tall task if not for the right developers, the right moment and, most importantly, the right price tag.

For local developers David Sciacca and Alexa Smolinski of 180Urban Development and Management LLC, that price is \$1.

In March, the couple [acquired three downtown properties](http://www.battlecreekenquirer.com/story/news/local/2016/03/09/land-bank-completes-sale-three-buildings-180urban/81490970/) (http://www.battlecreekenquirer.com/story/news/local/2016/03/09/land-bank-completes-sale-three-buildings-180urban/81490970/) at 15 Carlyle St., 64 W. Michigan Ave. and 119 W. Michigan Ave. for \$1 apiece from the Calhoun County Land Bank Authority. With the purchase of the former Shrank's Cafeteria Building at 85-87 W. Michigan in a similar deal by way of Southern Michigan Bank & Trust, Battle Creek has essentially passed the torch to 180Urban for a significant slice of the downtown's future.

Calhoun County Treasurer and land bank board Chair Christine Schauer said the deal is a calculated risk for the new owners, for the land bank and for the city. The long-vacant buildings are considered eyesores that have gone through multiple redevelopment efforts that ultimately have yielded no fruit.

This deal, she said, was the sign of a new approach, one that hopes to usher in a fresh era of development after years of stagnation.

"The price tag is what made this project work and it's doable," Schauer said. "We're glad by entering into this sale, tax revenue will be generated to fund roads, public safety, schools. We were not collecting revenues with them sitting vacant."

That's at least a part of it, according to Christopher Leinberger, a land use strategist and [gton University's School of Business](http://www.gton.edu/school-of-business/les/christopher-leinberger/) (http://www.gton.edu/school-of-business/les/christopher-leinberger/).

"I've found these downtown turnarounds are best led, rather than viewing it as a public-private partnership, I'd flip it as a private-public partnership led by the private sector," Leinberger said. "The city certainly has a role to play, but the leadership we've found in downtown turnarounds tends to be private with the public pulling their weight and doing their jobs."

Downtown turnaround

Several cars whiz by on a stretch of East Holland Road coming into Saginaw. It's muggy with an infrequent breeze, nearing the onset of summer. A few squirrels emerge from a nearby tree, chasing one another down the base and across a parking lot into the open mouth of a well-worn warehouse building on a state highway that connects Saginaw and Interstate 75.

Soon, the building could return to use for an established local company if a recent development deal goes according to plan.

Three lots on East Holland were sold to a local storage and waste management firm, Billy's Contracting, in March for \$2,500, said Saginaw County treasurer and land bank board chair Tim Novak. Novak said the former supermarket distribution warehouse, built in 1926, and its two adjacent lots will be updated to accommodate space for roll-off and storage containers and dumpsters for rental.

"Part of this is that it's a main road that had an eyesore and we couldn't find anybody to really purchase it," Novak said. "We had a lot of people interested in it but nobody would purchase it. The other piece of this that is significant, first of all, it goes back on the tax roll, which is important, and it's private investment, which is critical, and the third piece is avoiding the taxpayer cost to demolish it.

"It has a numerical value in the equation as well."

Similar projects, involving the sale of property and land well below market value in the interest of redevelopment, have been embarked upon in other areas with varying results.

The city of Muskegon [purchased the HighPoint Flats building and two adjacent lots earlier this year](http://www.mlive.com/news/muskegon/index.ssf/2016/01/city_takes_first_step_to_redev.html) (http://www.mlive.com/news/muskegon/index.ssf/2016/01/city_takes_first_step_to_redev.html) from a development company for \$1. Chicago artist Theaster Gates Jr. acquired the former Chicago bank Stony Island Savings & Loan building, untouched and abandoned since the 1980s, for \$1 in 2012 and [raised funding to reopen it as Stony Island Arts Bank](http://mentalfloss.com/article/69865/artist-buys-run-down-chicago-bank-1-and-transforms-it-arts-center) (<http://mentalfloss.com/article/69865/artist-buys-run-down-chicago-bank-1-and-transforms-it-arts-center>) last fall. That facility now includes [an extensive collection of books and periodicals, more than 60,000 slides of art and architectural history and the Frankie Knuckles vinyl collection](https://rebuild-foundation.org/site/stony-island-arts-bank/) (<https://rebuild-foundation.org/site/stony-island-arts-bank/>).

