

Riverfront property project stalls

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A lukewarm response from builders has once again stalled plans to develop riverfront residential units to support a downtown revitalization.

Pristine views of the Battle Creek River were not enough to entice builders to develop land along Carlyle Street and West Michigan Avenue where there are three older buildings owned by the city's economic developer, Battle Creek Unlimited.

Those buildings continued to sit idle nine months after BCU announced it wanted to develop them into apartments instead of condominiums after a study revealed that the market would support 50 to 100 units with rents in the range of \$600 to \$850.

But a request for proposals in January netted little interest from developers. Several called with questions, but only a few expressed a sincere interest, BCU President and Chief Executive Officer Karl Dehn said. None said they were ready to build.

For several years, the downtown housing conundrum has remained because of two problems: people don't want to live among empty storefronts and businesses cannot survive without a steady stream of foot traffic.

That's one reason why, in 2008, BCU unveiled a multi-million-dollar plan to revitalize the city center by encouraging businesses to locate downtown, which would entice young professionals to live near their work and eventually bring restaurants and retailers to the area.

So despite developers' tepid response to the riverfront project, Dehn has said BCU will find a way to bring more housing downtown.

That might mean finding a different use for the three buildings in question and looking elsewhere to develop housing units downtown. Or it could mean helping developers take the plunge and start to build on the riverfront.

"There is definitely a market for downtown living," Dehn said. "We just need to find a viable investment."

FIGHTING TO GET IN

Although there are an adequate number of apartments in Battle Creek, there are few upscale units that might be attractive to young professionals and empty nesters.

They are clamoring to get into the Battle Creek Tower at 70 W. Michigan Ave., where in 2006 The Hinman Co. began renting swanky upper-floor apartments. They are the only readily available apartments downtown besides a few scattered units above storefronts on Michigan Avenue.

The Battle Creek Tower apartments often have a waiting list 30 to 40 people deep, most recently because Kellogg Co. and the W.K. Kellogg Foundation have been hiring a lot of people, said Angela Burkhardt, Hinman marketing and leasing manager. That's not counting the people who chose not to be put on a waiting list because they needed an apartment right away.

The one- and two-bedroom apartments rent for between \$1,250 and \$1,625 a month. But because the building is in a Renaissance Zone in which residents avoid some state taxes, the higher the person's income, the lower his rent will be, she said.

"It's like fighting tooth and nail to get in," Burkhardt said. "People really want to live in downtown Battle Creek because that's where they work."

Among those who want to live downtown are young

professionals Nicole de Beaufort and her boyfriend James Collins.

They had been living in one of two units at 115 W. Michigan Ave., above the Downtown Partnership.

The large condominiums had been created to show the public how beautiful some of these old buildings could be. But because 115 W. Michigan Ave. is one of the three buildings BCU would like to turn into riverfront apartments, their location was only temporary until permanent housing could be found.

Beaufort, 37, said they lived there five weeks through September, but wished they could stay forever.

"If it was for sale I would consider buying it," she said. "We're just reluctant to leave because we think it's really cool."

The couple said they wanted to live close to where they work. Beaufort is in communications at the W.K. Kellogg Foundation and Collins, 38, is a contemporary artist looking for a studio space where he can paint.

"My commute is three minutes," Beaufort said. "It's a good quality of life."

The two believe in Battle Creek's potential to become a bustling urban center and they have committed to that vision. They moved into the Battle Creek Tower last week after their temporary lease ended, but said they would have loved to be anywhere downtown.

"I would love to see more people living downtown. I think it would add to the vibrancy of the downtown," she said. "It could have that tipping point effect."

'A GORGEOUS SITE'

The delayed riverfront apartment project echoes a failed attempt in 2004 to turn the three buildings at 15 Carlyle St., 115 W. Michigan Ave. and 119-121 W. Michigan Ave. into condominiums.

It failed because few people were willing to purchase condominiums without clear move-in dates, Dehn said.

Then in 2008 the housing market crashed, swallowing ambitious projects like this into its gaping maw.

BCU returned to the downtown housing project in December, saying it would scrap plans to turn the buildings into condominiums, instead opting for apartments.

A study BCU commissioned by The Danter Co. at that time revealed there were several structural issues in the buildings that made them difficult to market as residential housing.

- One of the buildings has a sub-level ground floor that would be nearly impossible to market for rental or purchase.
- The footprint of the buildings would be challenging to renovate because of their small size and awkward floor plans.
- The windows along Carlyle Street are small and would do a poor job of marketing the riverfront's scenic advantage.

Based on these challenges, the researchers recommended demolishing the buildings and in their place building a four-story, elevator-serviced residential building with a variety of different units for everyone from single people to families.

Most units should have two bedrooms and one or two bathrooms with a rent of \$1 per square foot or less in order to compete with other rental units in Battle Creek.

The building would need sub-terrain parking and a common space featuring management offices and a fitness center or community room at street level.

