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Michigan State University

# **A Study of the East Village Area: Benefits and Impacts of Redevelopment**

Urban and Regional Planning Program  
Plan B Paper – Advisor, Zenia Kotval

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April 28, 2006



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## **1.0 EXECUTIVE SUMMARY**

The East Village is a 35 acre neighborhood in the City of East Lansing. Efforts are being made to provide tools and incentives that would initiate redevelopment of the area. This paper includes a summary of current condition in the East Village, analysis of a hypothetical redevelopment strategy, an estimate of impacts of that hypothetical redevelopment and recommendations regarding public investment in the planning area.

Adjacent to Michigan State University (MSU), in a lively college town, and bound on its south border by the Red Cedar River, the East Village has the potential to be a very desirable place to live or work. Currently the area's land use is primarily student housing, in aging apartments, rental houses and fraternities. There are also eight commercial properties. Several challenges and opportunities have been identified as motivating factors in planning for redevelopment. The challenges include:

- **Market shifts** – Student renters have more housing options and are demanding higher quality housing.
- **Environmental concerns** – The Red Cedar River flood way will limit property owner's ability to improve or redevelop many properties in the East Village. The river is also currently being contaminated by run-off from surface parking lots and from the pollution left behind by past land uses.
- **Social unrest** - The area has been the epicenter of five student riots in the last seven years. These destructive outbreaks are blamed on the consolidation of students in a relatively isolated area.



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In contrast to the area's challenges, the positive potential of the area provides opportunities for improvement. That potential is substantial because of a strong condominium and apartment housing market, opportunities for University related businesses to locate here creating new jobs, and the desire of the City to build a recreational asset in the form of a riverside park.

To direct future redevelopment, the City has adopted a Master Plan for the Area that includes six goals:

- Create a unique, high-density, mixed-use land use pattern in the East Village Planning Area.
- Create a new river-front park and walkway along the Red Cedar River.
- Encourage small, unique and locally owned business growth in the East Village.
- Establish appropriate pedestrian and vehicular circulation and parking facilities to support new land use patterns.
- Develop urban design standards to direct the scale and character of new development in the East Village.
- Address environmental challenges in connection with redevelopment.

A new zoning code for the East Village District is also being developed. It will allow for a more intense use of redeveloped properties when redevelopment is proposed which meets the goals of the Master Plan. The Master Plan and Zoning Code are tools to increase the economic feasibility of redevelopment by allowing construction of projects which will increase the value of the properties by at least four to five times their current value.



The hypothetical project included in this paper would be an 8.1 acre first-phase redevelopment of 17 properties with an estimated market value of \$22 million. When redeveloped, the property would include 110 apartments, 100 condominium units, 190,000 square feet of office space, a 70 room hotel, 101,000 square feet of retail space, a fitness center, a community building with 3,000 square feet of multi-use space, 1,000 parking spaces and a two acre park. The estimated market value of this project would be \$90 million.

Tax increment financing (TIF) will be used to pay for the public improvements related to this project. Those improvements include parking structure construction, street improvements, utility infrastructure and creation of the riverfront park. The new taxes that can be captured for these improvements would be approximately \$1.6 million per year. The City could borrow against that TIF revenue and have approximately \$26 million at the start of construction available for public improvements. Although these TIF funds would pay for capital improvements, a traditional economic impact assessment indicates that this project will cost the City millions of dollars for additional public services annually. These service costs would not be offset by new tax revenue from the project, because that revenue will be captured through the TIF for public improvements. The public benefits of the project must therefore be studied to determine if the cost to the community is justified. Other university communities have successfully implemented similar redevelopment projects. Their costs have been justified by the overall benefits to the community and to their local universities. The improved living environment for students, faculty and alumni is very valuable to the universities that seek to recruit quality faculty

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and students while keeping their alumni engaged. Examples of these projects are included in section 4.3 and in APPENDIX D. Ultimately the City must consider the value of the goals of the East Village Master Plan and look for opportunities to share the costs with others who will benefit. When those goals are achieved, the University, the State and the residents of the City will realize great benefits that I believe will outweigh the costs.



### **2.0 INTRODUCTION**

#### **2.1 Topic**

Planning for the East Village is a collaborative effort between Michigan State University (MSU), the City of East Lansing, and the State of Michigan. It is intended to improve the 35 acre area commonly known as the East Village. The study area has been plagued by numerous university-student riots and has also suffered from disinvestment in recent years. Alternative improvement strategies have been evaluated, and recent efforts have focused on providing tools that would assist the private sector in redeveloping the area into an urban village. This urban village concept will create a unique, high quality neighborhood that will fit the State's "cool cities," initiative and appeal to both students and non-students as a diverse and exciting place to live and work. In this paper I will propose and analyze a hypothetical redevelopment strategy for the East Village area. I will then estimate the impacts of that development scenario and make recommendations regarding public investment in the East Village Project.

#### **2.2 Relevance**

I have elected to write about this topic because I believe that reinvestment in an under-utilized urban area, like the East Village, is an effective way to fight sprawl, promote social equity, and leverage economic growth. Urban areas with active commerce centers or institutions such as universities are ideal for redevelopment because of existing job opportunities and quality of life amenities that attract residents and businesses to the area. The difficulty in redeveloping such areas is the lack of

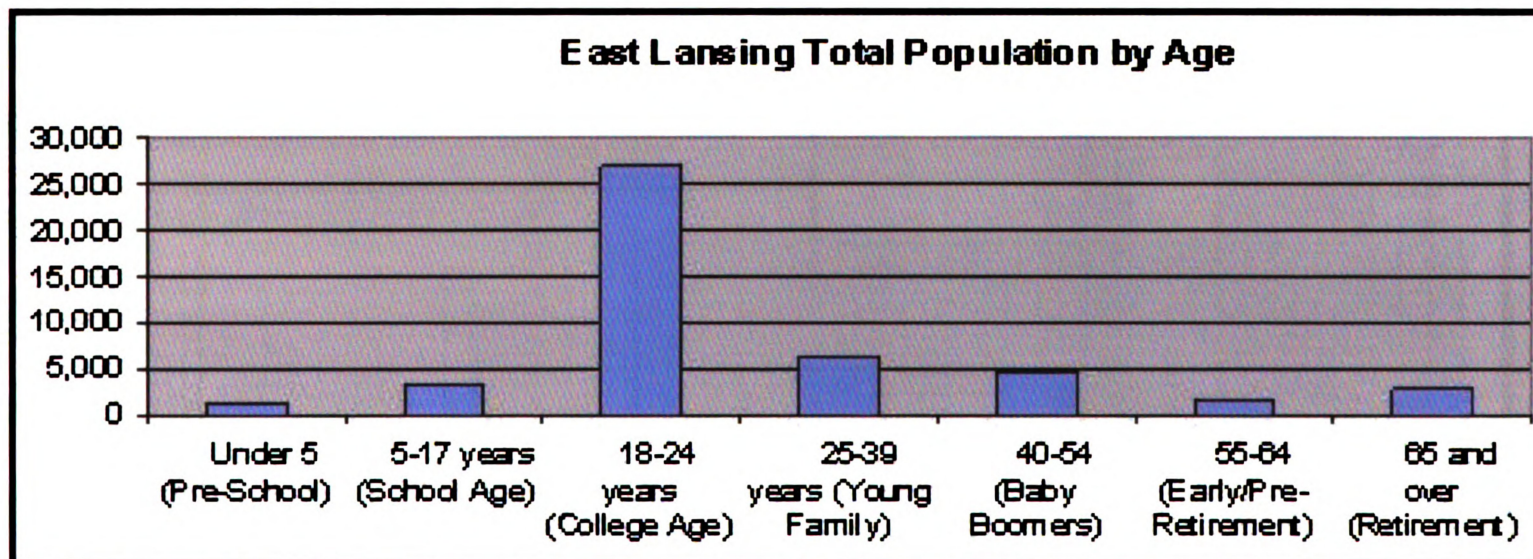
unused land which results in an elevated cost of land assembly. The East Village area, in East Lansing, is an example of an opportunity to redevelop a very valuable section of under-utilized land, located adjacent to Michigan State University, into a higher density mixed-use urban village that provides an improved living environment for residents.

### **2.3 Context**

It is important to understand the social, political and economic context of this study area and the region in which it sits. The City of East Lansing is a friendly college town located in mid-Michigan directly adjacent to the State's capital city of Lansing. Founded in 1907, East Lansing has expanded through annexation and 425 agreements to approximately 15 square miles - eight times its original size (City of East Lansing, 2006). A progressive and development friendly council-manager form of government has encouraged redevelopment of the downtown core and planning for the needs of student residents, permanent residents and business owners in the community. It is easy to see the overwhelming influence of the University community on both the demographic and economic profile of the City. The community benefits greatly from MSU's cultural richness as well as from University jobs and University related businesses. According to the 2000 Census the population of East Lansing is 46,525, and the median age of East Lansing's residents is 21.7 years old.

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The census says that 29,329 residents are enrolled in college or graduate school. Of the 15,292 residents of the City that are over 25 years old, 70.4 percent have a bachelor's degree or higher, which is much higher than the State of Michigan's

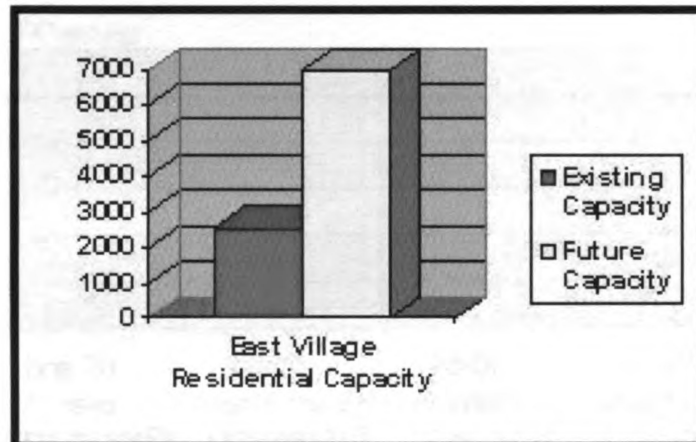


percentage of 21.8. In addition to being predominantly young and well educated, East Lansing residents are also ethnically diverse. Foreign born residents make up 11.7 percent of the population, or 5,483 people, and 15.4 percent of the population speaks a language other than English at home.

There are 15,318 housing units in East Lansing and about two thirds of those are renter occupied. Most of the residential neighborhoods surrounding the university have over the last four decades encountered a conversion from primarily single-family owner occupied homes to mostly student rental housing. The East Village was one of the first neighborhoods to

