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Urban Growth Initiative for Greater Downtown Kalamazoo

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Urban Growth Initiative for Greater Downtown Kalamazoo

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W.E. UPJOHN INSTITUTE
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Executive Summary

The City of Kalamazoo and the Brownfield Redevelopment Authority engaged the W.E. Upjohn Institute for Employment Research to facilitate the creation of a strategy for the further development of the downtown core of the city of Kalamazoo. The purpose of this strategy was to bring together key stakeholders and anchor organizations in the downtown area to further enrich the existing partnerships among these entities and to collaborate on the priorities they see for future development of the downtown area during the next 10 years. Two groups were formed: an Advisory Council and a Strategy Team. Each contained key stakeholders and anchor organization members, including the CEOs of these organizations. The Upjohn Institute compiled a quantitative profile of the area, which was used in several structured discussions by the two groups. The two groups, separately and then together, came up with a list of six priorities that they believe are critical in sustaining the progress that has already been made downtown and in further encouraging development in the downtown area. This document reports the findings and recommendations of an ongoing process, which has become known as the Urban Growth Initiative (UGI).

KALAMAZOO AND ITS DOWNTOWN

The greater Kalamazoo region, which is basically the county of Kalamazoo, includes a population of 258,000. The population of the city of Kalamazoo is 77,000, less than a third of the county's population, and the core downtown, represented by Census Tract 2.01, has 10,500 people living there. Since 1990, the region has experienced modest growth, adding on average only about 1,000 people per year. Despite the slow growth, the region, particularly the downtown, has experienced dramatic changes in its economic base. In 1990, the downtown was dominated by the research facilities of the Upjohn Company, a large pharmaceutical company that employed more than 6,700 persons in the county, including the Portage headquarters and manufacturing facility, research farms in Richland Township, and downtown research and development. The company pumped more than $1 billion into the local economy through the salaries of these researchers and support staff. The downtown was also home to First of America Bank, a large regional bank with offices throughout the west Michigan region and Michigan. Two major department stores—Gilmore Brothers and Jacobson's—were still shopping destinations, although it was becoming more apparent that their days were numbered as outlying shopping malls were being developed.

During the next 25 years, pharmaceutical research's dominant position was replaced by major expansions at Bronson Methodist Hospital, including a new hospital building and expansion of other facilities. Most recently, the Western Michigan University Homer Stryker M.D. School of Medicine (henceforth the Homer Stryker Medical School) opened in one of the research buildings once owned by the Upjohn Company. First of America Bank is no longer, having been acquired by National City Bank of Cleveland. That bank was later acquired by PNC of Pittsburgh after the financial crisis of 2008. The two department stores are gone—one has been turned into residential lofts and commercial space, and the other into a center for the area's arts organizations, with two small theaters and studio and office space. A transportation center and a festival center were added downtown; historical buildings have been restored and occupied by restaurants and community organizations. Kalamazoo Valley Community College (KVCC) has established a downtown campus and, in partnership with Bronson Methodist Hospital, has opened a "Healthy Living" complex that includes a culinary arts school and state-of-the art processing facilities for locally grown produce. And the downtown mall—the first in the nation to be closed to cars and dedicated to pedestrian traffic, and emulated in many other communities across the country—was reopened to automobiles.

Yet, as these changes have taken place, there appear to be high hopes for the possibilities of the renaissance (or transformation) of downtown from a retail and financial hub to a city center driven by health care and entertainment. The key stakeholders who participated in the strategy sessions expressed a great sense of optimism and excitement for the downtown's future, while recognizing that the downtown of tomorrow will not be like the downtown of the past, and that a vibrant and sustainable downtown, as it competes to attract people, commerce, and activities, will need a more concerted and collaborative effort among the anchor organizations, the retailers, and the government entities.

The encouraging message that came out of the discussions is that serious collaboration is already taking place among the key stakeholders. They have a vision for their respective organizations, which spills over into a common vision for the area around them. They are acting upon their vision by investing tens of millions of dollars in the downtown, and are working together to leverage their investments for the betterment of downtown and their own organizations.

What they expressed, however, is that they feel they need wider support for their vision and their financial commitment from the government agencies, including the city and the downtown development organizations. The priorities that came out of this strategic process lay out some of the ways in which the public sector can join the private sector in clarifying a vision for downtown and working together to implement that vision.

In establishing their six priorities, the two teams drew heavily upon insights from the analysis of trends in the downtown, from their own experiences in leading and working in their organizations, and from experiences in other communities:

- Downtown Kalamazoo—in this case defined as Census Tract 2.01—is clearly a destination for employment. It is the largest employment hub in the region, with 10,000 people commuting into downtown to work and only 500 downtown residents leaving to work elsewhere. While the downtown has maintained an employment base, albeit quite different from before, the two groups recognized the need to remain vigilant in attracting and retaining businesses in the area.
- While the downtown is an employment hub, not many people—fewer than 100—both work and live in the area. The groups saw this as a great opportunity to fill in with additional residential units, and they stressed the need for not only lofts but a variety of types of housing, which could enable development to spill over into adjacent neighborhoods.
- The groups were somewhat mixed on the need for transformational (or large-scale) development in the downtown. Everyone agreed that a large employer, or a multipurpose complex, would help boost downtown activities, but recognized that a well-coordinated series of small and medium-sized projects that fit into the overall vision of downtown would work equally well, if not better. They pointed to several new projects underway in downtown, such as The Exchange (a 15-story, mixed-use building) and a new hotel, and they alluded to other projects in the planning stages.
- The groups also pointed to mobility, both within the downtown and to and from the area, as a problem for future downtown growth. They agreed with the conclusions of previous studies that the one-way streets and the broad and fast-moving thoroughfares diminish the feeling of place in downtown and hinder the ability to access various parts of the area, and that access for students from Western Michigan University (WMU) and Kalamazoo College to downtown needs to be much improved.
- The groups also saw the advantage of partnerships and coordinated activities among key anchor organizations within downtown. They were encouraged by what is already taking place, particularly the Homer Stryker Medical School and the Healthy Living District, which is a partnership between Kalamazoo Valley Community College and Bronson Methodist Hospital. They saw concrete possibilities in expanding the Healthy Living District to include contiguous neighborhoods as well as to increase food-related employment in downtown. They also recognized that establishing one successful partnership can leverage additional ones.
- After exploring what other communities have done to successfully develop their downtowns, the teams concluded that most, if not all, had a strong organization, or organizations, that tended to the needs of local businesses and to the common components of downtown, such as the streets, the gathering places, and the physical and cultural relationships among downtown residents, businesses, and community organizations. The groups recognized that downtowns are more than simply a place to do business—a downtown is a place that instills identity to a city and a region. Most of the places studied, including Austin, Texas; Ann Arbor and Grand Rapids, Michigan; and Buffalo, New York; took great pride in their downtowns, and this in turn contributed to a more vibrant and sustainable region. The groups recommended that the downtown strengthen the organizations entrusted with these responsibilities.

Introduction

The City of Kalamazoo and partnering downtown organizations are working together to develop an economic development strategy for greater downtown Kalamazoo and its contiguous and associated neighborhoods. The current downtown framework for management, development, and funding faces financial and operational challenges, thus impairing coordinated efforts for aligned development strategies and policies. The City of Kalamazoo and the Brownfield Redevelopment Authority engaged the W.E. Upjohn Institute for Employment Research (Upjohn Institute) to facilitate a process that would identify strategies to help alleviate financial and operational challenges facing greater downtown Kalamazoo.

The economic development strategy, known as the Urban Growth Initiative (UGI), brought together key community stakeholders and anchor organizations to share their views and collaborate on how to grow Kalamazoo's urban core. The vision of UGI is to advance growth, development, and quality of place in Kalamazoo's urban core.

The City of Kalamazoo is also engaged in a process with the community to help envision the future of Kalamazoo—a process known as Imagine Kalamazoo. Imagine Kalamazoo is focused on developing strategies to impact economic conditions in the Kalamazoo community. The strategies identified through the Urban Growth Initiative will become part of the Imagine Kalamazoo plan.

THE UGI PROCESS

Leadership

The Urban Growth Initiative thrives as a collaborative process that engaged stakeholders from the business, philanthropic, governmental, medical, educational, and nonprofit communities. These stakeholders comprised two groups formed to identify challenges, opportunities, and strategies, and to offer guidance and advice throughout the process (see Appendix A, p. 73).

The Advisory Council, composed of CEO-level leaders from the public, private, and philanthropic sectors, supported the UGI initiative by offering high-level strategic guidance. The Council helped to build community support for UGI, as well as helped to foster organizational alignment around jointly developed, shared goals. Members of the Advisory Council included anchor institutions, major downtown employers, foundations, and local government.

The Strategy Team, composed of practitioners from economic, community, and downtown development, urban planning and design, anchor institutions, philanthropy, education, government, and health care sectors, helped to develop, align, and prioritize the strategic outcomes recommended to the Advisory Council. This team engaged with community stakeholders, developed strategies and priorities for the local integration of UGI, and discussed case studies and tactics applied in other cities.

Description of the Process

The Urban Growth Initiative began with an August 2016 kickoff event at Kalamazoo College, which featured a presentation from University Circle Inc., a successful Cleveland, Ohio, urban initiative. Members of the Advisory Council and Strategy Team affirmed their commitment and support for UGI at the event.