Yet for various reasons, none of the interested developers were ready to build. Some did not have the financing available. Others said the space was too small or misshapen to make profitable.

"For several years, we believed it would be ... suitable for residential, but we'll definitely consider other uses, especially now that we know the challenges of the current space," Dehn said.

BCU is not extending its request for proposals outside Michigan because most developers work regionally, Dehn said. The problems local developers have faced are likely to be the same for others.

But it's also not abandoning the riverfront project. It is still possible that developers who initially expressed an interest would eventually be able to submit a formal proposal with some financial assistance or when the economy begins to recover, Dehn said.

"We're probably going to have better success if we can recognize the right type of development and size and layout, and then work with the developers that are already interested," he said.

The Hinman Co., which owns a high-rise apartment complex atop the Battle Creek Tower, expressed interest in the project, said Anmar Atchu, Hinman's vice president of marketing and leasing in Battle Creek.

"It's a gorgeous site," Atchu said. "It really is with the river and you're still in the heart of downtown."

Atchu said if Hinman were to build apartments along the Battle Creek River, it would demolish the outdated buildings.

"They're just so far gone it's hard for us to justify making that investment," he said.

Hinman considered building at least 50 units with rents in the \$800 to \$1,200 range. Secure parking and surveillance would be needed, and that's not cheap.

To do it successfully, Atchu said they would need tax breaks and financial incentives to make the investment worthwhile, something like the Renaissance Zone exemptions its Battle Creek Tower residents enjoy.

Hinman has a vested interest in seeing the downtown thrive because it owns several buildings in the area, Atchu said.

"We want to see something happen," he said. "Whether we are a part of it or someone else, we will do whatever is needed."

PLAN B

In the meantime, Dehn's staff will begin to look at other ways to support apartment housing downtown as a part of a multi-year downtown transformation plan.

One idea is to develop a program that would encourage and assist building owners in turning the upper floors of existing storefronts into separate apartment units.

"Right now it's just in the thought process," Dehn said.

Cheryl Beard, BCU technology and marketing director, was recently charged with managing the project.

She hopes to take inventory of buildings downtown that have empty upper floors and then determine if an incentive package could be developed to entice their owners into building apartments.

One of the biggest success stories could be at the Heritage Tower, a tall building at 25 W. Michigan Ave. with similar potential for mixed-use

commercial and housing as at the Battle Creek Tower, Beard said.

But the Heritage Tower has been vacant for long periods and has many structural issues that would need to be addressed, and any program that is created would need to be equitable among building owners, she said.

Randy Case, an architect who owns 36 E. Michigan Ave., has long been a proponent of rehabilitating older buildings for modern urban use.

Several years ago, Case attempted to put apartments into the upper floors of his building with the help of BCU and a grant from the Michigan State Housing Development Authority to be used in the rehabilitation of downtown apartments.

"We'd like to do the apartment thing," he said. "This building has great potential for it."

But the plan died after Case realized that, for the size of his building, he would need to install an elevator at a cost of \$150,000 and a sprinkler system, which he admitted was needed, for \$45,000.

Still, Case believes there might be grants or financial incentives out there that could make it a viable project for other building owners.

"It'd be good to look at that whole project again," Case said. "Just because it didn't work before doesn't mean it's a bad idea."

The upper-level apartments project would be far more complicated to coordinate than simply choosing a developer to build along the riverfront, Dehn said. If the program appears to be too burdensome or unsustainable, then it will be scrapped.

But if it works, it could bring more apartments like the one Dustin Clute rents in a renovated brick building at 62 E. Michigan Ave. It is one of the few residential apartments downtown that is not in the Battle Creek Tower.

He might possibly have the shortest commute of anyone in Battle Creek. It is exactly two steps -- or one flying leap -- from his apartment to his employer's front door.

Clute, 25, is a web developer with CorePHP. Both his work and his apartment are located on the second

floor.

"I was tired of commuting from Lansing," he said.

His one-bedroom, one-bathroom place boasts tall ceilings, exposed brick walls and a rooftop deck large enough for a three-piece band and a dance floor, or possibly a large screen television and enough space to seat two dozen friends comfortably on lawn chairs and old sofas.

He gets all that -- plus a washer and dryer, central air, and gas and water included -- for about \$700 a month.

The only drawback is that there are few amenities downtown, he said.

There are groceries, but Clute said still has to drive his purchases home. There are clothing and shoe stores, but nothing that fits his style. The restaurants have limited hours, especially on the weekends.

"For people to live here, you also have to have other businesses," he said.

But the city's developers say retail, employment, education and a walkable streetscape are all important pieces needed to bringing about a downtown transformation. Downtown housing, while significant, is not as important as bringing jobs and educational opportunities.

And because there's no deadline for completing the proposed apartment project, it is likely to be on the backburner for now. Beard said her goal is to decide within the next two years if the upper-floor apartment project is a viable solution.

"It all works together. You can't just put in the pretty streets and think people will come," she said. "They're all pieces of the puzzle."

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