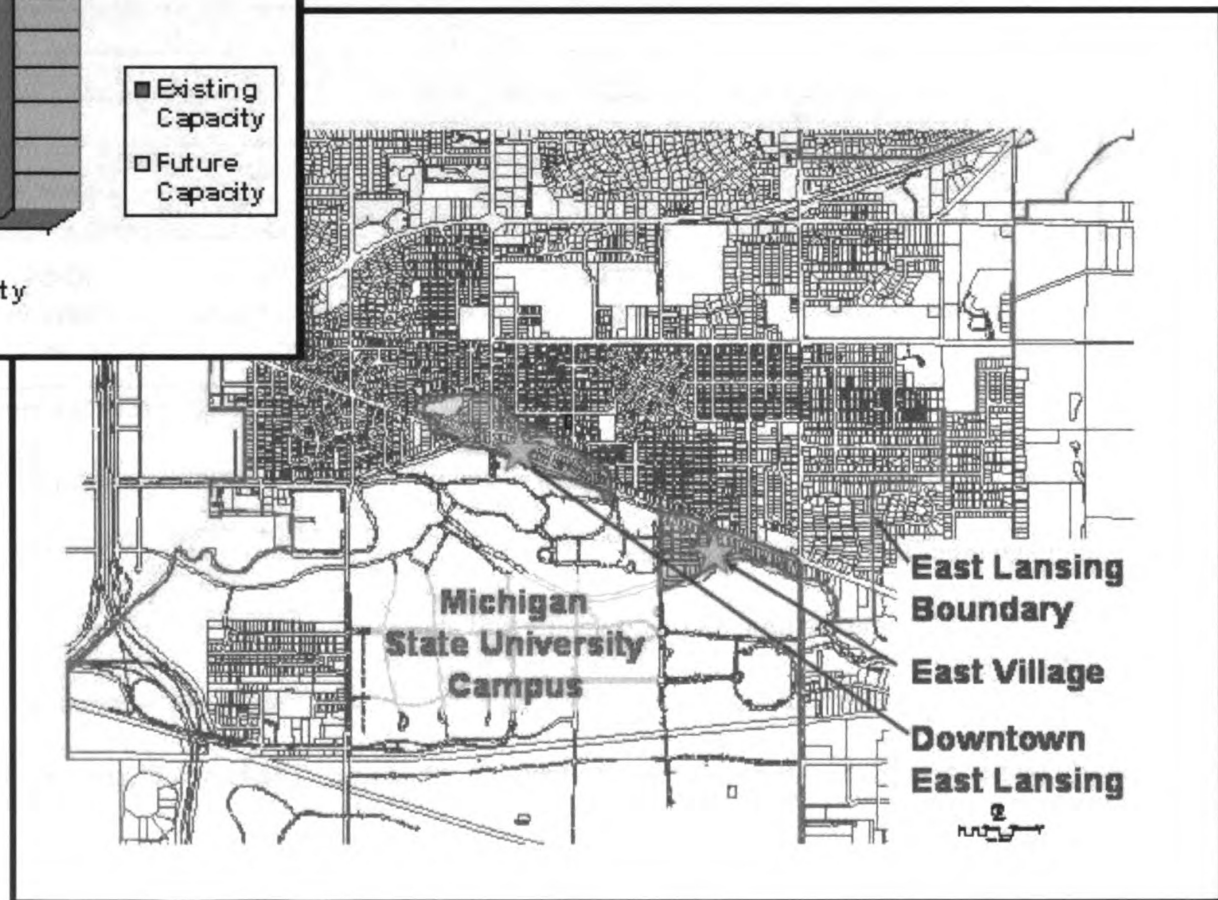
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experience that change. It was originally platted for single family housing in the early 1900's. By 1970 many houses had been removed to make way for apartment buildings and the remaining 26 houses were converted to rentals or fraternities. Today's East Village includes eight commercial businesses and 639 units of rental housing which are licensed for 2,560 residents



(Department of Planning and Community Development, 2005). The

East Village Master Plan, adopted February 8, 2006, (Appendix A) shows the future residential capacity for this neighborhood being nearly 7,000 people. It is anticipated





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that these new residents will patronize downtown businesses as well as the neighborhood oriented businesses that are expected to locate in the East Village.

This new higher density neighborhood will be a very vital environment and a place of pride for the City and University. Based on its location, the 35 acre East Village planning area is expected to be a very appealing for both residential and commercial development. Michigan State University abuts the East Village to the south and west and commercial corridors border the north and east. The south boundary of the neighborhood is the Red Cedar River, and across the river on campus is the beautiful Sanford Woodlot. The north boundary of the neighborhood is M-43 or East Grand River Avenue. It carries 29,100 automobiles per day past the East Village (URS, 2000) and connects the East Village to Downtown East Lansing, less than a quarter mile to the west.



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Proximity to the University instantly adds value to any residential or commercial development in this area. The students, faculty, staff and alumni that have ties to MSU are all potential visitors, investors, and residents of this neighborhood. MSU's law school, business school and medical schools are

located nearby, along Bogue Street. Its famous Wharton Auditorium is also on Bogue Street and the library and stadium are just a short walk along the river from the East Village. In addition, future plans for MSU include on-campus improvements to the section of campus that is closest to the East Village. Michigan State University's current Master Plan, *2020 Vision: A Community Concept for the MSU Campus*, calls for the creation of an "Arts District" along the river just west of the East Village. The creation of this destination district on campus will attract additional visitors to this area and the character of the Arts District could be carried across Bogue Street to the East Village where Campus visitors could find parking, restaurants and shops.

Although the area has great potential for redevelopment, its future is uncertain. Many factors such as public support and property owner cooperation will affect its ability to be changed to accommodate a higher use. The proposal to redevelop this area has also been met with some skepticism.

### **MSU Population**

Enrolled Students: 44,800

Faculty & Staff: 10,500

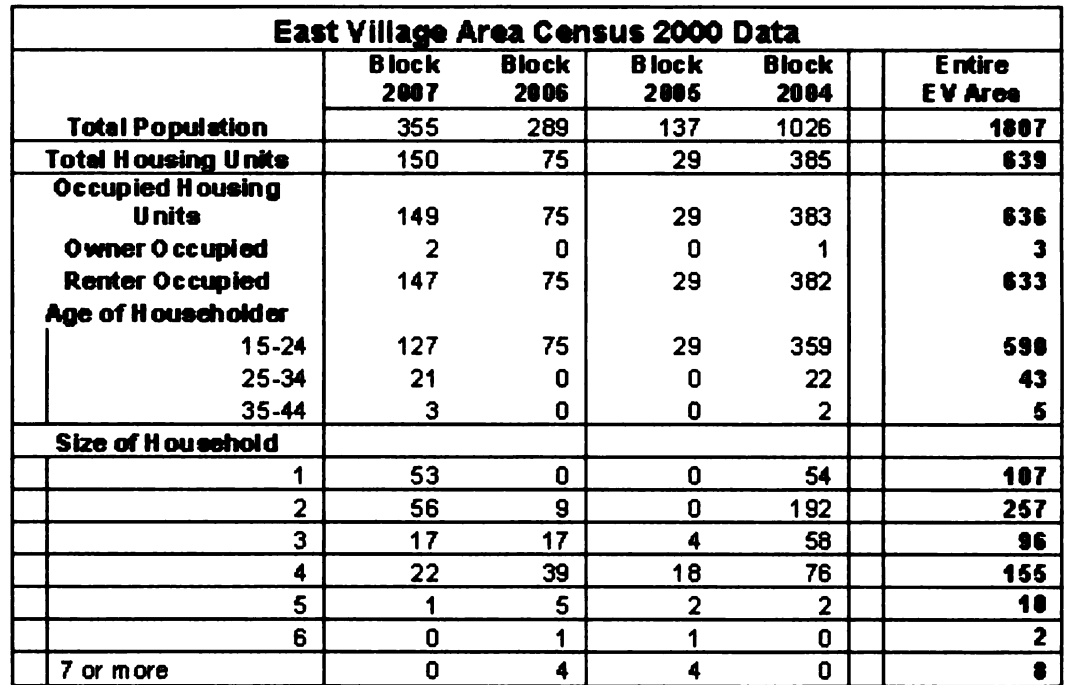
Living Alumni: 389,500

(Division of University Relations, 2004)



Property owners say that their current investments have produced good income. Therefore, one may ask, “Why would redevelopment make sense here?”

Redevelopment makes sense if it benefits the property owners and other stakeholders in the community. Therefore, the City of East Lansing, with help from the State of Michigan and support from the University, has created and adopted a Master Plan for the East Village. The Plan was written by a committee of nine community leaders with the assistance of professional planning and landscape architecture consultants from the firm of JJR. I have been the City’s Project Manager, responsible for



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coordinating the creation of the Master Plan and I am very familiar with the concerns of the planning committee and those of the community. After extensive public input the approved Master Plan includes six goals:

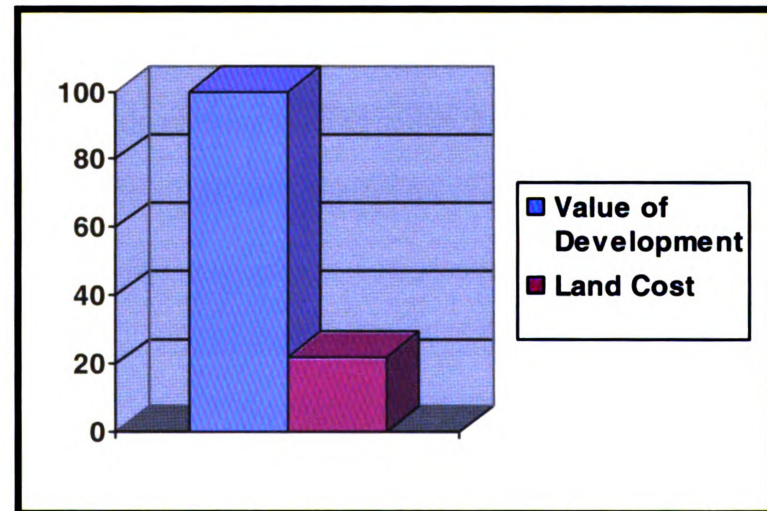
1. Create a unique, high-density, mixed-use land use pattern in the East Village Planning Area.
2. Create a new river-front park and walkway along the Red Cedar River.
3. Encourage small, unique and locally owned business growth in the East Village.
4. Establish appropriate pedestrian and vehicular circulation and parking facilities to support new land use patterns.
5. Develop urban design standards to direct the scale and character of new development in the East Village.
6. Address environmental challenges in connection with redevelopment.

The East Village Master Plan is a vision for how the area could be redeveloped into a unique environment that mixes many types of housing with commercial and recreational uses. To encourage that redevelopment and make it economically feasible, the Plan would allow for a much higher density than what is currently allowed. It would provide the opportunity to build four to eight-story mixed-use structures which would replace the existing one to three-story buildings. Parking would be accommodated in shared and most likely public, parking structures. By including public parking, the burden of providing on-site parking would be removed. The Master Plan does not require anyone to sell or change their properties and the City does



not intend to purchase properties or use eminent domain to initiate redevelopment. Instead, the Plan provides opportunities for redevelopment by creating a new economic landscape.

The Master Plan Team considered the economics of this area thoroughly as they developed the Plan. They accepted the advice from development experts, that a property (or group of properties) would need to be able to redevelop to a future value of four to five times its present value in order for the redevelopment to be feasible. That is based on an unwritten (local) development guideline that says that land value should be between 20 and 25 % of the development value. In the East Village, we have high land values and the future redevelopment will therefore need to have a very high value to justify redevelopment. The increase in value will not be accomplished simply by creating expensive homes and high-end commercial spaces. The area will need to accommodate housing for all income levels and office space for start-up companies as well as established businesses if it is to meet the goals of the East Village Master Plan. Therefore, the increase in future value of redeveloped properties will be accomplished by increasing density, providing public parking and using any available public funds and programs.



### **2.4 Challenges and Opportunities**

Nobody knows exactly when redevelopment will begin, which properties will be included, or how long it will take.

The area has many challenges and opportunities that contribute to its readiness to redevelopment. The challenges include market shifts, environmental concerns, and social unrest. Opportunities include a strong condominium and apartment housing market, the potential for University related businesses to locate here and create new jobs, and the desire of the City to create a recreational asset in the form of a riverside park.

One challenge that the area currently faces is the age of its housing stock. Housing in the East Village is very desirable because of its proximity to Campus; however significant competition exists from new apartments built outside of the City. Today's college students are mobile and most demand a higher quality living environment than students of the past. The apartments in the East Village are all 30 to 40 years old. Many rental owners have had to decrease occupancy or provide new amenities to attract tenants. All of the housing units in the proposed plan would be new and they would be built to accommodate a mixed market of students and non-students, as well as renters and owners.

Environmental factors also present challenges to current property owners and could be improved through redevelopment. Many existing structures are built in the Red Cedar River floodway and current regulations will not allow those buildings to be re-built or substantially improved. Much of this area is in the flood-plain which increases insurance rates and creates a potential hazard for residents. The proposed plan would include floodplain remediation with twelve acres

dedicated to a riverfront park and 23 acres developable outside of the flood plain. A coordinated redevelopment effort will be required to optimize flood plain remediation. Additionally the plan would allow the improvements to the current situation, which has the river being contaminated by run-off from the adjacent surface parking lots and potentially from petroleum products in the soils which have been left behind from previous gas stations.

A third challenge that this area currently faces is social unrest. The area has been the epicenter of student riots for decades. There have been five riots in the last seven years. Two riots in 1999 were especially destructive and represent a financial loss of nearly \$240,000 (Department of Community and Economic Development, 2004). The concentration of undergraduate students in this area and its relative isolation from neighborhoods with owner occupants have been cited as reasons for the environment of intensive partying and dangerous or illegal behavior.