In early November 2016, the Upjohn Institute led members of both groups through a facilitated work session to identify strategies and objectives that would have the greatest impact on greater downtown Kalamazoo. A total of 32 participants were engaged in the work session. Through various presentations and small- and large-group activities, six priority objectives emerged as essential to helping alleviate the financial and operational challenges facing the downtown:

1. **Business Recruitment and Retention.** Develop an attraction and retention strategy that targets small and medium-sized enterprises (e.g., professional and business services, legal, goods-producing, eating and drinking, and retail services) in greater downtown Kalamazoo.
2. **Residential Infill to Meet Demand.** Leverage local, state, and federal resources to help meet the need for varied types of affordable housing in greater downtown Kalamazoo.
3. **Large-Scale, Transformative, Mixed-Use Development.** Develop a proactive approach to attract and expand major investments of large-scale, transformative, mixed-use development in greater downtown Kalamazoo.
4. **Improve Mobility.** Create a plan for improving downtown mobility and two-way street conversions.
5. **Healthy Living District.** Improve the health and well-being of greater downtown Kalamazoo by formalizing and maintaining a healthy living community.
6. **Coordinated Management.** Coordinate the management and oversight of downtown activities and initiatives through a single point of contact or entity.

These six priority objectives are the tactical strategies upon which the Urban Growth Initiative plan is built.

The Upjohn Institute facilitated a session in December 2016 with Advisory Council members to present the outcomes of the November work session and the six identified objectives. The Advisory Council provided input on the objectives, weighing in on the anticipated challenges and opportunities to these objectives and offering guidance on next steps.

The Upjohn Institute identified and researched Michigan and U.S. cities that have implemented successful initiatives relative to each of the six priority objectives. The case-study research was combined with data and other research to develop a series of options and approaches for implementing each of the six objectives. These options were presented and vetted through a series of meetings from January through April 2017 with small working groups formed to identify action steps for each of the six objectives. The small groups were populated with members of both the Advisory Council and the Strategy Team. A meeting with the full Strategy Team was also held after three of the six work sessions were conducted, to apprise and update all members of progress.

In addition to the above-mentioned process, the Upjohn Institute conducted research to support the objectives recommended by the two groups:

- Reviewed relevant literature on issues facing downtowns, the growth and economic rebound of urban areas, and the management and coordination of downtown activities and services.

- Identified and reviewed case-study cities in Michigan and across the United States with successful programs and initiatives for rebuilding urban areas.
- Interviewed community leaders and downtown stakeholders for their perceptions on goals, objectives, and action items around opportunities and barriers to business and residential development, redevelopment, and job growth.
- Examined past, current, and future industry trends of development in the city of Kalamazoo, as well as the outcomes/impact of that development; and identified available space for—and impediments to—downtown development (e.g., legal issues, city and state rules and regulations, zoning regulations).
- Examined housing trends in downtown and in the city of Kalamazoo, including building permits, current and planned construction, and development of land/building use mix; and determined the market potential for residential development.
- Conducted an analysis of past, current, and future labor/occupation trends; and analyzed the mix of downtown industries, assessing the demand and compatibility for supporting industries.
- Examined management and funding structures successfully operating in Michigan and other U.S. cities (e.g., special improvement districts, business improvement districts, principal shopping districts, anchor district organization and structure).
- Identified and catalogued the current activities and initiatives serving greater downtown Kalamazoo.
- Analyzed traffic volumes on roadways that impact greater downtown Kalamazoo.
- Conducted a walkability analysis of the downtown.
- Conducted an analysis of prior studies and plans for greater downtown Kalamazoo and its adjacent neighborhoods.
- Utilized Geographic Information Systems (GIS) software to depict the physical characteristics of all research (e.g., employment, land use, mobility, development, redevelopment, housing, public safety).

Note that concurrent to the UGI process, the City of Kalamazoo engaged Gibbs Planning Group (2017) to conduct a separate retail analysis of the downtown. The findings of the retail analysis are published in a separate report titled “Downtown Kalamazoo Retail Market Analysis.”

ORGANIZATION AND STRUCTURE OF THE STUDY

This study is structured around six tactical recommendations for sustaining and growing economic activity in greater downtown Kalamazoo, as identified by key community stakeholders through a collaborative, consensus-building process. We begin with an overview of the recommendations resulting from the consensus-building meetings and discussions with the UGI Advisory Council and Strategy Team.

The economic development strategy for the Urban Growth Initiative is then detailed through the six recommendations identified by the two key stakeholder groups—1) Business Recruitment and Retention, 2) Residential Infill to Meet Demand, 3) Large-Scale, Transformative, Mixed-Use Development, 4) Improving Mobility, 5) Healthy Living District, and

6) Coordinated Management of Downtown Activities. Discussed within each of these objectives are the obstacles and challenges currently facing the downtown that demonstrate the need for addressing the objective, the purpose and intent of the objective, suggested activities to be carried out to achieve the objective, and data and research supporting the objective.

Contained within Appendix A is a list of the community stakeholders and leaders making up the Advisory Council and the Strategy Team. Also included is a description of the economic development programs offered by the state of Michigan for new and existing businesses, and for new investment in the downtown. Each program description includes how and whether the program is applicable to the proposed UGI objectives. Appendix C contains a review of the literature that focuses on the revival of urban areas. This review includes a discussion of smart growth and place-making initiatives, and of strategies for the governance and management of downtown activities. The review also includes examples of successful programs implemented in Michigan and other U.S. cities. The cited references from all research follow the Appendices.

Overview of Recommendations

In August 2016, the Upjohn Institute began to work with the City of Kalamazoo on ways to help the urban core of the city to continue to grow. This evolved into both a process and product called the Urban Growth Initiative (UGI). With support from both the Kalamazoo Brownfield Authority and the City of Kalamazoo, the Upjohn Institute began the process of collecting and assembling data, which were based on both secondary and primary sources, such as key informant interviews, working group sessions, and meetings with the Strategy Team and Advisory Council.

Based on work with the Strategy Team in November 2016, and with approval from the Advisory Council in December of 2016, six priorities emerged as tactical objectives to pursue as part of the Urban Growth Initiative:

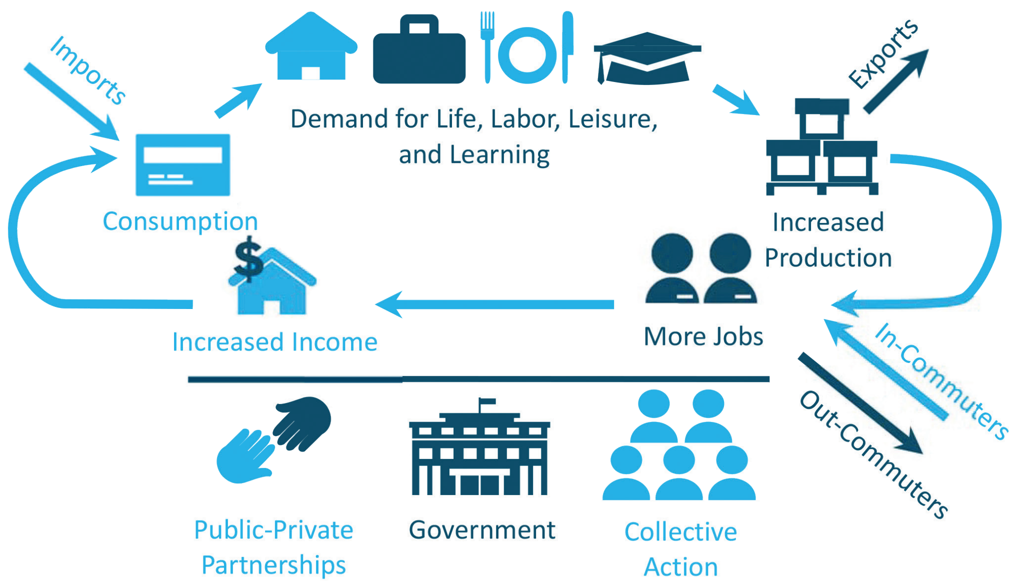
1. **Business Recruitment and Retention.** The goal is to increase business growth in the downtown and urban core.
2. **Infill to Meet Residential Demand.** The goal is to increase opportunities for both market-rate and affordable housing options in the downtown and adjacent neighborhoods.
3. **Large-Scale, Transformative, Mixed-Use Development.** The goal is to use opportunities of scale to change the economic landscape of the urban core, downtown, and the adjacent neighborhoods.
4. **Improve Mobility.** The goal is to make downtown more accessible to pedestrians, cyclists, and motorists by improving connections with neighborhoods, employment centers, and the downtown, which would positively increase economic and residential activity.
5. **Develop a Healthy Living District.** The goal is to formalize a district that capitalizes on the anchor institutions and creates a synergy with the downtown and its neighborhoods.
6. **Coordinated Management for Downtown Activities and Initiatives.** The goal is to create an organizational structure and financial platform for supporting aspects of the other five priorities.

While the analyses and recommendations for each objective stand alone, it is important to note that, as indicated in Figure 1 on the next page, all objectives are essential and need to be integrated together to form a healthy and growing downtown. If all issues are not addressed concurrently, it will slow progress in business and residential growth.