In Detroit, the Roxbury Group [bought the former Globe Trading Co. building on the Detroit River](http://www.craindetroit.com/article/20160402/NEWS/160339961/redevelopment-brings-the-outdoors-indoors-in-downtown-detroit) (<http://www.craindetroit.com/article/20160402/NEWS/160339961/redevelopment-brings-the-outdoors-indoors-in-downtown-detroit>), where automobile magnate Henry Ford once worked as an apprentice machinist, at the \$1 price point, according to a report by Crain's Business Detroit.

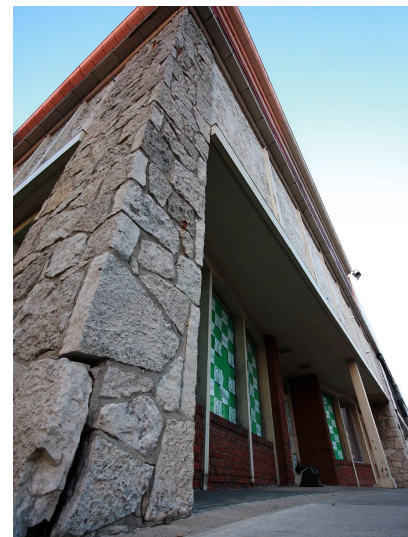
The group redeveloped it and sold it to the Michigan Department of Natural Resources, which has converted it to an Outdoor Adventure Center.

Sciacca said the sale price made the project more feasible for 180Urban. However, he said, the development company had invested as much as \$50,000 — in legal fees, in environmental and engineering studies, in survey work — before the acquisitions were even completed.

"There's really no such thing as a \$1 building," he said. "Before you close on it, you're already into it for thousands of dollars. We went into this knowing this would be millions of dollars of investments."

Joe Schilling, a [senior research associate at the Urban Institute](http://www.urban.org/author/joseph-schilling) (<http://www.urban.org/author/joseph-schilling>) and co-founder of the Vacant Properties Research Network, said cities and land banks have tried in recent years "to be creative and use what tools it has at its disposal" to spur redevelopment of vacant properties. He said the deals are commonly in play as an incentive to the developer, as they'll often have to spend millions of dollars to return the buildings to a productive state.

Two of the buildings in Battle Creek have an estimated project cost of \$4.5 million, [according to documents provided to the city last week by Smolinski](http://www.battlecreekenquirer.com/story/news/local/2016/06/30/180urban-seeks-12m-s/86546888/) (<http://www.battlecreekenquirer.com/story/news/local/2016/06/30/180urban-seeks-12m-s/86546888/>).



180Urban's property at 64 W. Michigan Ave. in downtown Battle Creek.

(Photo: Stephanie Parshall/For The Enqui)

"It's a common strategy for local governments to provide a variety of incentives to reclaim vacant properties," Schilling said. "It seems, from what I've gathered, these are commercial properties, fairly visible in the heart of the downtown and they've been vacant for a number of years. These seem to be ideal targets for a land bank to step in and facilitate some kind of structure, some kind of strategy and transaction to get them back into productive use."

A dollar and a dream

The cheap sale price to 180Urban has been a hangup for some critics of the project. But for those in the world of redevelopment, it's sometimes the price of doing business.

Ingham County Treasurer Eric Schertzing said the secret tends to be finding the right developer. The sale price, he said, is "fairly minor" in the scheme of building redevelopment, with steeper sale prices sometimes being prohibitive to progress.

"If they sat there for 10 years with nobody doing anything and if the city or the county or the land bank owned them, they sat there tax-exempt," Schertzing said. "If they sat there with nobody improving them, whether it's a coffee shop or a dress shop or an office, that's almost by definition in our capitalistic society means they're almost worthless.

"There's no good outcome when they just sit there."

Battle Creek Unlimited purchased the Carlyle Building for \$350,000 and the former Anson Hotel for \$195,000 in 2003. It later netted 64 W. Michigan, a former nightclub, for \$350,000 in 2010. The properties have been marketed to prospective developers for years, but have not found a project worth the price of admission just yet.