Problems in the East Village area provide reasons to redevelop, but the positive potential of the area provides the most compelling arguments in favor of improving the area. Market demand for more urban living options has been shown through recent market studies and is anecdotally expected to rise as young faculty are recruited to work at MSU. The University expects that 60 percent of their faculty will retire or leave in the next ten years. The ability to recruit quality faculty is essential to maintain the MSU's status as a world-class institution, and the ability to provide desirable housing options will be a factor in recruiting (East Lansing Planning Commission, 2005)

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Access to the river and public space for outdoor festivals and community events will benefit this area, as well as the community and the region. East Lansing has a vibrant arts and culture scene and significant recreational opportunities, but it does not currently have a water-front park. The new park will be a community asset providing opportunities for new river-oriented recreation and events as well as an optimal space for collaborative events between the University and the City.

New job opportunities will also be part of the East Village, which is ideally located for university related offices. The neighborhood is part of the Lansing Regional Smart Zone and is slated to be the location of a small business incubator/accelerator, which will assist start-up businesses that “spin-off” from the University. The area will have neighborhood-related retail that will be intended to accommodate the residents of the East Village, as well as employees of the University and nearby offices and patrons of the nearby campus cultural venues.

New housing, recreational and job opportunities are desirable, but in order for a redevelopment project like the East Village to be feasible the economics of the area need to change substantially. The following evaluation of a potential first phase development scenario estimates that it would cost approximately \$22 million to buy the properties included in the eight acre phase one. Assuming the land value of the future development will equal twenty percent of the completed project’s value, the phase one project will need to have a completed value of \$110 million to be financially feasible.

To aid in increasing the value of the properties the City will adopt a new zoning district for the area that will allow zero lot line development, up to eight story buildings, and shared parking in City owned parking structures. The City will seek funding



from MDOT and MDNR for street and riverfront improvements. They will also utilize tax increment financing to build parking structures and assist developers in relocating businesses or building infrastructure. Additional State and federal funds such as Community Development Block Grant dollars or Urban Land Assembly loans will be sought to fill gaps in development finance plans. Added tax value, added jobs, reduced cost of services and improved quality of life will all be evaluated in making decisions about using public dollars to support this project.

### **3 RESEARCH METHODS**

Analysis of the East Village project will be limited to a smaller study area which will be called the phase one project. It will include my ideas for a hypothetical redevelopment scheme on seven of the East Village's 35 acres. The goal of the analysis is to determine the costs and benefits of the phase one project to the residents of East Lansing and to stakeholders at Michigan State University. Benefits of a redevelopment project are difficult to estimate in market values; therefore it is unrealistic to conduct a true cost-benefit analysis using monetary values as the unit of measure for a project of this type. To accurately describe the likely outcomes, this paper will include an economic impact evaluation as well as an estimation of anticipated benefits based on case studies of similar campus community redevelopment projects. These evaluations are intended to be used as guides to decision makers when considering redevelopment options and, more specifically, when making decisions about public investment in the redevelopment project.

### 4 ANALYSIS

#### 4.1 Hypothetical Redevelopment

This hypothetical first phase redevelopment scenario includes the acquisition of 17 properties, the construction of five new buildings and the creation of the first phase of a riverfront community park. Building one is an eight story mixed-use building that includes 110 apartments on the upper floors, a pizzeria, convenience store and art supply store on first level and 200 parking spaces. Each level of this building is approximately 30,000 square feet. Building two is a small theater/gallery building that functionally would be similar to the Scene Metrospace in downtown East Lansing. It would be owned by the City and used to showcase and promote local artists and MSU's art programs. There may be



room for a coffee shop to rent space within the building. Building three is a six story building with bank and book store on first level, two levels of offices and three levels of owner-occupied condominiums. Each level of this building is approximately 38,000 square feet. Building four is a six story parking structure (38,000 sf/floor) with dry cleaner and barber on first level. The parking structure will be owned and operated by the City of East Lansing and would include 600 public parking spaces. Building five is a four story boutique hotel and condominium building with full service restaurant and athletic club. This building will also include 200 parking spaces. The hotel will have approximately 70 rooms and there will be 40 residential condominiums. Without the East Village Master Plan, zoning district and public funding, market forces alone would not result in a redevelopment like the one described above. In fact, prior to adoption of the East Village Master Plan, a redevelopment project was proposed which included the removal of two rental houses to be replaced with a three story apartment building and a surface parking lot. There has also been interest in removing one of the existing commercial buildings and replacing it with a single-story pharmacy. The newly adopted Master Plan does not allow for these types of development projects. It requires mixed use projects with minimal surface parking. These requirements and public incentives are necessary to initiate changes that will meet the Master Plan's goals. The City of East Lansing has used public incentives in their downtown redevelopment projects with the objective of making downtown redevelopment no more costly to the private sector than greenfield development would be. To encourage the desired growth, incentives have been used to reduce the cost of land assembly, to pay for infrastructure improvements and to reduce the cost of constructing structured parking. The

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primary source of funding for these expenses comes from Tax Increment Financing (TIF). The amount of TIF available is directly related to the future tax revenue from the redeveloped property, therefore, the greater the value of the redevelopment project the greater the amount of incentives available to support it. Tax increment financing captures future tax dollars from the redevelopment, and therefore the development that is supported through the TIF should provide a substantial benefit to the community. In addition to tax increment financing, the East Village project may require additional incentives from the State or Federal Government to pay for river-bank improvements, park construction, roadway improvements and the construction of high-quality affordable housing.

The following Tax Increment Financing Analysis is intended to show the bonding capacity that will be available based on the hypothetical redevelopment scenario being studied. If the redevelopment were to occur as described above, it would produce more taxes than the existing properties do and the increment (new tax revenue minus base tax revenue) would be captured through the DDA and/or Brownfield TIF. The City or developer could then borrow funds for eligible project expenses, and the resulting loan would be repaid with these captured taxes.

The TIF analysis includes three steps which are shown in the following tables. Step one is determination of the base (or existing) taxable value of the properties. Step two is estimating the future taxable value of the proposed redevelopment project. This is estimated by comparing the proposed buildings to similar buildings in East Lansing as shown in Appendix B. In the third step, we subtract the future tax value from the base tax value to find the increment and then estimate the annual tax

capture. The taxes can be captured for up to thirty years and represent an income stream to support the project. The bonding capacity is the amount that can be borrowed against this future income stream.



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### 2006 Base Values

ADDRESS	Acreage	SEV	TV	2.5x SEV
926 E GRAND RIVER	0.57	\$197,500	\$176,650	\$493,750
1010 E GRAND RIVER	0.44	\$170,400	\$158,180	\$426,000
131 BOGUE	0.43	\$281,300	\$225,410	\$703,250
135-137 BOGUE	0.30	\$127,500	\$118,050	\$318,750
151 BOGUE	0.34	\$287,800	\$172,510	\$719,500
207 BOGUE	0.42	\$171,900	\$146,280	\$429,750
217 BOGUE	0.28	\$169,100	\$116,890	\$422,750
227 BOGUE	0.28	\$169,100	\$116,890	\$422,750
239 BOGUE*	0.23			
124 CEDAR	0.31	\$245,100	\$222,300	\$612,750
132-140 CEDAR	0.33	\$226,700	\$195,410	\$566,750
208 CEDAR	0.45	\$394,100	\$303,370	\$985,250
220 CEDAR	0.23	\$160,800	\$132,190	\$402,000
230 CEDAR	0.23	\$160,800	\$130,300	\$402,000
242-252 CEDAR	0.66	\$545,900	\$465,950	\$1,364,750
303 Bogue	1.76	\$4,386,800	\$3,787,190	\$10,967,000
1050 Waters Edge	0.87	\$1,264,700	\$937,620	\$3,161,750
	<b>8.12</b>	<b>\$8,959,500</b>	<b>\$7,405,190</b>	<b>\$22,398,750</b>

**Future Estimated Values**

Address		Use	SF	TV/SF Appendix B	Taxable Value Real Property
Bldg. 1	Grand River & Bogue	Apartments	147,200	\$50.50	\$7,436,544
		Prime Retail	24,000	\$82.27	\$1,974,480
		Parking	for 200		
Bldg. 2	New Street	Community	3,000		
Bldg. 3	Bogue	Office	76,000	\$24.12	\$1,833,120
		Condos	114,000	\$76.65	\$8,738,100
Bldg. 4	Cedar	Prime Retail	38,000	\$82.27	\$3,126,260
		Parking	for 600		
		Ramp Retail	19,000	\$36.00	\$673,550
Bldg. 5	Bogue & Water's Edge	Hotel	90,000	\$28.46	\$2,561,400
		Condos	100,000	\$76.65	\$7,665,000
		Fitness Center.	10,000	\$37.21	\$372,100
		Parking	for 200		

\$34,407,554

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### TAX INCREMENT FINANCING

#### Preliminary Calculations

#### Real Property

	Yr1	Yr2	Yr3	Yr4	Yr5
	0%	30%	60%	100%	
New Taxable Value	\$0	\$10,322,266	\$20,644,532	\$34,407,554	\$35,267,743
Base Taxable Value	\$7,405,190	\$7,405,190	\$7,405,190	\$7,405,190	\$7,405,190
Increment	\$0	\$2,917,076	\$13,239,342	\$27,002,364	\$27,862,553

#### TIF Revenue\*

#### Mills

#### % Capture

DDA Local	32.0680	51.7%	\$0	\$93,545	\$424,559	\$865,912	\$893,496
BRA State & Local	29.9881	48.3%	\$0	\$87,478	\$397,023	\$809,750	\$835,545
<b>Total Tax Capture Revenue</b>	<b>62.0561</b>		<b>\$0</b>	<b>\$181,022</b>	<b>\$821,582</b>	<b>\$1,675,661</b>	<b>\$1,729,041</b>

Cumulative	\$0	\$181,022	\$1,002,604	\$2,678,266	\$4,407,307
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#### CALCULATIONS

#### DCR

Annual \$ available for debt service	1.05	\$1,595,868
Interest Rate	4.50%	
Total Supportable Debt		\$25,994,916

The TIF would most likely be financed over 30 years and would be able to support more debt than is shown.

### **4.2 Economic Impact Evaluation**

An Economic Impact Evaluation has been conducted for this hypothetical redevelopment project and can be reviewed in Appendix C. I have summarized the project related inputs and the evaluation's results below.

**Value and Revenue:** The completed project is expected to have a taxable value of approximately \$34 million.

Approximately half of the value is in residential development and half is in commercial. I am estimating that half of the residential value or one quarter of the total assessed value can be attributed to owner-occupied housing and will be taxed at the homestead rate.

**Assessed Value \$34,000,000**

**Tax Revenue \$1,600,000**

**Costs Due to Development:** The public investment will include providing infrastructure, services and incentives. Costs are summarized below.

**Roads, Earthwork and Utilities: 1.1 million**

**Park: 1.5 million**

**Parking Structures: 16 million**

**Results:** The analysis shows that this redevelopment project is likely to cost the City an additional \$20 million per year in service costs and \$18.6 million in infrastructure. As discussed earlier, the capital costs will most likely be paid for through tax

increment financing. This will allow the project to be built, but it will not allow the new tax revenue to be used to pay for the additional service costs that are expected due to this new project. The results of the economic impact analysis clearly show that this project will result in more costs than benefits; however three very important elements are not included in this analysis. First, it does not consider that without redevelopment these properties are likely to depreciate in value over time and result in increased service cost to the City without an increase in revenue. Second, this analysis does not take into account the “ripple effect” that would be expected from this new development. One would expect that a redevelopment project that substantially increases the value of properties in the East Village will increase the value of surrounding properties and act as a catalyst to encourage additional investment in nearby neighborhoods. Finally, this is only an economic analysis; it does not consider the social and environmental benefits that can result in reduced service costs. The social benefits are expected to include an improved image and sense of pride in the area, less pollution, less crime, and more jobs. Evidence of social benefits are found in the following section on case studies.

### **4.3 Case Studies**

This section outlines other initiatives to reinvigorate neighborhoods around universities. The purpose of including case studies in this paper is to identify potential benefits that could come from redevelopment of the East Village. I have chosen to study projects at Ohio State University, University of Pennsylvania (Penn), and Arizona State University because of the availability of information and because they have been recognized for being transformational to their broader communities.