Urban cores and central cities matter to the rest of the city as well as the rest of the region. First and foremost, they help to give definition and a sense of place. A downtown is a space that is traditionally public in nature. Note the emphasis on public. When spaces are essentially public in nature, they allow users from all incomes and crosswalks of life to participate; they are not exclusive in providing access based on economic opportunity. This is opposed to destination retail, lifestyle retail, and traditional malls, which can limit access to nonpatrons as well as exclude groups, such as unaccompanied minors, from the properties.

Downtowns and urban cores give a spatial definition that is easily agreed upon and understood. In thinking of the retail clusters of southwest Michigan, most are generally referred to by city name or cross street, with little intuitive location determined by those definitions. Yet when “downtown” is mentioned, there is an immediate understanding of location and place.

Figure 1: The "Virtuous Cycle" of the Economy



Downtowns are also places where "clusters" usually occur. Often centrally located, they are a convening space where activities, such as legal services, come together with common interests, such as courthouses, law firms, and bail bondsmen. As a central space, they also lend themselves to being sites for commuters from various parts of the region. In these roles, they are often the "glue" for a region.

But downtowns, like any other evolving entity, need care and nurturing. Downtowns need direction, planning, and in some cases incentives to achieve a common set of goals and outcomes for businesses, workers, and residents. Success in growing businesses, increasing employment, and adding to the residential population are not exclusive targets, but are intertwined. With the right set of resources and direction, participants can feed off each other and make all successful. On the other hand, if issues are not collectively addressed, they can lead to decline and a withering of the downtown landscape.

BUSINESS RECRUITMENT AND RETENTION

Growing businesses, both in consumer services and in business services, is essential to expanding the economic landscape of downtown. Business growth provides jobs to both commuters and residents, and it creates demand for housing as millennials and baby boomers look to a more urban environment yet also demand bundles of services that are easily accessible. Here are four recommendations to facilitate this:

The first recommendation regarding the recruitment and retention of businesses that was advanced by the Advisory Council and Strategy Team is to **be proactive in recruiting and retaining businesses to the downtown**. To accomplish this, actionable items need to be implemented, beginning with creating a detailed, up-to-date **inventory of retail, eating, drinking, and office space available** in the downtown. The data in this inventory would include owner contact information, current rental rates, the size of the commercial space and a map of the floor plan, and its location in the downtown.

The second actionable item is to **designate a person for attraction and retention efforts**. This position would be dedicated to bringing new companies to the downtown and to assisting existing companies to remain downtown. The recent retail market analysis is a good road map as to the types of businesses to attract downtown and their level of demand by both sales and square-footage needs. The activities of this position would include identifying businesses in these areas and working to recruit them to Kalamazoo.

The third activity essential to success is to **assure a new company that it is easy to do business in Kalamazoo and to help existing companies remain here**. This can be done by having a person on staff, often referred to as a concierge or navigator, who knows not only how to guide but how to actually walk a client through the occupancy process with the city and others (e.g., utilities and other infrastructure needs). When a business is ready to invest, speed to market is essential.

The fourth essential activity is to **supply data to businesses.** This would come in two forms: first, market data that help the business know what is happening both locally and nationally in its industry, and second, customer-based data that help the business know where its customers are coming from and data that provide perceptions of both Kalamazoo and the downtown.

INFILL TO MEET RESIDENTIAL DEMAND

The housing market, for both rental and owner-occupied, is tight in the city of Kalamazoo. In 2015 (the most current year for which there are data), the city's rental vacancy rate was 0.7 percent. Zimmerman/Volk Associates (2014) conducted a target market analysis (TMA), which forecasts demand for downtown housing. Their results suggest that half of the housing built over the next five years would be at market rate and half would be considered "affordable." Based on units built and permits issued, the pace for residential building is at about 50 percent of the projected need, and most of that is at market rate. While this provides downtown businesses with potential clients that have higher earnings, it excludes households with moderate and lower incomes. More than 10,000 people work in the downtown, in this case defined as U.S. Census Tract 2.01, but fewer than 100 also reside there. While the market in downtown Kalamazoo is affordable for higher wage earners, the market is unable to meet the needs of middle- and lower-income households.

The lack of affordable housing, when affordability is defined as spending no more than 30 percent of household income on housing, can affect both businesses and workers. Based on the Gibbs Planning Group (2017) retail market analysis, a significant amount of consumption leaks out of Kalamazoo to places like Grand Rapids, Detroit, and Chicago, as well as online. As households locate in proximity to downtown and its bundle of consumer services, they would be more likely to access retail and restaurants there than as suburban dwellers. Millennials and baby boomers are increasingly interested in locating in urban areas that offer amenities and services that include the ability to walk and bike to work. Additional housing that is affordable to a wider range of workers would attract professional and business services that offer employment opportunities.

The recommendation from the groups regarding housing is to work with the interested parties to **facilitate more affordable housing targeting lower- and middle-income families**. Although the city is unable to offer many direct financial incentives such as tax abatement, there are other nonmonetary ways the city could facilitate investment. Some of these include (but are not limited to) relaxing zoning regulations to allow smaller lot sizes and encourage density, reducing setbacks and parking requirements, streamlining the housing acquisition process, and creating a single point of contact or "navigator" (similar to what is suggested for business activities) to assist potential investors through the process. While there are many experienced developers in the region, this latter recommendation, creating a navigator to guide investors through the process, can be helpful to first-time, inexperienced, and non-Kalamazoo investors interested in downtown residential activities.

LARGE SCALE, TRANSFORMATIVE, MIXED-USE DEVELOPMENT

The initial discussion on this priority centered on how large-scale investments and projects can transform the downtown. Since this study was undertaken, a significant amount of investment has broken ground (such as Exchange Place) or is planned (such as Arcadia Commons West). While these larger developments will create both jobs and residential space, as well as augment demand for consumer services, these developments also allow the discussion on "transformative" projects to focus on the aggregate of smaller projects in the downtown. The nature of these projects could range from developments that are purely business related, such as office and/or retail, to purely residential, such as the "missing middle," or to mixed-use that contains both business and residential interests.

The concept of the "missing middle," as discussed in the housing priority objective, suggests that there is a need for affordable housing that lies between the single family and midrise structure, both of which have seen new investment in the city. This missing middle section of housing could include duplex, triplex, townhouse, and multiplex residences. Such options for affordable housing would create a broader market if wage earners could reside downtown.

To accomplish transformative projects, a series of recommendations are proposed by the working groups. The first is that a **plan be put in place that only permits the use of incentives that would help to transform the urban core**. The goal of this transformation would be to address the needs and priorities of downtown stakeholders, whether they be consumer-based concerns or those of employers. The second would be to be **ensure that the leading downtown organization works to attract new investment to downtown** through the coordination and marketing of downtown amenities and services. Similar to business and housing infill services recommendations, a **navigator is needed** to help large investors access city departments and other entities necessary to initiate their investments in a timely manner.

IMPROVE MOBILITY

The need for mobility improvements within the city is well documented. From the 2009 Comprehensive Plan to the 2010 Master Plan, the 2014 Corridor Charrettes, and the current retail market analysis from the Gibbs Planning Group (2017), issues of directionality of streets, parking, traffic calming, and multimodal access have all been frequently discussed. The recently released retail study suggests that maintaining the status quo could add $5 million in new sales. The same study finds that growth rises to $53 million if the city would activate the recommendations of the 2009 Comprehensive Plan. Two key aspects of the plan are to add parking meters to core downtown areas and to provide time-limited free parking in the parking decks. **Changing parking, plus the conversion of the one-way streets to two-way streets, would help to calm traffic** and help many underperforming retail sectors in the downtown increase performance relative to their average sales per square foot.

Parking is viewed as a primary issue. In downtown high-demand areas, such as in front of retail locations, spaces are available at no charge, while parking-deck costs begin upon entering the decks. By changing the parking located in front of stores from free to metered parking, it is expected (as stated in the retail market analysis) that the spaces will turn over 10 to 12 times per day and that sales would increase in the adjacent stores. The retail market analysis recommends that ramp parking, while less convenient to vendors, should be free for the first two hours.

By changing the one-way streets to two-way streets and engaging in traffic calming, it is expected that pedestrians and bicyclists would find the downtown more accessible and attractive for shopping, dining, and leisure activities. Easier access by these modes would offer college students, as well as employees of businesses, better connections to shopping, dining, and leisure activities downtown.

HEALTHY LIVING DISTRICT

An informal health district exists within the urban core; thus, the potential for synergies with the downtown and neighborhoods is very strong. The anchors in the health district include Kalamazoo Valley Community College and Bronson Methodist Hospital, as well as nearby interests in Zoetis and Western Michigan University's School of Medicine. Components of the district could include focusing on health and wellness, the promotion of green space, and applying principles that promote pedestrian and cyclist access to the health community. Portions of the existing health district, such as supporting nearby housing, free broadband, and adopting other urban design principles, should be part of a Healthy Living District plan.

To both organize and support a Healthy Living District, **it is recommended that a formal structure be established between the existing collaborators**. While many of the anchors are already working together as a health district, a formal structure like the ones found in St. Louis and Cleveland would be a vehicle to generate funding and coordinate organization services. It is recommended that the Healthy Living District be staffed by the leading downtown organization. This would reduce overhead costs, support existing collaborators, and help sustain existing and complementary missions. Such an action would capitalize on prior work and investments by the anchors while moving their agenda forward.