One of the closest bids, perhaps, came in the early 2000s, when 15 Carlyle and 119 W. Michigan were earmarked for redevelopment by BCU's now-defunct Downtown Partnership. It had planned to convert the downtown spaces into 26 condominiums and first-floor retail space by as early as 2006, Enquirer archives show. BCU's former President and CEO Karl Dehn told the Enquirer in 2010 that project failed because too few people were willing to sign on to live there without an established move-in date.

Another plan later in the decade sought to transform the Carlyle Building into 17 one-bedroom lofts ranging in size from 700 to 1,344 square feet. The 2008 housing market crash sent those dreams up in flames.

The Calhoun County Land Bank has held the properties under contract with BCU since 2010. It was a deal that gave BCU tax relief, as the land bank has tax-exempt status, while also providing the private nonprofit an option to reacquire any of them.

Schauer first announced the land bank's intention to enter into an agreement with 180Urban in November. One bugaboo, though, discussed in this year's redevelopment deal with Sciacca and Smolinski, is their lack of experience redeveloping commercial property. The couple have no known involvement in developing downtown housing and commercial properties, and certainly nothing on the scale of what they've taken on this year in the downtown.

Sciacca, who also has publicly gone by the name David Smolinski, [told the Enquirer in March that he does have experience investing in residential apartments outside of the area](#)

(<http://www.battlecreekenquirer.com/story/news/local/2016/03/09/land-bank-completes-sale-three-buildings-180Urban/81490970/>). He declined to share details of those investments, saying he was interested in keeping 180Urban's downtown bid "Battle Creek-centric."

"It was very deliberate," Sciacca said. "We knew it needed to be done. We knew others have looked at doing this and backed away. We felt to have the greatest impact, we needed to address one of the most challenging aspects and that meant taking on the projects downtown. We were determined enough to get it done and we believe we have the capacity to do it.

"If not us, then who?"

To mitigate the risk of entering an agreement with an untested development group, Schauer laced the agreement with performance objectives and penalty provisions that would revert the properties back to the land bank if milestones were not met by 180Urban.

"Well, I mean, there are investors and speculators," said U.S. Rep. Dan Kildee, founder of Michigan's first land bank in Genesee County. "With these sort of deals, the private sector is not monolithic when it comes to real estate. They're not all the same. What the land bank attempts to do is separate the investors and the speculators who want to buy the land and sit on it and maybe flip it and sell it to somebody else. That doesn't do anybody good."



Several small plants sprout out of 180Urban's property at 119 W. Michigan Ave. in downtown Battle Creek. The development company bought the buildings from the Calhoun County Land Bank Authority earlier this year.

(Photo: Stephanie Parshall/For The Enqui)

"We use a reverter all the time," Schertzing said. "They are a good public-policy tool. We don't want the properties back, but it's an easy tool to allow somebody the opportunity to make something good happen. If the deal falls apart, if someone gets sick or moves, you're going to get possession again."

A steal at any age

Many of these terms mean little in the mind of a second-grader. What does resonate, however, is that the buildings sold for a buck. That number hits close to home and it's accessible at any age.

Battle Creek's Downtown Development Director John Hart found that out firsthand this year in a visit to North Pennfield Elementary School, [where he met with three classes of second-graders.](http://www.battlecreekenquirer.com/story/news/local/2016/03/30/pennfield-students-dream-big-bc-attractions/82421460/)

[\(http://www.battlecreekenquirer.com/story/news/local/2016/03/30/pennfield-students-dream-big-bc-attractions/82421460/\)](http://www.battlecreekenquirer.com/story/news/local/2016/03/30/pennfield-students-dream-big-bc-attractions/82421460/) Groups of four and five students pitched Hart the finished development projects that would make the area a better place to live, at least in their minds.

Few students knew the 180Urban name, but almost every group eyeing the downtown area called out the \$1 sale price.