Appendix D includes my case study notes. Each of the comparable projects that I studied were collaborative efforts between a university and its host city, however they were initiated and primarily funded by the universities. The main motivation for encouraging redevelopment was to improve the environment around the campus and thus improve the universities ability to recruit faculty, and students. At Penn and Ohio State, the Universities have heavily subsidized the redevelopment. “Penn officials admit they lost money on the movie theater and grocery(in their University City District), but say that the University’s initial \$150 million investment in the neighborhood has generated more than three times that amount in subsequent private investment, which never would have been made if Penn hadn’t acted first”(Litt, 2005). Although there are opportunities for the Universities to gain financial returns on their investments the immediate benefits are primarily social. The social improvements in the neighborhoods benefit the image of the University. Therefore, the investment in the community is an investment in the university’s future. In the case of the East Village, the City and University are working together, however, the University does not intend to subsidize or financially invest in this redevelopment effort. Instead, they will recruit users for the commercial space and encourage faculty and alumni to live in the Area. Whether it is the City or the University that provides public funding for the project, both will benefit. In Columbus, at the South Campus Gateway, the community gained new retail, entertainment and residential options. There has been a sharp increase in owner occupied housing in that area and Ohio State has improved the safety and appearance of the area surrounding its campus. Similarly, in West Philadelphia’s University City District, the community has seen improvements from cleaner streets, to investment in new and existing

businesses, to new housing opportunities and improvements in neighborhood safety. Tempe is already a very desirable place to live and do business, however it is benefiting from ASU's growth. The University is expanding and becoming a world-class research university and they have proactively decided to contribute to the economic growth and social strength of their host community. Rather than being internally focused, ASU is investing in local mixed-use developments as it expands. (Litt, 2005).

These examples provide evidence that communities benefit from campus community partnerships. The improved neighborhoods are desirable places to live with vitality that attracts renters, home owners and businesses. They are also places of pride for the universities and the cities as well as destinations for visitors. Overall the benefits include an improved public image, greater opportunities for private investment and improved livability for residents.

### **5 FINDINGS**

The project may be feasible. The redeveloped properties will only be valued at approximately three times the cost of the land. That does not meet the four to one ratio of completed project to land cost which was originally proposed as a minimum. If public funds were used to pay for five million dollars of the land acquisition then the cost to the developer to acquire the land would be reduced to \$17 million and that ratio would be met. The City could justify paying for some of the land costs because they would be acquiring a new park and parking facilities as part of this project. The projected TIF revenue

would support that cost as well as the cost of providing the necessary infrastructure for the project. The total cost for land and infrastructure would be \$23.6 million. The projected cost of public services is expected to rise significantly because of the increase in density in this area. The hypothetical project described in this paper is expected to cost the City millions of dollars in additional service expenses. These costs will not be able to be paid with additional tax revenue, because that revenue is being captured and pledged toward the project's capital costs. There are, however, other economic benefits that can be anticipated as a result of this project being developed. The completed project will accomplish the goals of the East Village Master Plan and make this area an asset to the community rather than a detriment. Improvements to the area would likely result in increased property values in the neighborhoods around the East Village and the additional residents will help fuel growth in Downtown East Lansing. New reinvestment in these surrounding neighborhoods will provide the City with an increase in tax revenue. It could also be argued that improvements to this area could increase property values in the City as a whole. Riots in the East Village have been so heavily publicized in the past that the image of East Lansing has suffered. New jobs, housing and recreational opportunities in this area would improve the image of East Lansing and increase the confidence of would-be investors.

Another way to analyze the cost of redevelopment would be to compare it to the cost of doing nothing. The values of properties in the East Village are currently increasing at a slower rate than the average property in the City (Department of Community and Economic Development, 2004). Without the new East Village Master Plan and projects such as the one being

## **A Study of the East Village Area: Benefits and Impacts of Redevelopment**

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studied in this paper, the area is likely to redevelop very slowly. Many of the properties along the river will be unable to redevelop and will decline in value. The area will become a less appealing place to live and work over time and property values in the East Village and surrounding areas could plummet. Therefore, if we do not plan for growth in the East Village, we need to plan for decline.

Benefits of redevelopment are clear. They have been illustrated in case studies of other University Town redevelopment projects. The primary social benefit is a high quality living environment. Students, Alumni and young professionals will be drawn to this unique neighborhood. We also expect to see job creation as a result of redevelopment. The area is ideally situated to become the location of University-affiliated businesses. Another important benefit will be an improved public image. By creating a safe yet energetic university-oriented neighborhood with attractions for the community as a whole, the area could become a regional destination and a place of pride for both the City and the University. Environmental benefits should also be considered. The new riverfront park would provide a buffer between paved surfaces and the Red Cedar River. Redevelopment would create opportunities for environmentally friendly building practices such as green roofs. The design and mixture of uses in the neighborhood could even result in less reliance on automobiles, more pedestrian activity, and more use of public transit.

Finally, I assert that redevelopment of urban areas is a noble cause. As mentioned earlier in this paper, redevelopment - rather than new development - reduces sprawl, promotes social equity and leverages economic growth in our cities. It keeps

growth where the resources and infrastructure exist to support it. The benefits to society and to the environment are clear, however the economics of redevelopment can be difficult. Public policy therefore needs to support redevelopment by making it more difficult to develop outside of urban areas and making redevelopment in urban areas more economically feasible.

### **6 RECOMMENDATIONS**

The East Village provides an opportunity for the Community of East Lansing to repair a damaged neighborhood, gain a community park and entice smart growth. There are multiple strategies that could be employed to achieve redevelopment in the East Village. I recommend the following strategy.

First the City and University must continue to work together as well as seek additional partners who could also benefit from the redevelopment of this area. These partners should include, but not be limited to, existing property owners, developers and the State of Michigan. As the leaders of this effort, the City and the University should promote the potential benefits of this project and look for opportunities to share the cost of project expenses, from market studies to parking structure construction. It may be prudent to form a non-profit entity that will act on behalf of the partners and oversee all aspects of the redevelopment process. This was the method used in both the University City District and the South Campus Gateway described in the Case Study section of this paper. The benefit of creating that type of entity would be its ability to make business decisions related to the East Village quickly outside of the bureaucracy of the City and University.



## **A Study of the East Village Area: Benefits and Impacts of Redevelopment**

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The City of East Lansing has already conducted a request for qualification process to identify a master developer. The master developer would work with property owners and other developers to coordinate a large scale redevelopment project. Five potential development groups are currently interested in participating in redevelopment of the area. The partners should now seek proposals from these interested firms. Land acquisition is expected to be the most challenging aspect of the redevelopment however it can not be the first hurdle. Each development team should propose a redevelopment scheme. The partners should evaluate each proposal based on its ability to address the goals of the East Village Master Plan. The proposal that is chosen should then be tested. First a TIF analysis should be conducted to determine if the proposed project will be able to generate enough new taxes to support the cost of public improvements. Then the proposed uses should be tested with a market study and finally the project should be evaluated to see what additional public support in the form of grants, loans and services may be available. Once a conceptual redevelopment plan is agreed upon, then land acquisition should begin. If acquisition costs are greater than estimated, then the plan can be adjusted to allow for the additional costs to be recouped. The redevelopment plan is likely to change several times and could take years to be implemented. Throughout this process, the project partners must continue to evaluate the project to ensure that it will meet the goals of the East Village Master Plan and to maximize its benefits to East Lansing and Michigan State University.

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The author explains the wants and needs of students and faculty interested in living near campus in Philadelphia. He also touts this type of development as a good investment.
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The author describes problems associated with students living in traditionally single family neighborhoods in Boston and other New England Cities. Students can overwhelm a neighborhood and consume all of the affordable housing leaving young families with tight budgets in a pinch. These problems are similar to those faced here in East Lansing, but this article describes how activists in New England are getting universities to build more student housing on campus to provide the neighborhoods relief.
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The author, an architect describes the history of Campus Planning since the '40's. He links trends in planning to the demographics, social trends and economy of each decade, ending in the early '90s. In doing so it encourages us to consider future demographics and trends in the design of university oriented places, for example it will be very important to analyze the digital age lifestyle when creating the East Village.
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**Clavelle, Peter (2001). Progressive Approaches to University-Community Relations: The Town Gown Story in Burlington. Connection, Vol. 16, No. 4, 19-20.**

This article was written by the Mayor of Burlington Vermont. The University of Vermont, in 1998 was awarded \$400,000 from HUD to establish the Community Outreach Partnership Center, “The overall goal, in nurturing such partnerships, is to further the Old North End’s physical, economic, social and political development, while advancing the university’s mission of service, education, and research.”

**De Castro, Travis (2004). The Arts Off-Campus. TD&T, Vol. 40, No. 2, 22-27.**

Penn State and the City of State College worked together to build a new university theater in the downtown. Although there were ups and downs related to the collaboration, it is clear that the students and the community both benefit from sharing the space.

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This author reports on discussions at a conference on education. He explains that communities of learning where life-long education is fostered will be the future ideal.
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Downtown Princeton appears to have a nice mix of uses and very successful retail users. Palmer Square is a beautiful collection of shops, restaurants, a hotel, offices and residences in the middle of the downtown. It was built in 1937 and it is managed like a mall and controlled by one developer. No suburban mall has been able to lure people or investment away.
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**Montgomery, John and Kevin Holt (2004, Nov. 17). Condo hotels: the next big thing? *Colorado Real Estate Journal*, pp. 4.** There are two models of condominium hotels. One is the hotel residence that is a luxury owner-occupied home built into a hotel with all of the amenities of the hotel available, the other is a condo hotel unit that becomes part of the rental pool when it is not being used by its owner. The authors assert that the outlook is good for these condo hotels because of the baby boomer demographic, especially given their desire to invest in real estate and to travel.

**Sasaki Associates (2004). *University and College Community Partnerships: University of Nevada, Reno – Comprehensive Master Plan*. Retrieved on December 4, 2005. from <http://www.unr.edu/masterplan/worktodate.html>**

**Schwanke, Dean, et al. (2003). Mixed-Use Development Handbook. Second Edition. Washington, D.C.: The Urban Land Institute.**

**Singer, Karen (2001, April). *Agents of Change*. Matrix, pp. 31-35.**

This article describes how colleges are helping to rebuild their communities by getting involved and often leading the charge on redevelopment projects. Some are making community service part of their mission and are providing services to the communities that are truly transformational. Some are convincing alumni to invest in redevelopment.

**Snell, Michael (1997). Cost-benefit analysis for engineers and planners. London: Thomas Telford Publications.**

**Steinkamp, Judith (1997). *Town/Gown Planning Partnerships: Seeking Solutions for the Mutual Survival of Campus and Community*. Commentary, Vol 20, Number 4, 32-38.**

The author is the Senior Planner for the University of Massachusetts Amherst. She asserts that there are four types of relationships between campus and its community, isolated, informal, leadership, and formal. Formal partnerships are the most collaborative, where the college and its host community are working together toward common goals. They share commitments, responsibility and power to make improvements.



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**Steinkamp, Judith (1998). Reshaping Town/Gown Relations. Connection, Vol 13, Number 1, 24-27.**

Tension between universities and their host communities is very common and is often the result of burden of services that the host community is required to provide and the lack of taxes from the university to support those services. This article talks about those tensions and explains how those tensions have been eased by several New England college towns through collaborations in economic development and collaboration in providing basic services. It requires working together to determine common needs and then working together to address those needs.