The Healthy Living District should identify priorities that align with priorities for the Urban Growth Initiative. The first is to improve mobility and make the district both walkable and accessible; this could be accomplished by directional conversions of streets and traffic calming. The second would be to continue to serve as a catalyst for housing infill. Bronson Methodist Hospital has a goal of increasing the number of workers living near the hospital and can help to bring workers into the adjacent neighborhoods and downtown. A third priority is to be a catalyst for healthy food options. This area, even with a seasonal farmers' market, is a "food desert," lacking places for residents to obtain healthy and unprocessed foods. It is recommended that a public market strategy be considered that would create a year-round space in which vendors, such as butchers, bakers, green grocers, and others, could supply healthy food options to the downtown, the Healthy Living District, and neighborhood residents and workers. A final suggested priority is to continue to leverage existing relationships between Kalamazoo Valley Community College and Bronson Methodist Hospital around the food hub.

COORDINATED MANAGEMENT

The above priorities are action-oriented and intended to accomplish specific outcomes based on not only the recommendations supported by the Strategy Team and Advisory Council but also research on the case studies, literature review, and anchor district activities. This final priority is more organizationally based and lays the foundation for accomplishing the first five priority objectives.

The current structure for downtown development includes a public entity, the Downtown Development Authority (DDA), that is funded with public dollars; Downtown Kalamazoo Inc. (DKI), a nonprofit that is primarily funded by the DDA; and Downtown Tomorrow Inc. (DTI), a nonprofit that manages real estate activity and other initiatives in the downtown. These three organizations are collectively referred to as the “Ds.”

The working group recommends **keeping the current downtown organizational structure in place**. The leadership of the Ds has changed since the inception of this study, and the new leadership and the respective boards are mapping a strategy for going forward.

A public-private partnership is essential for attracting businesses, workers, and residents to the downtown. Most economic development activities are a combination of public (state, city, county, and other entities) and private (economic development organizations such as Southwest Michigan First, as well as utilities, lenders, and others). Both the public and private entities are essential to assembling economic development deals for companies. The DDA is essential as a means of capturing taxes that support the mission of downtown, including debt service of projects within the urban core. However, most economic development projects, at least at the onset and exploratory phases, need some level of confidentiality, and public-sector entities are often unable to hold discussions in confidence and sign nondisclosure agreements (NDAs). It is therefore necessary for an organization like DKI to continue to lead downtown activities. DKI can work with both economic development clients and stakeholders, such as the city and residents, to move discussions forward until a project is ready for public-sector involvement and scrutiny. DTI, depending on its charter, could be useful in identifying capital for projects within the downtown.

The real issue plaguing the existing downtown organizations is funding. The DDA is funded by tax capture within the district through tax increment financing (TIF), in which the additional taxes created by new development are used to support an array of activities (from maintenance and beautification to infrastructure investments). The funding for the DDA and support for DKI, however, has historically dwindled because of two structural issues. The first issue is that, in the state of Michigan, property tax increases can only occur at the rate of inflation. During the recession, downtown property values declined rapidly, and as values have recovered, tax capture has not kept pace with market values. The other structural issue is the limits within the initial DDA agreement that allow tax capture only on properties and parcels that meet a certain threshold, but not all new tax capture in the TIF district is taken by the DDA.

These two flaws have reduced the tax capture significantly since 2006, thus limiting the ability of the organizations to perform many services outside of debt servicing. This has also led to organizations being short on operating capital, limiting their ability to provide the services proposed by the Strategy Team and Advisory Council and suggested in the study recommendations.

To help stabilize funding for the downtown organization, **it is recommended that funding be increased by enacting a Business Improvement District (BID) and working cooperatively with tax exempt entities to share in the costs of service provision and restructure the DDA TIF tax-capture methodology**. A BID is a stable source of funding based on an agreed-upon formula, such as rates per square foot of ownership or linear frontage of a streetscape for parcels and properties within the BID. It is necessary for stakeholders and owners in the BID to agree on its operation. An additional benefit is that a BID allows for a more comprehensive geographic definition of the downtown as a funding source. The current DDA does not include all of what might geographically be defined as downtown. A second suggestion is to make a cooperative agreement that would create a vehicle for untaxed properties in the downtown to contribute to the benefits of the downtown organizations. In this case, non-tax-paying entities could provide negotiated contributions to the Ds in support of growing the downtown. Finally, a revised or restructured DDA that better captures changes in the value of downtown real estate should be put in place. Although the rate of increase in tax capture is limited by state law, having a broader TIF base contributing to downtown management and services would help support the recommendations and priority objectives of the study, which are necessary to spur downtown growth and development.

Recommendations for Downtown Growth

The Upjohn Institute facilitated key community stakeholders through a consensus-building process that yielded six recommendations for spurring downtown economic growth. The process became known as the Urban Growth Initiative (UGI). The vision of the UGI is to advance growth, development, and quality of place in Kalamazoo's urban core. The six recommendations are detailed in this section, along with suggested activities for carrying out each of the recommendations.

The six recommendations are:

1. **Business Recruitment and Retention.** The goal is to increase business growth in the downtown and urban core.
2. **Infill to Meet Residential Demand.** The goal is to increase opportunities for both marketable and affordable housing options in the downtown and adjacent neighborhoods.
3. **Large-Scale, Transformative, Mixed-Use Development.** The goal is to use opportunities of scale to change the economic landscape of the urban core, downtown, and the adjacent neighborhoods.
4. **Improve Mobility.** The goal is to make downtown more accessible to pedestrians, cyclists, and motorists, which would positively increase economic and residential activity.
5. **Develop a Healthy Living District.** The goal is to create a district that capitalizes on the anchor institutions and creates a synergy with the downtown and its neighborhoods.
6. **Coordinated Management for Downtown Activities and Initiatives.** The goal is to create an organizational structure and financial platform for supporting aspects of the other five priorities.

Priority Objective: Business Recruitment and Retention

RECOMMENDATIONS

While the Kalamazoo downtown is the largest employment hub in the region, both the UGI Advisory Council and Strategy Team cautioned about becoming complacent in attracting and retaining businesses in the urban core. The groups recommended a more proactive approach in attending to the needs of existing local businesses and in offering an attractive place for new businesses to locate. Based on best practices recognized by the economic development profession, experiences of other successful communities, and input from local businesses, the Advisory Council and Strategy Team recommended the following activities:

- Create a program to actively recruit businesses to the urban core.
- Provide "navigators" who can walk prospective investors in downtown through the entire process, "from soup to nuts," of getting a business up and running in the area.
- Provide "advocates" for existing businesses to help them work through any issues regarding zoning, other regulations, neighbors, public space, and the like.
- Provide downtown ambassadors to be a friendly face on downtown streets, welcoming customers, keeping the place clean of trash, providing additional presence on the streets to deter crime and offer a sense of security.
- Adopt "smart city" approaches to maintaining vital downtown infrastructure and amenities, such as a phone app that allows citizens to report failing infrastructure to the city.
- Offer market research and analysis to businesses that are too small to pay for it themselves that could contribute to the viability of downtown businesses.
- Survey local businesses to help understand their needs and concerns, while compiling a database that helps to monitor the overall progress of downtown development.
- Develop an online inventory of property, specific to the downtown, in at least three categories—1) "Occupied," 2) "Available for use," and 3) "Needs redevelopment."
- Expand the wayfinding maps and information to parts of the downtown that go beyond the boundaries of DKI.
- "Brand" the downtown.

PROFILE OF DOWNTOWN BUSINESSES

Urban cores are typically places with high density and high-value activities relative to the rest of the region, primarily because of the desire of those businesses and organizations to be centrally located in their market areas, and the financial advantage they accrue from that central location. Market forces dictate that only those activities that can afford the higher rents in urban cores will find it economically advantageous to locate there. The economics work for businesses because they are engaged in activities that demand higher prices and margins (e.g., law firms, many health care services, banks), and because the volume is sufficiently high (retail stores, restaurants) to pay the higher rents. Other organizations may be there because of legacy reasons, but must be able to continue to be financially viable at that location. The point of this brief statement on the economics of location in the urban core is that a downtown should be viewed as a viable and desirable place to do business; downtown development should not be seen as a charitable act to help the downtown and, consequently, any business that locates there that needs financial assistance. If that is not the case, then one must look at the reason a downtown is not a desirable location for businesses that seek a central location.

About 10,500 people work in downtown, which is about the same number as 25 years ago. Although it has remained the region's employment hub during the past 25 years, the downtown has experienced dramatic changes: The types of businesses in the downtown are much different today from what they were in 1990. At that time, the downtown was a center for retail, banking, and research. Two department stores attracted shoppers from around the area, the region's large banks established a financial center in the urban core, and an international pharmaceutical company conducted much of its research in facilities adjacent to downtown.

Today, the landscape has changed, and those businesses have been replaced by other types of economic activities. Since 1990, Bronson Methodist Hospital has built a new hospital and expanded into some of the existing buildings left when Pfizer moved research out of Kalamazoo. Western Michigan University's new Homer Stryker M.D. School of Medicine refurbished one of Pfizer's main laboratory buildings for its new facility. The large local banks were acquired by out-of-state banks, which have moved most of their administrative and operational functions out of the area. The two department stores have closed and were converted into residential lofts, commercial office space, and a community center for local arts organizations. The major hotel and conference center was completely renovated, and historical buildings have been renovated and repurposed. Several more projects are underway or on the books: a new 15-story multiuse building is going up across the street from the hotel/conference center, and a new hotel has been announced to go in a few doors from the center.