"We want the building there," North Pennfield student Mason Keagle told Hart about his -hotel and Water Park. "We hope you'll rent it to us cheap

"I just think it's appealing because it's an amount of money they can understand and relate to," teacher Erin Andrews said. "It's unbelievable to a lot of them. 'No, she's pulling my leg. That's not possible.' It kind of came up supplemental, not during a lesson.

"Just kind of letting them know (Sciacca is) rolling in with a dollar and he has to make his own investments."

Thus far, 180Urban has hit the mark. The group has applied for a \$1.2 million tax break via the obsolete property rehabilitation exemption (<http://www.battlecreekenquirer.com/story/news/local/2016/06/30/180urban-seeks-12m-tax-break-downtown-buildings/86546888/>) for its building rehab projects at 15 Carlyle and 64 W. Michigan. Although it's not exactly Mason Keagle's hotel and water park project, 180Urban told the city it plans to convert 64 W. Michigan into a mixed-use property with loft-style apartments and a "full service craft microbrewery with associated full service restaurant" on the first floor and in the basement.

The Carlyle Building likely is headed toward residential housing with "20 residential loft style apartment units on all levels for rent."

"The motivation was never to make money on the building," Sciacca said. "It was to get it back into service and create an asset for the community, to bring vitality into the community, to attract people and to get them back on the tax rolls. The buildings are important parts of our community and the activity that takes place in the buildings.

"Vacant buildings send the wrong message."

There's a message Sciacca would rather the buildings send.

"Battle Creek is a vital community," he said. "It has a lot to offer. It's a safe community and we have a very safe downtown and it's worthy of investment."

Leinberger said 180Urban has taken on "a lot of risk," as it tries to prove the market will bear downtown living and commercial attractions. It would be something seen only sporadically since the Michigan Mall was ripped out in favor of reopening Michigan Avenue in the downtown in the early 1990s.

That said, it is a long road ahead towards restoring the luster of Battle Creek's downtown area, even with buildings sold at a reduced price.

"It's easy to sit back and say 'I'll take that building for a dollar,' but can they come up with the millions to develop it?" Kildee said. "The answer, generally, is no."



A view outside the building at 180Urban's property at 119 W. Michigan Ave. in downtown Battle Creek.

(Photo: Stephanie Parshall/For The Enqui)

More local stories about Battle Creek's downtown development:

- [180Urban seeks \\$1.2 million tax break for downtown buildings](http://www.battlecreekenquirer.com/story/news/local/2016/06/30/180urban-seeks-12m-tax-break-downtown-buildings/86546888/)
(<http://www.battlecreekenquirer.com/story/news/local/2016/06/30/180urban-seeks-12m-tax-break-downtown-buildings/86546888/>)
- [Done deal: Arcadia Brewing Co. buildings sold to new ownership group](http://www.battlecreekenquirer.com/story/news/local/2016/06/30/done-deal-arcadia-building-sold-new-ownership-group/86545984/)
(<http://www.battlecreekenquirer.com/story/news/local/2016/06/30/done-deal-arcadia-building-sold-new-ownership-group/86545984/>)
- [GreenStreet moves to 20th Street, downtown building in flux](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=newssearch&cd=5&cad=rja&uact=8&ved=0ahUKEwj2vtz3uN3NAhVE74MKHX9tDQwQqQIIKC:page_20th_street_move_downtown_building-ig=AFQjCNF4flczDj--ig2=CuFmo3Pq4Edk08SaJmz57g&bvm=bv.126130881,d.dmo)
(https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=newssearch&cd=5&cad=rja&uact=8&ved=0ahUKEwj2vtz3uN3NAhVE74MKHX9tDQwQqQIIKC:page_20th_street_move_downtown_building-ig=AFQjCNF4flczDj--ig2=CuFmo3Pq4Edk08SaJmz57g&bvm=bv.126130881,d.dmo)

- [Battle Creek entrepreneur grows tech business, eyes downtown move](http://www.battlecreekenquirer.com/story/news/local/2016/06/21/bc-entrepreneur-grows-tech-business-eyes-downtown-move/86149112/)
- [John Hart: There are signs downtown is on the ascent](http://www.battlecreekenquirer.com/story/news/local/2016/05/03/hart-there-signs-downtown-ascent/83882186/)

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