**Steuteville, Robert (2003, December). Boulder: a model for excellence in mixed-use design. New Urban News, 11.**

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## Introduction

**This Master Plan is a vision of what could be over the next 20 years for a specific area of the city of East Lansing. The Plan area, bound by East Grand River Avenue on the north, Hagadorn Road on the east, the Red Cedar River on the south and Bogue Street on the west, will be called “East Village.” It is part of Planning Area 5 in the City of East Lansing Comprehensive Plan.**

**The East Village is a 35-acre district which was platted for single family homes in several subdivisions with pastoral names such as Fairview, Elmwood, East Lawn and Riverdale. In the 1960s and '70s, Michigan State University student population began to rise sharply and demand for off-campus housing became acute. As a result, single family houses were converted to rental houses. In addition, 24 multi-family complexes in this area were constructed between 1963 and 1970. Records indicate that all of the single family houses received their first rental licenses from 1974 to 1976 when the licensing requirement first began.**

**In 2003, the City began to explore the conditions of the area and how the physical design and land use might be altered to create a community-wide asset, public access to the river, and a new positive image of the area adjacent to campus and so close to the City’s downtown. Environmental factors are likely to affect opportunities for individual property owners to improve their properties over time. Many existing structures are built in the Red Cedar River floodway, and current regulations will not allow those buildings to be re-built or substantially improved. Much of this area is in the floodplain, which increases insurance rates and creates a potential hazard for residents. The proposed plan should include floodplain remediation. See the Appendix for some suggested concept plans. Ideally, there could be a riverfront park and 23 developable acres outside of the floodplain. A coordinated redevelopment effort will be required to optimize floodplain remediation.**

**From the Michigan Municipal Planning Act, Act 285 of 1931:**

**“The commission shall make and adopt a master plan for the physical development of the municipality, including any areas outside of its boundaries which, in the commission's judgment, bear relation to the planning of the municipality. The plan, with the accompanying maps, plats, charts, and descriptive matter shall show the commission's recommendations for the development of the territory...”**

**“In the preparation of such plan the commission shall make careful and comprehensive surveys and studies of present conditions and future growth of the municipality and with due regard to its relation to the neighboring territory. The plan shall be made with the general purpose of guiding and accomplishing a coordinated, adjusted, and harmonious development of the municipality and its environs...”**

**Today stakeholders such as the City of East Lansing, East Lansing residents and Michigan State University are working together to realize a positive future for the East Village as a vibrant and inviting community of University-oriented residential options, including fraternity and sorority housing, loft apartments and riverfront condominiums as well as boutique hotels, specialty restaurants, retail establishments and University-related office space. This vision could also include retention of existing structures that are considered too valuable or culturally significant to replace. The location offers many advantages. It is situated next to the University with all of its cultural amenities and very near East Lansing's vibrant and diverse downtown. The Red Cedar River provides a pleasant natural feature which is currently not taken advantage of at this location and the Sanford Wood lot, an undisturbed natural area, sits preserved to the south of the Cedar Village area. In addition to being surrounded by cultural and natural assets, the area has ready access to East Grand River Avenue and Hagadorn Road.**

**Some factors which could affect the future use of the land in this master plan area are:**

- **age of the housing stock,**
- **condition of infrastructure,**
- **financial depreciation which occurs with income properties under Federal Income Taxation,**
- **tendency of buildings to change ownership over time,**
- **future economic climate -need to increase the amount of income per square foot of ground owned by changing footprint of buildings or their use**
- **highly desirable location**

**With this plan for future use and design, the East Village could become a wonderful mixed-use development area. It will provide opportunities for property owners in the East Village to increase financial return on investment by working under the East Village Master Plan zoning codes and constructing appealing new housing options for short and long-term residents alike including students, faculty, and alumni (from young professionals to retirees). The area will also include retail and commercial opportunities which will complement the current downtown business district.**

**The East Village Master Plan represents a “Vision” for the future and provides a well designed strategy for achieving that vision over the next 20 years.**

***A PARTNERSHIP FOR CHANGE***

**The East Village Master Plan began as a shared vision between the City of East Lansing and Michigan State University. They saw an outstanding opportunity for the public and private sectors to collaborate and enhance the region by creating a vibrant and cool urban neighborhood aimed at attracting a diversity of residents and businesses – drawing on the area’s proximity to campus and utilizing the tremendous asset of the Red Cedar River.**

**A broader partnership is needed to support implementation, including the area’s property owners, residents, and businesses, the real estate development community and the State of Michigan, through a number of its agencies. These partners have been consulted throughout the master planning process, and their ideas and concerns have been considered in the document before you.**

## The Current Profile

The following information is provided as an outline of the East Village area's existing conditions:

- 35 acres
- Platted for single-family homes
- Homes were converted to rentals and apartment complexes during the 1960's and 1970's
- Today
  - 636 households
  - 5 fraternities
  - 1 cooperative
  - 22 traditional rental houses
  - 3 retail stores
  - 3 food service establishments
  - 2 auto-related businesses
  - Population 1,807
- Highly desirable location
  - On the Red Cedar River
  - Adjacent to the Campus' cultural, intellectual and natural assets
  - Near lively downtown East Lansing

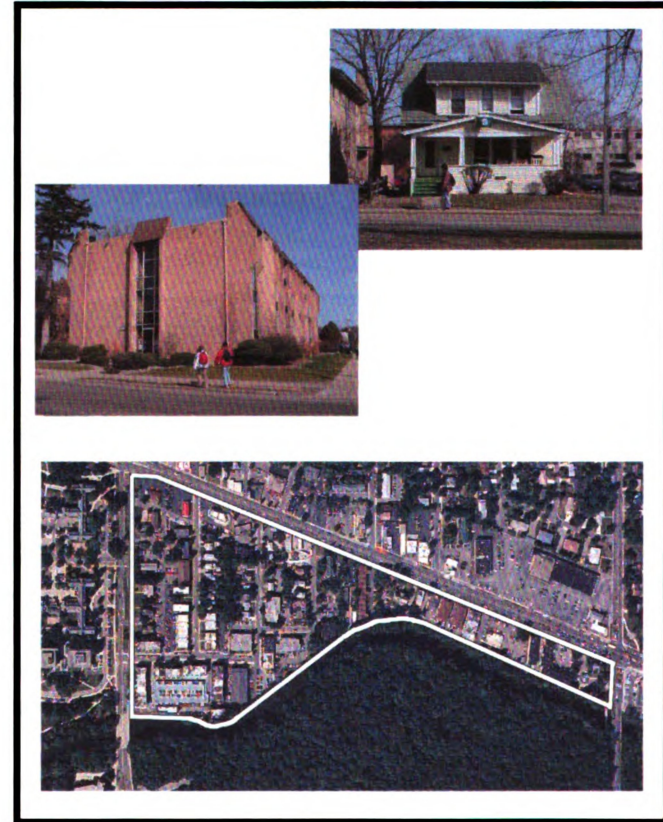


Image 1: Existing Conditions Photos



## **East Village Goals and Objectives**

### ***Creating an Exciting Urban Village***

#### **Goal 1: Create a unique, high-density, mixed-use land use pattern in the East Village Planning Area.**

A more densely populated, mixed-use form of development is a fundamental principal of the East Village area. This form of development is proposed which allows for commercial uses on the first level of all buildings, along with other uses on the upper floors – either additional commercial, residential or parking. This type of development pattern creates opportunities for a diverse residential market, provides for shopping and employment opportunities within the neighborhood, offers greater opportunities for alternate forms of transportation, and provides for unique public spaces for residents and the community alike. Allowing these densities also creates economic opportunities as an incentive to redevelop. The land use pattern envisioned could retain existing buildings that are too valuable or culturally significant to redevelop while encouraging others to redevelop in a way which matches or surpasses the concepts described in this document.

#### ***Objectives:***

1. Plan for a mix of uses (residential, retail, office, hotel, cultural/entertainment, university-related and public spaces)
2. Allow for a ground floor retail emphasis throughout the district.
3. Establish a university-related emphasis on Bogue Street.
4. Locate upper-story residential and ground-floor retail uses on the riverfront to capitalize on the river's value as an amenity and gathering place.
5. Provide a mix of housing choices at medium and high densities that creates a balance of owner-occupied and rental options for a mix of markets (rental and owner: all ages and income levels, including students, young professionals, empty nesters, retirees, alums).
6. Establish a pedestrian friendly, higher density development pattern in redeveloped areas.
7. Create a riverfront park and walkway, and a variety of other public spaces, including public restrooms, connected by pedestrian-oriented streets.

## ***Establishing a New Riverfront Park***

### **Goal 2: Create a new riverfront park and walkway along the Red Cedar River.**

The Red Cedar River is an important community asset. Improved public access to the river is a goal of the emerging East Lansing Comprehensive Plan, and opening the riverfront to the community follows the example of many communities that have used valuable natural features to enhance urban redevelopment efforts.

#### *Objectives:*

1. Identify the floodplain and floodway limits along the course of the Red Cedar River in the East Village.
2. Design rivers edge landscape buffers to protect water quality in the river.
3. Establish a preferred park design and a strategy for assembling properties and easements.
4. Create incentives to encourage property owners to provide for public access to, and land for, the riverfront park.

## ***Creating Opportunities for Business Growth***

### **Goal 3: Encourage small, unique and locally owned business growth in the East Village.**

In addition to taking advantage of the increased density of population and development, the location of the East Village provides the opportunity to attract arts-related businesses that will benefit from the proximity to the University's Arts and Cultural offerings, professional schools and the area's natural features. Incentives should be identified to assist small business development in this area, which will add to the unique quality of the neighborhood.

#### *Objectives:*

1. Create a strategy for attracting niche retailers, service businesses, entertainment venues, hotels and restaurants that will benefit from and contribute to the character of the East Village.
2. Use SmartZone incentives to attract high-tech businesses.
3. Accommodate existing businesses and new businesses that can provide convenient neighborhood services and entertainment to residents.

## ***Planning for Pedestrians and Better Circulation***

### **Goal 4: Establish appropriate pedestrian and vehicular circulation and parking facilities to support new land use patterns.**

A high-density, mixed-use development pattern requires careful planning for automobile circulation while creating opportunities for alternative modes of transportation. Increased density will result in higher parking demands, but will also provide the critical mass needed to support pedestrian-oriented retail and make public transit successful. Parking needs to be strategically placed to serve the various uses that are anticipated. A more compact form of development creates more opportunities for pedestrians and alternate forms of transportation such as bicycles and public transit. Mixing uses within the development also enables consideration of reduced parking ratios based on a shared access analysis.

#### ***Objectives:***

1. Improve riverfront access and visibility.
2. Improve the functioning and appearance of East Grand River Avenue.

#### ***Recommendations:***

- A. Balance vehicular (including transit) and pedestrian needs; consider traffic calming and access management strategies, including roundabouts.
- B. Recommend a new cross section and streetscape treatment, including an expanded right-of-way to accommodate the future implementation of the 2000 East Grand River Traffic Study recommendations.
3. Improve the functioning and appearance of Bogue Street and the Bogue/Grand River Avenue intersection.
4. Create a more integrated circulation network within the District to enhance walkability.

#### ***Recommendations:***

- A. Provide east-west links.
- B. Support retail with on-street parking in the district interior.
- C. Incorporate shared parking facilities into new developments.
- D. Streets should be constructed at a minimum width necessary for public safety.
- E. Accommodate service needs (deliveries, trash pickup); avoid conflicting uses in alleys.
5. Meet parking needs predominantly in parking decks/ramps, while providing on-street parallel parking for short-term use (retail patrons; resident drop-off and pick up).

*Recommendations:*

- A. Limit the number and size of surface parking lots; require that they be located only at the rear of buildings.
- B. Use mixed-use parking analysis to determine the appropriate parking ratios for each project.
- C. Explore potentials for leaseable space in parking structure liner buildings.
- 6. Facilitate and accommodate transit and bicycle use.
- 7. Create neighborhood and campus linkages.
- 8. Provide links and internal pedestrian alleys and walkways that are well landscaped and attractive and allow for a variety of commercial outdoor uses.

## ***Promoting Architectural Character and Quality***

### **Goal 5: Develop urban design standards to direct the scale and character of new development in the East Village.**

A successful mixed-use development pattern requires greater attention to architecture, building forms and massing, pedestrian accessibility and amenities which enhance the urban experience. This attention to design is crucial to creating successful shared spaces and to avoid conflicts between uses. To accomplish this goal there needs to be a new set of design standards regarding individual development projects that provide for a better integration of them into the overall project. The design standards found in the City's current zoning regulations are not sufficient to address these requirements. The East Village Zoning District will offer new design standards which can allow for development projects to meet the Plan's goals.

*Objectives:*

- 1. Create a pedestrian-oriented, human-scale street level environment within the district.

*Recommendations:*

- A. Locate buildings at or near the sidewalk edge.
- B. Require active uses in a "transparent" ground level.
- C. Orient building entrances to the street.
- D. Locate parking in decks or to the rear of buildings.
- E. Maximize streetscape interest, quality and comfort.
- 2. Plan for urban densities, building heights and building patterns.