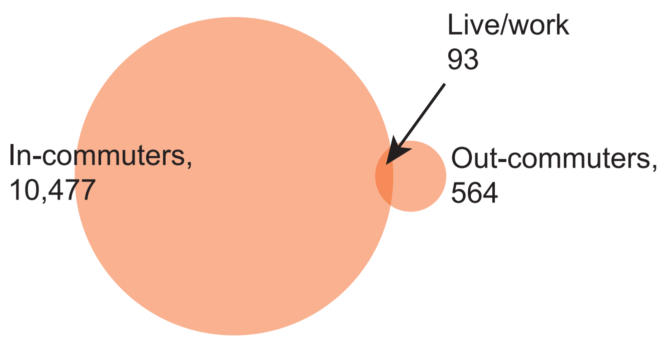
Commuting Flows

These dramatic changes have transformed the economic and demographic landscape of downtown. Figure 2 shows the commuting flows in and out of downtown in 2014 (the most recent year for which data are available). That year, 10,647 workers commuted into downtown from outside the area, while only 564 downtown residents left the area each day to work elsewhere. Although not shown here, the commuting flows for 2002 (the earliest data available) have similar percentages of workers working in the downtown.

What is striking, however, is the difference in the demographics between 2002 and 2014. The number of employed residents increased from 693 to 818 over the period from 2002 to 2015. Only 19.8 percent of employed downtown residents were earning more than $3,333 per month in 2002, compared to 42.3 percent in 2015. The percentage of employed age 29 and under increased from 39.0 percent to 42.3 percent in the same period. Older workers increased as well, from 8.1 percent to 13.2 percent. In essence, the downtown is following the expected national trend of the urban core attracting the millennials and boomers.

These changes have brought about optimism for the future of downtown, which is reflected in part by the recent investments that have been put in place, and in part by the projects underway or about to be started. Many Strategy Team and Advisory Council members pointed to recent developments in downtown, like the openings of the medical school and the Healthy Living District, both of which resulted from strong partnerships among downtown anchor organizations. They viewed these as strong signs of major commitments to downtown development. While these developments are not conventional downtown businesses, both groups remarked that these two partnerships can be a catalyst for future ventures, including more business activity downtown.

Figure 2: Commuting Flows In and Out of Downtown, 2014



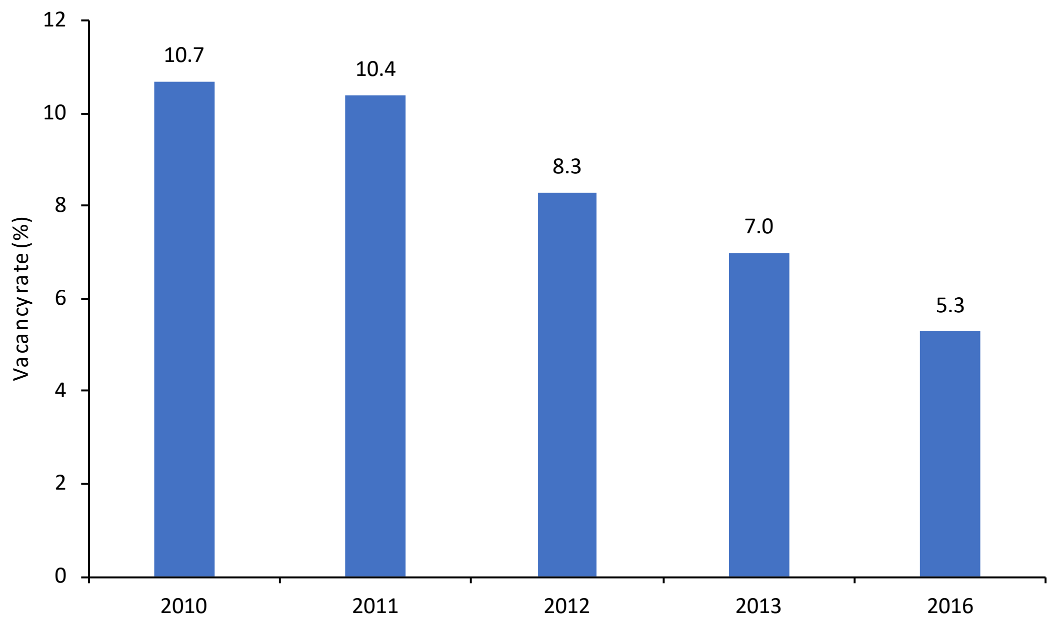
Yet their optimism was cloaked in the realism that even though the downtown is being transformed into an increasingly desirable place for specific types of businesses to locate in, it is naive to think that all businesses will move or stay in the downtown area without additional assistance. Smart economic development practice demonstrates that one must be constantly vigilant in listening to the needs and concerns of existing businesses and in creating opportunities for businesses to move to the downtown.

Over the past 25 years, the turnover in businesses has been quite significant. Evidence shows that only 36.6 percent of the businesses that started in 1990 remain in business today, and, conversely, only 45.9 percent of the businesses in the downtown today were there 10 years ago. While turnover is not unexpected, particularly for a downtown in transition, the turnover for Kalamazoo is higher than for other comparable communities.

The vacancy rates for various types of property in the urban core are relatively low. Unfortunately, the lower rates in recent years were accompanied by a reduction in available square footage of space. For example, data provided by Downtown Kalamazoo Inc. (DKI) show that total available retail space (i.e., both occupied and unoccupied) fell by about 70,000 square feet (or by 7.3 percent) between 2010 and 2016, as the vacancy rate dropped from 10.7 percent to 5.3 percent (Figure 3). These two numbers, taken together, suggest a strong demand for retail space.

However, downtown office space presents a different story. Although about 111,000 square feet of office space (or about 6 percent of existing space) was taken off the market between 2013 and 2016, the vacancy rate remained stubbornly high at around 13.4 percent, even though it did come down from 19.2 percent in 2013. The challenge for downtown is to be able to absorb the additional 340,000 square feet of mixed-use space that the $53 million Exchange Building will add to the downtown inventory without allowing vacancy rates to rise.

Figure 3: Retail Vacant Space, 2010–2016



SOURCE: http://www.downtownkalamazoo.org/Do-Business/Economic-Indicators-Vacancy/Occupancy-Report.aspx

BUSINESS RETENTION AND RECRUITMENT

The Advisory Council and Strategy Team identified the retention and attraction of businesses to downtown as one of their six high-priority objectives for the area. At their March 2, 2017 meeting, members of the Strategy Team and Advisory Council reviewed presentations on the current state of downtown, comparisons with the urban cores in comparable regions, and examples of how organizations responsible for downtown development in other communities address those issues. After careful deliberation, the groups developed the following recommendations regarding services that can benefit downtown businesses and ways to attract appropriate businesses to downtown locations.

Business Retention

The groups identified a list of services that they believe would serve the needs of downtown businesses, particularly smaller retailers and other businesses that may not have the resources to provide those essential services for themselves, but that still serve a critical role in providing the activities that contribute to a viable and attractive downtown.

1. Creating a Position for a Business Navigator and Advocate

   Locating and operating a business at any location requires navigating through a maze of regulations and financial hurdles. The groups proposed that businesses be provided with a person who does not simply direct them but, rather, walks them through the requirements of establishing a business in downtown and serves as their advocate when they face challenges that may arise during the course of doing business in the area. The groups expected the person in that role as navigator to be an experienced economic development professional who is familiar with the important players—city hall, the county, state agencies, financial service providers, and others—in the downtown area. Furthermore, that person should be dedicated to only those businesses and organizations in the downtown.

2. Event Coordinator

   One of the attractions of downtown (and one of the benefits to businesses) consists of the events that take place in the downtown area, such as at the festival center, in the park, and along the streets. Businesses need to be aware of these events and plan for them to optimize the benefit of additional people (and thus volume) in the downtown area. The groups recommended the creation of a position that coordinates the marketing and managing of events and alerts businesses well in advance to prepare for such activities. The groups also mentioned that it would be beneficial for the event coordinator to do more than simply send out a schedule of events. Rather, they saw merit in the coordinator working with targeted businesses to alert them to the possibilities of how to capitalize on specific events.

3. Market Research and Analysis

   Successful businesses are keenly aware of market conditions, industry trends, and nearby competition, but many smaller businesses do not have the resources and capabilities to stay on top of these critical issues. The groups suggested that providing such information to downtown businesses would be helpful to them and to the vitality of the area. The groups focused on three areas:

   a. The first area provides insights into the current state of the local economy and industry trends of key business sectors in downtown, such as retail, restaurants/entertainment, and residential. Along with current conditions, representatives of downtown businesses also thought that insights into future trends would be quite useful. They thought that information needs related to these issues could be met by engaging regional experts (including those from academia) and occasionally by bringing in national experts as speakers to provide seminars to downtown business owners. Additionally, information collected from articles, posts, blogs, presentations, and other sources that apply to targeted downtown industries could be regularly shared with downtown businesses.

   b. The second area is the collection of data from downtown businesses and their customers. Through surveys, online data collection, and structured discussions and focus groups, businesses could benefit from gaining a more precise picture of the current and future trends that affect their businesses and from gaining a collective understanding of the progress of downtown development. By collecting data on a regular basis, the community would also benefit from a periodic update of the activities and achievements of downtown businesses.

   c. The third area is a regular survey of downtown residents that assesses their needs and expresses their level of satisfaction with the services and activities offered in the urban core. As the number of downtown residents increases and their composition changes, the groups thought it beneficial to understand the ongoing needs, concerns, and ideas of those living in the downtown area. This information can inform future decisions that could make the downtown an even more desirable place to live and do business.

