

D·A·C NEWS

APRIL 2023
VOL. 108 ISSUE 4

· DETROIT · ATHLETIC · CLUB ·

REPURPOSING COMMERCIAL SPACES

DETROIT LANDMARKS GET NEW LIFE | 38

DAC DOOR CORPS

A RETIREMENT AND A REBUILD | 44



#1 ATHLETIC CLUB
THREE CONSECUTIVE TIMES

Northern Lights
Lounge



The vacant Fisher Body Plant 21 has long been a landmark of sorts at the I-75/I-94 interchange, and a magnet for explorers, artists and other adventurers.



Inside Fisher 21 Lofts, developers envision a soaring atrium.

“That project was never too far out of imagination for me,” he said.

After graduating from Tulane University’s MBA program in 1996, Hosey went to work for a developer who specialized in properties like this, he said. “The big questions were whether it was too contaminated or structurally unsound. I have never run across a building from that vintage that was. They were all overengineered”—i.e. built to last.

The Fisher plant, he laughs, has been “an oddly well-traveled building” in recent years, a favorite of so-called urban explorers, photographers and other curious souls—so much that “if you Googled it, it said ‘open 24 hours.’” That will be changing as the project moves forward on three paths, Hosey said—city approvals (already obtained), financing, and architectural and engineering plans. He expects construction will start toward late summer.

IS THE MARKET THERE?

Before the pandemic, both the office and residential markets in the core of Detroit were growing rapidly, said Eric Larson, CEO of

the Downtown Detroit Partnership. “But now, the landscape of the office is changing,” he said. “As leases roll, companies will take the opportunity to reduce their footprint and respond to employee demands” for more flexible work options, including more work-at-home time.

What that means for Detroit office space still remains to be seen.



Eric Larson

Deloitte LLP, for one, left its offices in the Renaissance Center last year for the far smaller former WeWork co-working space at 1001 Woodward Ave. The move will allow employees flexibility but was seen as a bad omen for the RenCen, particularly after

General Motors adopted its own flexible-work policies.

But if the past is any indication,



Fisher 21 Lofts will preserve the structure and features of the original 1919 Albert Kahn design including its window walls.

new life for empty offices could be coming in the form of more residential units downtown, created from those same offices.

On this score, Ron Staley is an optimist. The senior vice president of the Christman Co. is in the last phase of probably the flashiest adaptive-reuse project of recent years—the



Ron Staley

transformation of the Michigan Central Station from a world-famous symbol of decay to a state-of-the-art anchor and symbol of Ford Motor Co.’s future.

It has been a massive effort that promises to pay off with a model for bringing significant-but-neglected

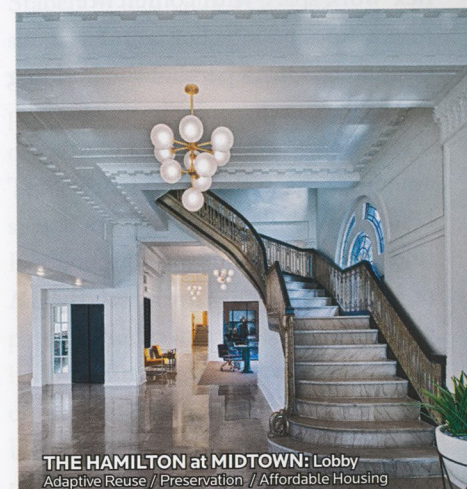


Detroit artist Scott Hocking was among the many visitors to the empty Fisher Body plant; he built art from the rubble and photographed it. Above, his Ziggurat, East, Summer 2, 2008, from the series Ziggurat and Fisher Body 21, 2007-2009.

structures back from the brink. Mayor Mike Duggan’s 2023 State of the City address took place there and emphasized it and similar projects around the city.

But it wasn’t easy—just drying out

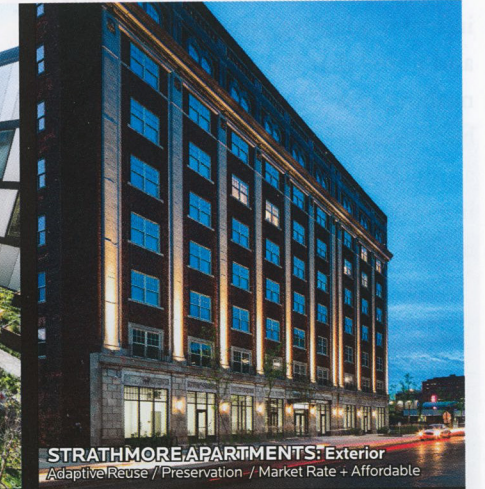
and stabilizing the building took more than a year, Staley estimated—and it wasn’t cheap. The final spend for the station alone will be \$323 million. The book depository, parking deck and platform restoration make it a



THE HAMILTON at MIDTOWN: Lobby
Adaptive Reuse / Preservation / Affordable Housing



440 ALFRED CITY MODERN: Courtyard
New Construction / Mixed Use



STRATHMORE APARTMENTS: Exterior
Adaptive Reuse / Preservation / Market Rate + Affordable



WOODWARD WEST: Exterior
New Construction / Mixed Use

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One of the city's most visible adaptive-reuse projects is the Detroit Foundation Hotel, opened in 2017. The 1929 building was formerly the Detroit Fire Department headquarters, and included a working fire station.