*Recommendations:*

- A. Permit building heights up to 8 stories, and up to 10 stories with incentives.
  - B. Encourage varied heights (including upper story setbacks) and the careful spacing of taller building elements.
  - C. Establish appropriate guidelines for massing and scale to restrict building of large flat walls. (i.e., maximum floor plates for taller building elements; façade setbacks and detailing on long buildings).
- 3. Encourage coordination and a consistent level of excellence in architectural design.
  - 4. Identify important view corridors and improve riverfront visibility.
  - 5. Prohibit overhead utilities and freestanding cell towers.
  - 6. Require attractive buffering/screening of service areas, transformers and surface parking, and other utility installations.
  - 7. Allow for the adaptive reuse of existing properties into new projects, especially those properties that are determined to be culturally or historically significant.

## ***Enhance the Quality of the Environment***

### **Goal 6: Address environmental challenges in connection with redevelopment.**

The East Village Master Plan creates the opportunity to resolve a number of environmental issues that currently confront this area. Issues such as the floodway and floodplain, storm water management and soil contamination will be addressed. The solutions offered in the Plan will help to improve the overall quality of development while at the same time reducing the volume, and improving the quality, of storm water run-off into the Red Cedar River, and minimizing the risk or exposure to major flooding.

*Objectives:*

- 1. Secure the necessary surveys to identify floodway boundaries and consider requirements for storm water management.
- 2. Examine and evaluate alternative strategies for addressing the 100-year floodplain and protecting downstream properties.
- 3. Provide river edge landscaping buffers to protect/improve water quality.
- 4. Consider providing incentives for “green” building design.
- 5. Facilitate recycling for all residents/tenants.
- 6. Identify and remediate contaminated soils.

## **Planning and Redevelopment Challenges**

### ***1. USE REQUIREMENTS***

Although it is anticipated that the entire East Village Area will have a mix of uses, this plan recognizes that some site characteristics support particular uses better than others and that there are some uses which may need additional incentives to entice their inclusion in a redevelopment project. All development plans for the East Village Area should be reviewed to ensure that the proposed uses and designs are in compliance with the goals and objectives of the East Village Master Plan.

This Plan anticipates new east/west links in the East Village that will provide pedestrian, bicycle and vehicular connections with the Michigan State University campus. Because of the high traffic volumes expected through these links and also around the intersection of Grand River Avenue and Bogue Street, this part of the East Village will be an ideal location for neighborhood and University related retail and commercial uses. This could include a hotel, offices and space for start-up businesses. The Plan also proposes creating visual and functional linkages between the East Village, the Downtown and the commercial areas to the north. Pedestrian connections should be facilitated between the Bailey Neighborhood and the East Village with necessary measures being taken to prevent an increase in vehicular traffic entering the Bailey Neighborhood.

In addition to a mix of uses, an objective of the Master Plan is to provide a mix of housing options. Currently all of the housing within the Area is rental housing. The final redeveloped neighborhood is expected to have at least three times the number of housing units as currently exists and to have a balance of housing types. This Plan anticipates a balanced housing mix of this type of urban neighborhood which includes, in nearly equal proportions, student-oriented rental, mixed-market rental, and owner-occupied units. These residential units will vary in style from efficiencies, co-ops, and fraternities to innovative lofts and luxury condominiums.

The only way to successfully achieve the balanced housing described above is to incrementally add owner-occupied housing from the very first redevelopment. Because the only housing type that exists in the area is rental housing, it will be necessary to require greater percentages of owner-occupied housing in these initial projects. The plan therefore recommends that site plan approvals require at least fifty percent of the units within each new housing development in any part of the East Village Area be designed and marketed as owner-occupied condominiums until such time as a balance is reached.

## ***2. CHANGING THE ECONOMICS – A MODEL FOR SUCCESS***

At present the East Village area represents a fairly successful financial investment for those property owners who have invested here over the years. The area is primarily rental housing with some commercial buildings fronting Grand River Avenue. Though many of the properties are older, the property owners have kept them rented at or above market rates. Location has always played a key role in maintaining their investment value.

For the plan to appeal to existing property owners and/or attract new investment to the area, the overall strategy has to create a much higher economic value for these properties. The strategy needs to specifically allow for the reuse of the properties to a density that is much greater than what exists today. The target is a future economic value in the range of four to five times the current value by allowing properties to achieve a greater economic use. There are two important steps in providing that opportunity. First, the zoning needs to be changed to allow greater use of the properties. Most of the multi-family and commercial properties have been developed to the maximum allowed under current zoning. A new East Village Zoning District will allow the properties to develop to a greater economic value by permitting greater ground and building coverages, taller buildings and mixed-use buildings. Second, the City and its Partners must cooperate – through a variety of incentive programs – to reduce or eliminate physical constraints and, where necessary, financial constraints of the new development. Examples include eliminating the need for on-site parking by planning for centralized parking facilities and/or assuming the costs of infrastructure improvements and floodplain remediation. The cost of these improvements would be paid for by a variety of programs. Tax increment financing could capture new taxes from future private investment and use those tax dollars to fund land acquisition, infrastructure development, parking, etc. State and Federal Grants may also be sought and may be combined with special assessments to provide project financing for projects that will benefit the neighborhood. Each proposed redevelopment project that requires financial assistance will be analyzed to determine what incentives are available and appropriate for the project.

## ***3. EVALUATING THE REDEVELOPMENT ISSUES***

There are a number of planning issues that must be examined in more detail as the redevelopment process moves forward. This current planning process, because it is a conceptual plan, does not address all of the issues in great detail. At this stage it is a framework of ideas. As the redevelopment projects are proposed there will be an opportunity to address all of the significant issues more completely.



## APPENDIX A – EAST VILLAGE MASTER PLAN, DRAFT MARCH 2006

The most significant issues include market feasibility, traffic impacts and the floodplain. Each of these items may have a significant bearing on the nature and extent of the development that is likely to occur and will, therefore, have to be addressed as specific projects begin to enter the planning stages.

### **A. Market Feasibility**

The East Village Master Plan calls for increasing existing development densities and broadening the existing mix of uses. For example, alternatives prepared for the East Village Planning Team suggest a redevelopment program incorporating over 200,000 square feet of new office space, 215,000 square feet of retail space and about 2,000 residential units, many of which would be marketed to demographic groups who are currently not found in the East Village area. A key question for each of these uses is the market viability, pricing and absorption rates. As the initial projects begin to take shape, market analysis will be needed to confirm the amount of each use that can be absorbed over what period of time. It is expected that these studies will be conducted as each project, or group of projects, moves forward.

### **B. Traffic and Circulation Impacts**

Increasing development density is expected to increase the traffic in this and the surrounding areas. Like most “urban” projects, planning for traffic and circulation needs will be fundamental to successful project implementation. While the mixed-use nature of the proposed development places a greater emphasis on walkability and use of alternate transportation, the automobile will remain in the picture. For example, alternatives prepared for the East Village Planning Team anticipate nearly 5000 parking spaces being needed in the area upon completion of redevelopment. As the initial redevelopment projects begin to take shape, examinations of the overall parking, traffic and circulation impacts, both in the short- and long-term, will be coordinated with the project developers.

### **C. Floodway and Floodplain**

The initial natural features analysis identified the extent of the floodway for the Red Cedar, as well as the likely 100-year floodplain as provided in the mapping by FEMA. Therefore, the East Village Master Plan is based on what is currently known.

During the planning process new information became available to the Committee that raised some questions about the extent of the area now shown to be within the 100-year floodplain, which in fact may not be as large as currently shown by FEMA. That information is encouraging because it could mean that there is more developable land than the 19 acres shown in the Plan. However, the Committee cannot rely on a small sample of new data as a basis for the Plan. If future studies indicate a smaller floodplain and greater area of developable land, then the flood remediation area will be reduced.

The Committee recognizes that better information may be obtained in the future to allow for a more precise evaluation of the floodplain and floodway impacts. As development projects are considered, more detailed hydrologic studies will be needed to show where the floodplain elevations actually are and to analyze development options.

#### **4. *TOOLS AND INCENTIVES***

##### **A. Incentive Related Designations**

A number of tools and incentives can be used only within certain designated geographic areas. The following designations will contribute to the success of future redevelopment projects.

- I. **Downtown Development Authority District:** This designation will allow for the use of Tax Increment Financing as a means to help support overall infrastructure improvements, as well as land acquisition and other specific projects.
- II. **Designated Area of Rehabilitation, Revitalization and Renewal:** This designation allows East Lansing to achieve a Core City designation by the State of Michigan. It creates opportunities for the City and property owners to take advantage of specific State assistance programs, which range from personal property tax abatement to housing assistance programs, and it also expands the Tax Increment Financing eligible activities for Brownfield Sites.
- III. **Brownfield Site:** Making this designation allows for the use of Tax Increment Financing to address environmental clean up and some public infrastructure costs.
- IV. **Smart Zone:** Having the East Village designated as a Certified Technology Park under the State's Smart Zone program can help facilitate funding for technology-based businesses wanting to locate within the East Village.

## **B. Development Tools**

- I. **Zoning.** Creating a new East Village Zoning District to allow for an urban mixed-use style of development is a major first step in this process.
- II. **Consolidate parking** into centralized public parking facilities or assist with integration of parking structures within private buildings. Relieving the parking burden on individual properties will help allow projects to achieve greater density and economic returns.
- III. **Land Assembly.** The City, through Tax Increment Financing or State Urban Assembly monies, can assist, where necessary, in the acquisition of property to help facilitate development.
- IV. **Infrastructure Improvements.** The City, again through Tax Increment Financing or State Community Development Block Grant funds, can make the necessary improvements to the streets, water and sewer, and parking facilities to support a higher density of development.
- V. **Road, Park, and Housing Improvements.** The City will seek State assistance through MSHDA, MDOT, MEDC, MDNR and other agencies to help fund improvements to Grand River Avenue, to acquire property for community parks and parking structures, and to create new housing options.

## **C. Alternatives**

A series of concept drawings were prepared for the East Village Planning Team. They are included as Appendix A and represent a vision for how the Area could redevelop. Other examples can be found in the Planning Department archives for the East Village Master Plan.

Appendix B includes design ideas that were completed by an Urban and Regional Planning class at MSU. These drawings represent preliminary ideas that are conceptual.

Goals and objectives stated in this document are, however, not conceptual. Any development in the East Village Area will be required to comply with the goals and objectives stated throughout the document.



### Visual Concepts for the Development of East Village

The following graphics are intended to provide an example of the type of redevelopment that could be envisioned as an outcome of the proposed Master Plan.