4. Online Inventory of Downtown Property

   Information about downtown property is essential for retaining and attracting businesses. Obviously, commercial real estate companies keep such information, which can be sorted by location. However, the groups emphasized that successful downtowns understand that proximity and common space are critical for success. Therefore, they recommended that information about downtown property should contain more than just square footage, price, and location of the space on the market. In addition, it should provide comprehensive information about all space in downtown—who occupies it, what does the organization do, how long has it been there, what businesses are near that property, and so forth. This information should be available in a searchable database and be displayed in a variety of map-based formats.

5. Infrastructure Management and Maintenance

   In addition to inventorying private property, the groups also recommended that a careful inventory of the location and condition of public infrastructure be developed. The groups recognized this need as an opportunity to plant the seeds for turning Kalamazoo into a “smart” city when it comes to collecting, compiling, and disseminating information about local infrastructure. They were inspired by the experience of other communities that make available smartphone applications for residents to report infrastructure conditions, such as dangerous potholes, uneven sidewalks, and even icy road or pedestrian conditions. Such apps could also be extended to help monitor traffic flow throughout downtown as well as provide another set of “eyes” for downtown safety. This information would be shared with both of the local downtown organizations as well as with the city and other entities responsible for downtown infrastructure and safety.

   By endorsing the positive role of anchor organizations on the downtown, the groups recognized that government entities who are responsible for infrastructure improvements must be more accommodating to the needs of those organizations and should be less reluctant to target improvements to meet the needs of the anchor organizations. Those organizations make a significant contribution to the employment base of downtown and the appeal of downtown to nearby businesses and organizations, which for the most part continue to have their own large investment plans that need to be coordinated with their infrastructure needs. Examples include enhancing street landscaping, road and sidewalk improvements, and creative ways to calm the traffic in their location to improve pedestrian and motorist safety and to ensure a more pleasant experience of having a welcoming space in downtown.

6. Facade Improvement Efforts

   As in any neighborhood, the appearance of each property affects the value of its neighbor’s property, and ultimately the attraction and value of the entire neighborhood. The groups recommended that an emphasis be placed on working with local owners to maintain and improve their facades when needed. In addition, the groups were adamant about ensuring that empty storefronts are well maintained, and that their appearance minimize the sense of abandonment and empty space in the downtown. As examples of how to maintain these facades with few signs of abandonment, some communities used this space for window art or even gave the visual sense of blending in with neighboring facades. Others even forbade the display of "For Sale" signs and the like for fear that it may create a "lemming effect" if too many such signs were to appear in any part of downtown.

The groups acknowledged that facade improvement grants have been sought and received before but recognized that this effort had lapsed in recent years. They encouraged a renewed effort in making such funding available to targeted businesses in the area.

7. Marketing Campaigns

The groups agreed that the downtown needed some type of branding. It pointed to several successful downtowns that had some specific identity, either implicitly through common architecture and signage, and more explicitly through the label or brand used when referring to the downtown. Since ideally the downtown reflects the identity of the region, the groups insisted that a brand had to be more far-reaching and comprehensive than simply a catchy slogan like "The place to shop." Rather, it should reflect the vision for the downtown and the region.

The groups also recommended the use of volunteers and regular employees to serve as street guides and ambassadors in the downtown. In fact, the general agreement among the members was that everyone with a stake in the well-being of downtown should be ambassadors. Even the punitive role of parking staff who walk the streets giving out tickets could be converted to one of an ambassador who directs customers to the nearest parking lot or structure, and who may even be given the ability to extend an expired meter for another 15 minutes—a gesture that most likely would be a reason for that person to return to downtown as a customer.

In addition to ambassadors, the groups also thought that wayfinding maps and information could be improved, particularly by extending them outside the current boundaries of DKI.

Business Attraction

As Jane Jacobs, the famous urbanist, once said, "There is no logic that can be superimposed on the city; people make it, and it is to them, not buildings, that we must fit our plans" (Jacobs 1961). Cities and their downtowns thrive when a diversity of strangers come together in creative and innovative ways. Therefore, when considering ways to attract new businesses to a downtown, one must begin the process with the understanding that there is no precise formula for success. Each new business must have its own reason why proximity to other businesses will be financially beneficial to that business. These fundamental tenets of successful cities and downtowns were reinforced by several examples of successful downtowns summarized and presented to the groups by the Upjohn Institute staff.

The groups agreed with the Upjohn staff that efforts to attract businesses to Kalamazoo's downtown should focus on how the downtown can be attractive to certain businesses and then ensure that this information is readily accessible and actively marketed. The groups saw this effort as taking place in three distinct steps:

1. The first step in boosting downtown attraction is to understand what makes the urban core attractive to each individual business (and resident). Is it the availability of low-rent buildings near the train tracks or the abundance of open space in a warehouse district? Is it the proximity to restaurants and entertainment? Can I walk to work, instead of driving, by living downtown? Can I crossbreed my ideas with those of strangers to launch exciting conversations at nearby coffee shops, or even launch a new business venture? Whatever the reason, it is people and their ideas that are the fundamental drivers of downtown.

2. The second step is to articulate to prospective businesses the advantages (both financially and otherwise) for them to locate in the downtown area. Since the proximity of people and businesses is an important driver of downtown growth, it is essential that information about downtown, as delineated for business retention, is made readily available. The recommendations made by the groups for business retention are therefore equally important for business attraction. These include making an inventory of what businesses are located downtown and where, providing knowledge of the demographic composition of residents and employees, and publicizing the availability of space at all levels of type and grade.

3. The third step is to make available advocates and navigators to help businesses (and residents) negotiate the maze of requirements and opportunities they face with starting operations in downtown. These advocates and navigators can also prove helpful in making the connections to other businesses that may spark further entrepreneurial activity downtown. The groups offered the suggestion that Kalamazoo's illustrious history of developing new products and launching new businesses was due in part to the connections made between people in the area and with people outside the area. They sensed that opportunities to bring people together have diminished in recent years and need to be reinvigorated.

Implementation of the Recommendations

This chapter lays out the recommendations of the Advisory Council and Strategy Team with respect to business retention and attraction, while the final chapter of the study expands on how they will be implemented and the characteristics an organization needs for successful implementation. The recommendations in this chapter focus on understanding the factors that make the downtown attractive to businesses, acting to enhance the attractiveness of downtown locations, collecting and disseminating information about the downtown, articulating the benefits of locating in downtown, and providing resources to downtown businesses to help them focus on their businesses and engage in the benefits of locating downtown while leaving other matters of locating downtown to professionals. The recommendations recognize the progress that has been made in downtown, yet foresee the need to remain vigilant in supporting and facilitating the regeneration of the downtown through retaining existing businesses and attracting new ones.

Choice of Metrics of Success

One topic that was not discussed much by the Strategy Team or Advisory Council was metrics of success. More specifically, how does the community assess the question of the success of its downtown? Is it measured by the number of jobs in downtown, the number of residents, the number of new businesses, the turnover rate of businesses, the amount of foot traffic, or the average wage of downtown employees? Metrics of success are typically related to an articulated vision or set of goals for an area. It is possible that each of the five major objectives presented in this report could have its own metrics. We do not recommend specific metrics at this time, and we leave it to the organization that is responsible for downtown development to develop them as part of the organization's strategic plan. We do emphasize that metrics should be developed, they should be comprehensive, and they should reflect the overarching goals of a vibrant downtown.

CONCLUSION

Analyses of businesses located in downtown Kalamazoo and their workers showed dramatic changes in the composition of businesses in the downtown area during the past quarter century. Although the number of people working downtown has remained nearly constant for most of that time, the transformation nonetheless demonstrated the need to remain vigilant in retaining and attracting businesses. The groups' recommendations reflect the underlying tenet that businesses locate in downtown because it is financially viable to do so, and not for some charitable purpose for which they expect some type of subsidy in return. Granted, some businesses, important to the success of downtown, may need financial incentives to locate in downtown, but for the most part businesses are there because they find it financially advantageous to locate in proximity to others, to be centrally located in their market, and to take advantage of the high volume resulting from the density of the area.

Moreover, the groups also recognized that the publicness of downtown space, in the sense of shared infrastructure, parks, and event centers, leads to the necessity of finding ways to finance and coordinate the public projects that are important to the retention and success of businesses in the area. Therefore, the recommendations focus on understanding ways in which a downtown location can be financially advantageous to businesses, ensuring that the benefits of locating downtown are enhanced, engaging in a marketing campaign that underscores the benefits of locating in downtown, and aiding businesses in navigating the myriad issues that they face by locating downtown, such as zoning restrictions, various types of permits, and so forth, but that they lack the resources and capabilities to handle themselves. Having a downtown development agency provide such services for them gives businesses time to focus on their own success and to benefit from the connectivity offered through their downtown location.