\$950 million project overall.

"With the right team, doing some creative thinking," almost any structure can be repurposed as something new, Staley said.

Like Hosey, Staley has a history in major adaptive-reuse projects and noted that the concept is nothing new: "In Europe, they've been doing it for centuries." Other advantages, to both public and private interests, include job creation, less malign environmental impact and a

preservation of both history and an individual city's uniqueness.

With a vital need for senior and affordable housing in Detroit, Staley said, its beautiful but neglected portfolio of unused public schools would be perfect for housing deep in residential neighborhoods. And with high-profile projects like the train station and soon-to-open Book Tower—currently being transformed into mixed use by Dan Gilbert's Bedrock Detroit—there's every reason

to believe the best could still be ahead for the city's building stock.

For sure, the needs are shifting.

Lynette Boyle, whose Beanstalk Real Estate Solutions specializes in listings in buildings like these, believes the trend from office or industrial to residential is "going to be huge" and may evolve beyond the office-here-home-there paradigm we've had for decades, or even the office-here-home-next-door trend of more recent years.



Lynette Boyle

She envisions more of a "college dorm approach," where a single office building might be converted into both residential and office, where work-at-home toilers might be able to take an elevator two floors down to a shared flex-work space with conference rooms for meeting clients and customers. Other parts of the building might have community rooms for socializing, fitness centers and other amenities. Even the living spaces can be fitted with drop-down desks that fold away during nonworking hours or screens that pull down from the ceiling for teleconferences.

"The spaces are becoming super-adaptable," Boyle said. "I don't think anyone knows exactly what will happen, but we're at the cusp of something, and everything will be changing."

This summer, as the worst of the pandemic recedes further into the past, "will be very telling," she said.

For now, the residential market has cooled somewhat from its red-hot status of early last summer,



Austin Black II

as interest rates have risen. But only somewhat, said Austin Black II, an associate broker with @properties Christie's International Real Estate. Single-family houses are still moving smartly, but sales of downtown condos and lofts have been slow since the beginning of the pandemic, with one exception—higher-priced units, whose buyers are more sheltered from economic pressures.

WHO CAN HELP?

Despite all this optimism, adaptive construction is a different animal than new builds. And major projects almost always benefit from public incentives, including tax-increment financing, brownfield redevelopment and historic-preservation credits, some of which are currently being debated in connection with the District Detroit projects.

Last year, U.S. Sens. Debbie Stabenow and Gary Peters co-sponsored the Revitalizing Downtowns Act, which would establish a new 20 percent federal tax credit for such office-to-residence conversions. The bill didn't advance but gained supporters in Detroit. Bedrock CEO Kofi Bonner told *Crain's Detroit Business* last year that "shifting work patterns are a reality, and we believe it's incredibly important to provide downtown property owners across the U.S. the flexibility" to adapt them to the marketplace.

The incentives for a major project like the Michigan Central Station can total hundreds of millions, paid over decades as tax abatements. But without them, it's hard to imagine any developer taking on the risks of a project like that, no matter how much goodwill it generates.

The Fisher Lofts project has a current budget of \$134 million, and incentives will be vital to its success, Hosey said.



Home to attorneys and medical offices when it opened in 1915, the Farwell Building (left) on Griswold had sat empty since 1984. It was reopened in 2019 as The Farwell Luxury Residences on Capitol Park.

"This is a wholly different canvas than the train station," he said. "That's a more ornate building, and extra glamour adds a lot of cost. [When finished] Fisher Lofts will look like it did in 1919, a clean brick building with massive windows."

More adaptive-reuse conversions are certain to be undertaken, Hosey said. "The Farwell, the David Whitney, those were all office buildings, and they converted well to residential." Now, he added, developers will have to determine whether that makes sense for a more modern building like the RenCen. But it could happen.

"The balance between the old and new, the synergy and catalytic energy that takes place when you blend that in a concentrated area," is what makes central cities exciting and interesting places to live, said Larson of the Downtown

Detroit Partnership. As the economy, here and elsewhere, moves from manufacturing to knowledge-based, many of these structures are ideally suited for reimagining, he said.

"The entire community is really excited about how Ford delivers in 2024," Larson said. "The District, the Women's City Club, the Eddystone, 511 Woodward, all of it."



As demand for office space declines, some have wondered whether the General Motors Renaissance Center could ever become an adaptive-reuse candidate.



On West Lafayette Boulevard, the 1925 Detroit Free Press Building designed by Albert Kahn (right foreground) is now an apartment complex called The Press/321.