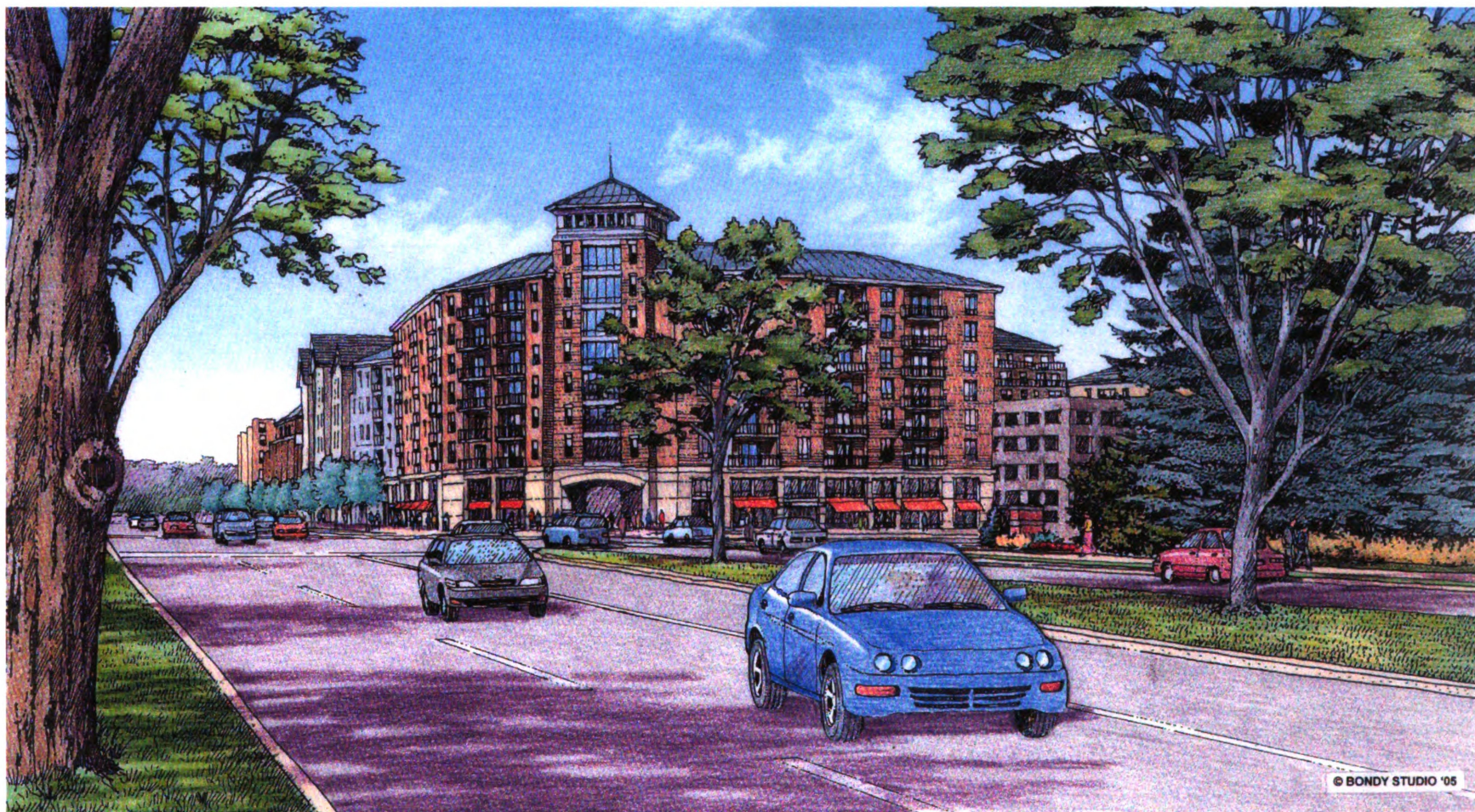
Image 1: Conceptual perspective drawing of the future East Village area, Bondy Studio.





**Image 2: Potential future view looking north along Bogue Street, Bondy Studio.**

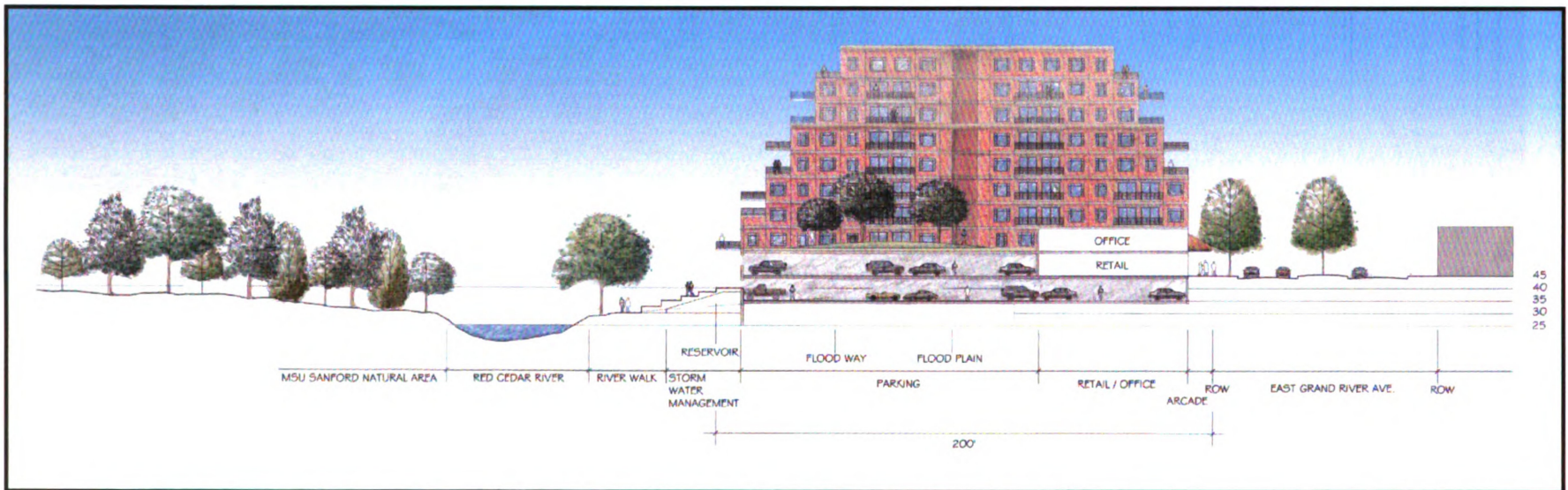




**Image 3: A concept drawing of the view looking east at the future East Village Development on Grand River Avenue at Bogue Street, Bondy Studio.**



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**Image 4: East Village section through east end building, showing integrated parking and pedestrian routes, JJR.**



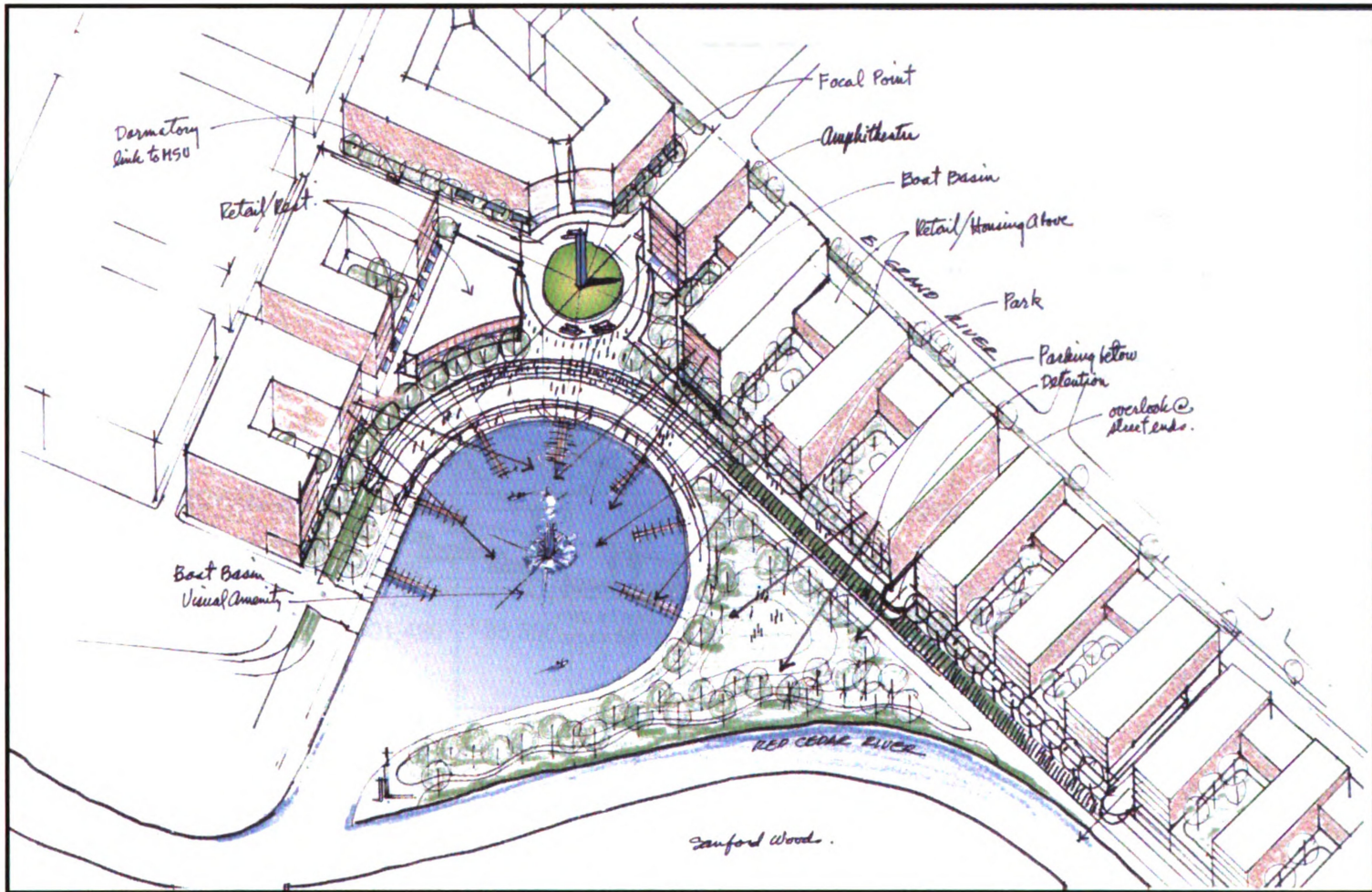


Image 5: Perspective of potential flood remediation area, JJR.