Priority Objective: Infill to Meet Residential Demand

RECOMMENDATIONS

With fewer than 100 people both working and living in downtown compared with the 10,500 workers commuting each day, the Advisory Council and Strategy Team saw significant potential to increase the number of people living downtown. However, this opportunity is not without its challenges. The groups saw one challenge as being the affordability of housing for downtown workers and another challenge in the type of housing available. Most of the housing units that have been added to the downtown inventory are one- and two-bedroom lofts, many of which are too expensive for many of the people who live and work in the area. A recent report by an outside housing consultant came to the same conclusion. The Zimmerman/Volk Associates (2014) target-market analysis forecast the need for another 1,400 units in downtown through 2019, but an even greater need for diversity in the type of residential units put in place. Many members of the two groups found that the lack of available residential units was impeding progress in the downtown and in the plans for their own organizations as they seek to encourage more employees to live near their work. In forming recommendations around housing, the groups focused on ways to bring more diverse and affordable housing to downtown. They recommended these seven approaches:

1. Relax zoning regulations that impede the construction of various types of residential units in downtown. More relaxed regulations could encourage density, decrease the parking requirements of new units, and reduce the allowable setback from streets.
2. Ease the approval process through fee waivers, streamlining the review process, improving interdepartmental oversight and single point of contact within city government, allowing reuse of housing development plans for subsequent projects, and coordinating housing development with economic development.
3. Help developers access nontraditional forms of financing.
4. Partner with nonprofits to provide low-income housing.
5. Help developers assemble the land needed to build multi-unit, diverse types of housing units.
6. Develop a comprehensive downtown housing plan.
7. Create a single point of contact, or “navigator,” to assist potential investors through the process.

PROFILE OF DOWNTOWN RESIDENTS

About 2,100 people live in downtown, which is more than double the number that lived there in 1990. Over the past 27 years, the downtown has attracted millennials and empty nesters. These two age groups have gained the largest share of downtown residents, with their percentages nearly doubling from 1990 to the present. The share of individuals between ages 25 and 34 has increased from 16.5 percent in 1990 to 29 percent today, and the share of residents between ages 55 and 64 has swelled from 7.6 percent to 14.4 percent during that same period. The two age groups with the largest decline in share are youth and retirees. The share of residents under the age of 18 fell from 13.4 percent in 1990 to 5.8 percent today, and the share of those 65 and older slipped from 19.2 percent to 7.5 percent.

Downtown residents are also more educated than before. Today, 36.1 percent hold a bachelor's degree or higher, compared with 17.7 percent in 1990. Race and ethnicity of downtown residents has remained nearly the same, except for an increase of other racial and ethnic groups (besides Black or African American and Hispanic or Latino).

Household income more than doubled between 1990 and 2000, although the change by the U.S. Census Bureau in the definition of census tracts in the downtown makes comparisons more difficult in that time frame. Yet between 2000 and 2015, household income fell slightly in nominal terms, from $23,621 to $21,058. Some of this change may be accounted for by the location of more single-person households in downtown, particularly among the younger age groups who are just starting their careers and perhaps have not added a second earner, through marriage, to their household. The increase in the younger millennial age group was nearly double the increase in the baby-boomer age group (an increase of 485 persons for the 25–34 age group and 246 persons for the 55–64 age group), which, along with an additional 286 persons in the 18–24 age group, could contribute to the lower household income reported by the census for residents in downtown. Poverty also increased during that time, with nearly half the residents in downtown at or below the poverty level of $11,770 for a single person and $15,930 for a two-person household. This group, which is technically below the poverty line, may include college students who are subsidized by their families or live in large rental units with multiple occupants.

Residential Housing Units

The number of occupied residential units more than doubled from 1990 to 2015, with rental units accounting for most of the increase. Virtually the entire increase in residential units during this time was in rental property. Currently, 6.6 percent of the residential units in downtown are owner-occupied, compared with 12.3 percent in 1990. Even as late as 2000, the share of owner-occupied units was 11.3 percent; most of the construction of new rental units has taken place since 2000, as several owner-occupied units have been converted to rentals.

The location and density of rental units is shown in Map 1. The black border outlines the downtown as defined by Census Tract 2.01, the definition used throughout the study unless indicated otherwise. Note that the largest concentrations of rental units are in the southwest corner of this district, along Lovell and South streets, and are typically rentals for students of Western Michigan University and Kalamazoo College. These units tend to be targeted at the student market and are in large older homes that have been converted to multiunit dwellings. The other areas where rental units are concentrated are along Burdick Street/Kalamazoo Mall and Michigan Avenue. These units are typically trendier upscale apartments and are more expensive than the other units in downtown.

The housing stock in downtown Kalamazoo suffers from a lack of diversity in the type of residential units available. Most of the housing available in and around downtown consists of high- and mid-rise multifamily buildings and older, detached, single-family houses. Additionally, few units are available for purchase as single-family dwellings, since only 6.6 percent are currently listed as single-family residences.

The two groups pointed to the need for a variety of types of residential units, as illustrated in Figure 4. Group members noted the lack of housing identified as the "missing middle" in the image.

Map 1: Housing Concentrations in Downtown Kalamazoo

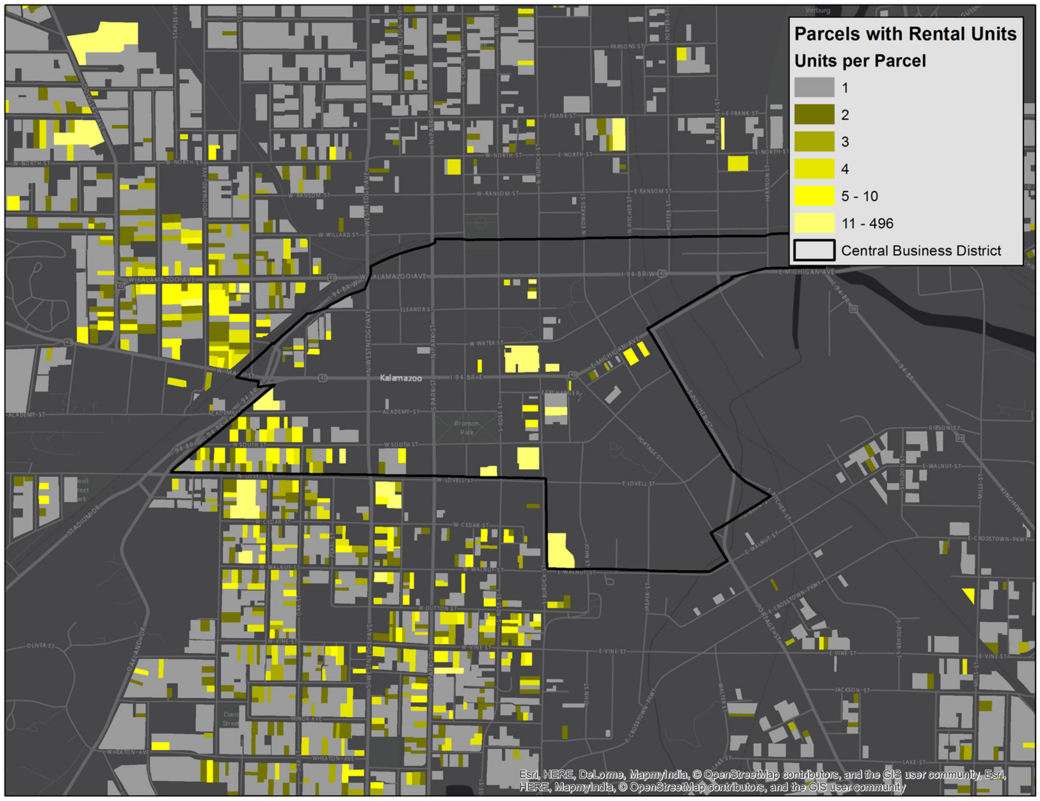


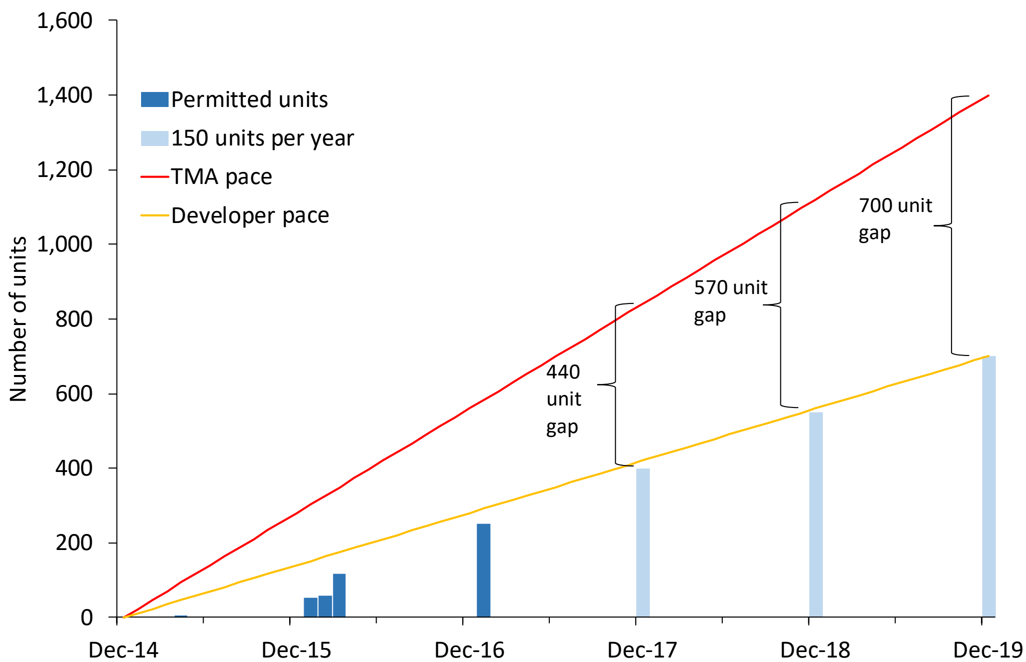
Figure 4: Alternative Types of Residential Units

SOURCE: Opticos Design Inc.