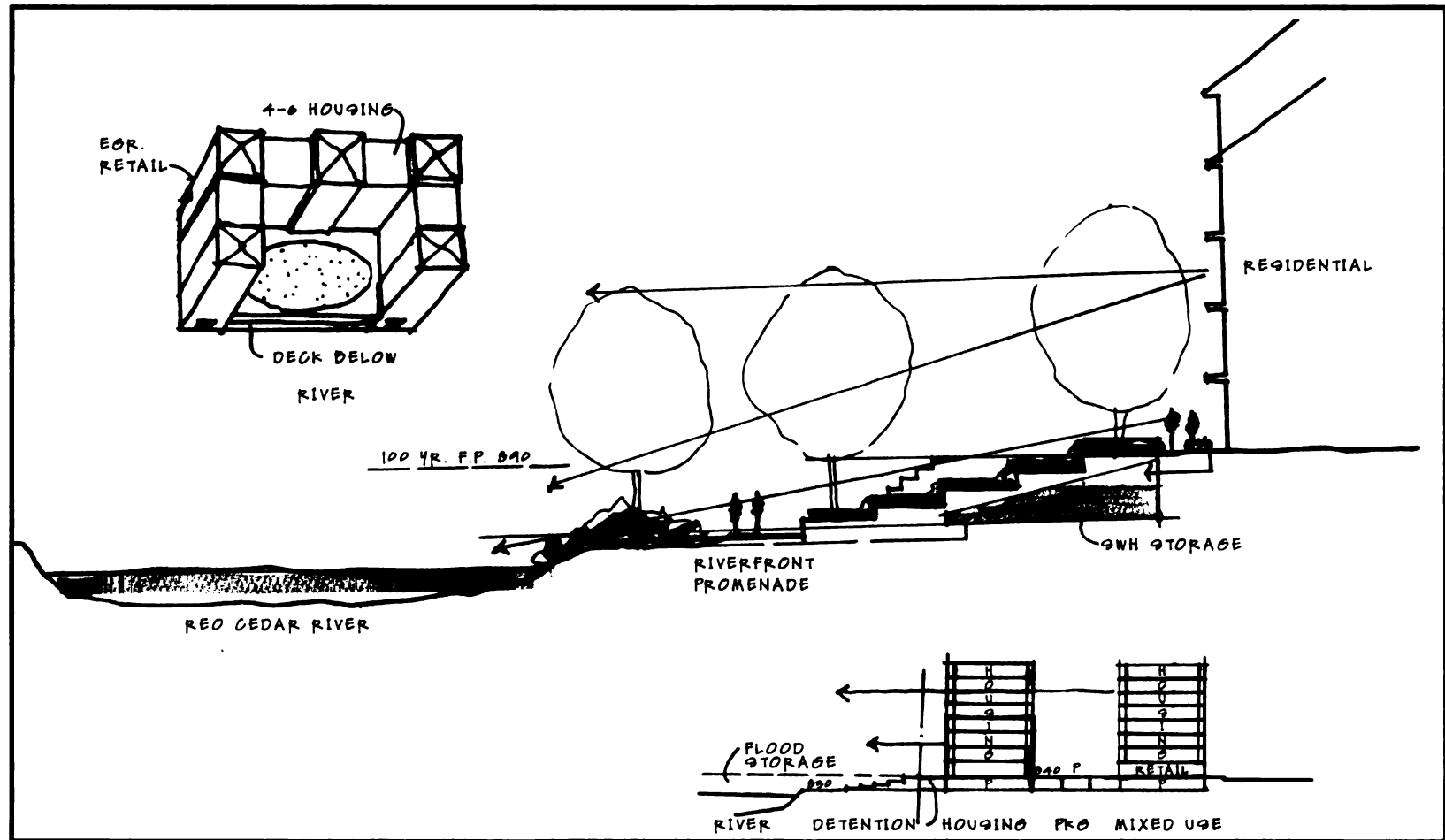


Image 6: Flood Storage, JJR

# APPENDIX B – TAXABLE VALUE COMPARABLES

## East Village Taxable Value Comparables

		SF	TV Real	TV Pers.	SEV	TVR/SF	TVP/SF	Ave. TVR/SF	Ave TVP/SF
<b>Hotel</b>	Marriott 300 MAC built in 1987	127,010	3,614,550	345,400	4,733,800	\$28.46	\$2.72		
<b>Office</b>	U-Place 330 Albert built in 1987	65,423	1,578,090	283,700	1,700,000	\$24.12	\$4.34		
<b>Prime Retail</b>	City Center MAC Built in 2001	24,530	2,018,100	208,100	2,018,100	\$82.27	\$8.48		
<b>Student Apts.</b>	Melrose 16789 Chandler built in 2001	270,000	13,068,370	605,000	13,199,500	\$48.40	\$2.24	\$50.52	\$1.12
	Stonehouse IV 639 EGR built in 1999	11,520	606,370		671,200	\$52.64	\$0.00		
<b>Retail in Parking Ramp</b>	City Center Ramp 320 Albert	16,587	631,420	85,300	665,000	\$38.07	\$5.14	\$35.45	\$3.44
	Albert Ramp 410 Albert	5,000	164,180	8,700	185,700	\$32.84	\$1.74		
<b>Condos</b>	City Center's largest condo 220 MAC	2,571	197,060		207,500	\$76.65			
<b>Fitness Center</b>	Powerhouse 460 EGR built in 1999	21,240	790,400	98,000 gym only	790,400	\$37.21	\$9.23		
		entire bldg gym 10,620							

## APPENDIX C – ECONONOMIC IMPACT ANALYSIS

### Fiscal impact for hypothetical development

<u>Local/project information</u>		<u>Commercial &amp; Apts.</u>	<u>Homestead</u>
1	Assessed Value	27,526,000.00	6,882,000.00
3	tax rate	72.19	55.04
4	total tax levy	847,000,000.00	847,000,000.00
5	Misc. revenue	27,000,000.00	27,000,000.00
6	Service Share	525,987,000.00	525,987,000.00
7	proportion of real prop. In town	0.35	0.64
8	Equalized value of Com/Ind prop.	299,000,000.00	542,000,000.00
<u>Project cost to departments</u>			
9	New capital improvements required		
	Streets, Earthwork and Utilities	825,000.00	275,000.00
	Park and Riverfront	1,125,000.00	375,000.00
	Parking Structure	16,000,000.00	
10	Number of years cost will be spread		
	Streets, Earthwork and Utilities	10.00	10.00
	Park and Riverfront	10.00	10.00
	Parking Structure	30.00	30.00
11	Finance Rate per Year (as percent)		
	Streets, Earthwork and Utilities	0.05	0.05
	Park and Riverfront	0.05	0.05
	Parking Structure	0.05	0.05
12	%age attributed to new development		
	DPW	0.75	0.25
	Police and Fire	0.75	0.25
	Other	0.75	0.25
13	Additional annual cost associated w dev.	0.00	0.00
14	what is the %age attributed to new dev.	0.50	0.00
15	Median home value in town	144,300.00	144,300.00

# APPENDIX C – ECONOMIC IMPACT ANALYSIS

	<b>Revenue from property taxes on dev.</b>		
	Assessed Value	27,526,000.00	6,882,000.00
x	tax rate	72.19	55.04
	<b>Estimated property tax revenue</b>	<b>1,987,101.94</b>	<b>378,785.28</b>
	<b>Other Misc. Revenue</b>		
	Misc. revenue	27,000,000.00	27,000,000.00
x	proportion of real prop. In town	0.35	0.64
	Misc. revenue from com/ind properties	9,450,000.00	17,280,000.00
/	Equalized value of Com/Ind prop.	299,000,000.00	542,000,000.00
	Misc. revenue per \$ in value	0.03	0.03
	Assessed Value	27,526,000.00	6,882,000.00
	<b>Estimated additional misc. revenue</b>	<b>869,968.90</b>	<b>219,411.37</b>
	<b>Total Estimated Revenue</b>	<b>2,857,070.84</b>	<b>598,196.65</b>

	<b>Costs due to new com/Ind development</b>		
	<b>Service Costs</b>		
	Service Share	525,987,000.00	525,987,000.00
x	proportion of real prop. In town	0.35	0.64
	Service costs due to com/ind	184,095,450.00	336,631,680.00
/	Equalized value of Com/Ind prop.	299,000,000.00	542,000,000.00
	Service cost per \$ of equalized value	0.62	0.62
x	<b>Equalized value of new development</b>	<b>27,526,000.00</b>	<b>6,882,000.00</b>
	<b>Service costs for new development</b>	<b>16,947,864.07</b>	<b>4,274,352.81</b>
	<b>Costs due to capital improvements</b>		
	Total cost due to capital improvements		
	Streets, Earthwork and Utilities	825,000.00	275,000.00
	Park and Riverfront	1,125,000.00	375,000.00
	Parking Structure	16,000,000.00	0.00
	Number of years cost will be spread		
	Streets, Earthwork and Utilities	10.00	10.00
	Park and Riverfront	10.00	10.00
	Parking Structure	30.00	30.00

# APPENDIX C – ECONONOMIC IMPACT ANALYSIS

Finance Rate per Year (as percent)			
Streets, Earthwork and Utilities	0.05	0.05	
Park and Riverfront	0.05	0.05	
Parking Structure	0.05	0.05	
Debt Service (principal+interest) per yr.			
DPW	106,841.27	35,613.76	
Police and Fire	145,692.65	48,564.22	
Other	1,040,822.96	0.00	
%age attributed to new development			
DPW	0.75	0.25	
Police and Fire	0.75	0.25	
Other	0.75	0.25	
<b>Capital Improvement Cost due to Dev.</b>	<b>970,017.66</b>	<b>21,044.49</b>	
Additional annual cost associated w dev.	0.00	0.00	
what is the %age attributed to new dev.	0.50	0.00	
<b>Additional annual cost associated w dev.</b>	<b>0.00</b>	<b>0.00</b>	
<b>Total Estimated Costs</b>	<b>17,917,881.73</b>	<b>4,295,397.30</b>	

	<b><u>Net Fiscal Impact Resulting from Development</u></b>		
	<b>Total Estimated Revenue</b>	<b>2,857,070.84</b>	<b>598,196.65</b>
	<b>Total Estimated Costs</b>	<b>17,917,881.73</b>	<b>4,295,397.30</b>
	<b>Net Fiscal Impact per Year</b>	<b>-15,060,810.89</b>	<b>-3,697,200.66</b>
	<b><u>Change in Tax Rates due to New Development</u></b>		
	total tax levy	847,000,000.00	847,000,000.00
/	tax rate	72.19	55.04
	Amount affecting tax rate by one \$	11,732,927.00	15,388,808.14
	Net fiscal gain	-15,060,810.89	-3,697,200.66
/	Amount affecting tax rate by one \$	11,732,927.00	15,388,808.14
	<b>Change in Tax Rate</b>	<b>-1.28</b>	<b>-0.24</b>

# APPENDIX C – ECONOMIC IMPACT ANALYSIS

	<b>Impact on Average Home Owner</b>		
	Median home value in town	144,300.00	144,300.00
	Current tax rate per \$1000	72.19	55.04
	Annual tax payment without further growth	10,417.02	7,942.27
	Median home value in town	144,300.00	144,300.00
	Tax rate per \$1000 after new dev.	73.47	55.28
	Annual tax payment after new dev.	10,602.25	7,976.94
	<b>Local Tax Impact after New Development</b>	<b>-185.23</b>	<b>-34.67</b>



## APPENDIX D – CASE STUDIES

### 1. **Project Name & Location:** South Campus Gateway, Columbus Ohio

**Motivation:** A student was murdered in the low income neighborhood that lies just south of campus in 1994.

**First Step:** Ohio State University chartered the creation of a non-profit development corporation to improve the neighborhood. The non-profit, Campus Partners for Community Urban Redevelopment (Campus Partners) has an advisory council representing over 90 community and neighborhood organizations (Sasaki and Associates, 2004). They spent two years creating and adopting a document called University Neighborhoods Revitalization Concepts. Six years later the Master Plan and Development and Design Guidelines were adopted.

**Redevelopment Project:** A four block, 800 square foot mixed-use complex has been completed. It includes over thirty retail shops, an eight screen movie theater, almost 200 apartments and a 1,200 space parking garage.

**Project Funding:** The acquisition of 31 parcels of land was accomplished by the City through the use of eminent domain and was funded with \$20 million from the University. The City spent between \$6 million on infrastructure improvements. The State provided \$4.5 million for the parking structure and \$35 million came from the Federal Government's New Market Tax Credits (Litt, 2005).

**Associated Programs:** An employer assisted home ownership program was established with a \$50,000 allocation from Ohio State. It provides down payment assistance to Faculty and Staff who purchase homes in target areas. The program assisted in the purchase of 74 homes in the first three years.

## APPENDIX D – CASE STUDIES

**Community Benefits:** The community was involved in planning for the future of this neighborhood. They developed a plan that resulted in the creation of new retail, entertainment and residential space. There is also a sharp increase in home ownership in the neighborhood.

2. **Project Name & Location:** University City District, Philadelphia, PA.

**Motivation:** Physical deterioration of the neighborhood including abandoned homes and graffiti (Litt, 2005).

**First Step:** The University of Pennsylvania (Penn) began in 1996 by forming the West Philadelphia Partnership. They immediately set out improving lighting, sanitation and security in the neighborhood. Two years later they began planning for redevelopment in the University City District (Sasaki and Associates, 2004).

**Redevelopment Project:** A 300,000 square foot retail and hotel complex called University Square was built first and that was followed by the revitalization of a six block retail corridor along 40<sup>th</sup> Street that now includes a grocery store and eight screen movie theater and an 800-space parking structure.

**Project Funding:** University Square was built on a former University owned parking lot and Penn invested \$90 million toward its construction. They also invested \$40 million in the revitalization of 40<sup>th</sup> Street. It has been estimated that the University invested \$150 million dollars which leveraged \$450 million in private investment.

(Litt, 2005)

**Associated Programs:** The University has a program for preferred purchasing of products and services from West Philadelphia vendors. They have a home ownership program that helps community members who wish to purchase a home. They also have a

## APPENDIX D – CASE STUDIES

program to help faculty and staff purchase homes in target areas of the neighborhood. In addition the University has created a fund to preserve affordable rental housing in the neighborhood. They now own more than 200 rental units. They have also invested in programs to keep the neighborhood streets clean and safe (Sasaki and Associates, 2004).

**Community Benefit:** The University of Pennsylvania has leveraged its capital to improve its surrounding community. It has made the neighborhood safer, more attractive and truly more livable.

### 3. **Project Name & Location:** Arts and Business Gateway, Tempe, AZ

**Motivation:** The University is growing and becoming a world-class research university. At the same time they have the desire to contribute to the economic growth and social strength of their host community, Tempe (Litt, 2005).

**First Step:** A plan has been completed called the New American University.

**Redevelopment Project:** The Arts and Business Gateway project is currently in the design development stage. It is expected to be a \$440 million investment that will combine the academic world with private, off campus development. The project is expected to include the ASU School of Business, College of Fine Arts and College of Design as well as a hotel, conference center, grocery store, several retailers, parking and market rate housing (Arizona State University, 2005).

**Community Benefit:** Tempe has successfully revitalized their downtown. This project will be built on the edge of the downtown, providing new housing and jobs for Tempe residents as well as a shared community space that is both town and gown.



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