THE NEED FOR DOWNTOWN HOUSING INFILL

The target market analysis (TMA) projected the need for 1,400 additional residential units through 2019 in the downtown and adjacent neighborhoods. According to the Upjohn Institute's analysis of city housing permits, the construction of new residential units is not on track to meet projected demand. Figure 5 shows the increasing gap between the projected number of units needed (shown as the red line) and the actual number of permits issued (shown as the yellow line). To date, nearly 300 new units have been introduced to the market—shown in the graph as dark blue bars. This count includes the Exchange Place project, which has recently broken ground and plans to reserve 7 of its 15 floors for apartments, as well as Walbridge Commons, which is located just outside the TMA boundary.

Figure 5: Residential Permit Pace as Compared to TMA-Projected Housing Need



Discussions with the city suggest that over the next three years, 150 units a year will be issued permits. This pace is based on known projects that are at various stages of development but not yet permitted. These projected completed units are shown in Figure 5 as light blue bars, totaling around 550 by the end of 2018 and 700 by the end of 2019. Even if these additional units are added to downtown, the total number of residential units in place (including both actual through 2016 and projected through 2019) will fall short of the TMA projections by 700 of the projected need of 1,400 units. Despite this number falling short of the projection, 700 units is more than have been added to downtown since 1990. Yet the low vacancy rate, 0.6 percent, suggests the need for additional downtown rental units.

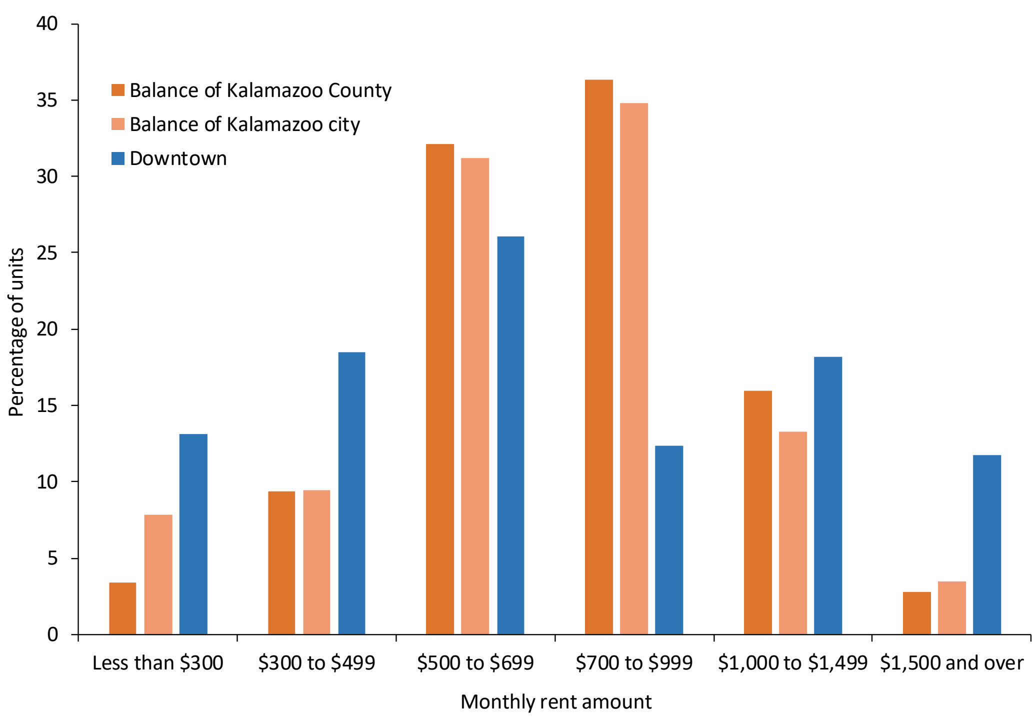
Furthermore, the fact that slightly less than 1 percent (0.9 percent) of people who work in the downtown also live there suggests that more residential infill is possible. This percentage of downtown workers who live downtown is the lowest of three comparison cities (Grand Rapids, Ann Arbor, and Chicago). The percentage in Grand Rapids is 1.1 percent (slightly more than Kalamazoo), but the percentage in Ann Arbor is 2.8 percent, and in Chicago it is 4.7 percent. Bringing the share of people living and working in downtown Kalamazoo up to that of Ann Arbor would add another 300 people as residents to downtown, and assuming a conservative work-participation rate of 0.5, that would suggest 600 more people living in downtown. That would come close to the TMA's forecast of another 700 residential units in downtown. Of course, the share of commuters who decide to live downtown depends upon the convenience of commuting, the desire to be close to downtown amenities, the attractiveness of the downtown itself, and the proximity of units that match residents' desires to their place of employment. Commuters into downtown have an average estimated household income of $55,044, meaning that they could afford $1,376 or less per month in rent. Surveys of commuters would help to formulate strategies to entice them to live downtown.

Affordability

Rental prices of residential units in downtown are typically higher than in other parts of the county, as shown in Figure 6. Downtown has a higher proportion of units that rent for over $1,500 a month than any other place in the county. However, the downtown also has the highest proportion of units priced below $500 a month. Where the downtown falls far short of the rest of the city and county is for units in the midprice range between $700 and $999.

Pairing rental prices with household income shows an imbalance in affordability of downtown rentals, particularly among the low-income households. Using the assumption that households can afford to spend 30 percent of their income on housing, Figure 7 matches the distribution of household income in downtown with the distribution of rental unit

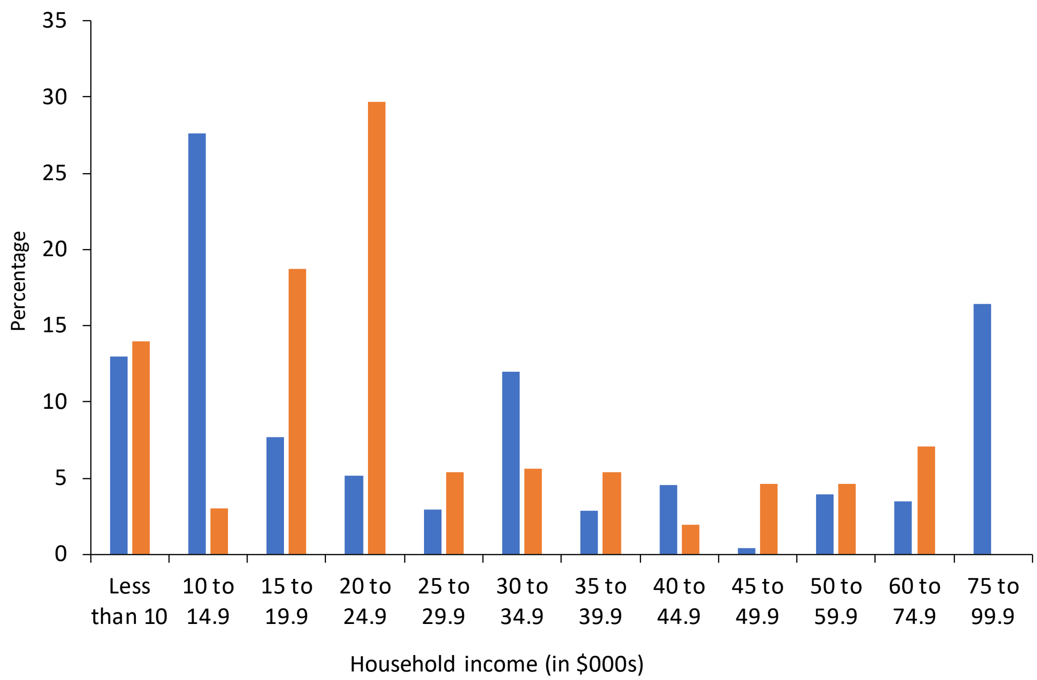
Figure 6: Distribution of Monthly Rent Payments by Percentage of Units



prices. According to the census data represented by the graph, the highest 16 percent of the households in downtown, which earn $75,000 a year or more, can afford any rental unit in the downtown. On the other hand, the lowest 13 percent of households, which earn less than $10,000, can afford at most only 14 percent of the downtown rentals.

As shown in Figure 7, the $10,000 to $15,000 income group has the lowest percentage of available rental units relative to demand by that group. For that income group, which accounts for 28 percent of downtown residents, only 3 percent of rental prices are at or around 30 percent of their income. Since it would stretch their budget to move up to rentals that can be afforded by the next-higher-income bracket, they must instead compete for rentals that the lowest income group can afford, which may prove substandard to their preferences.

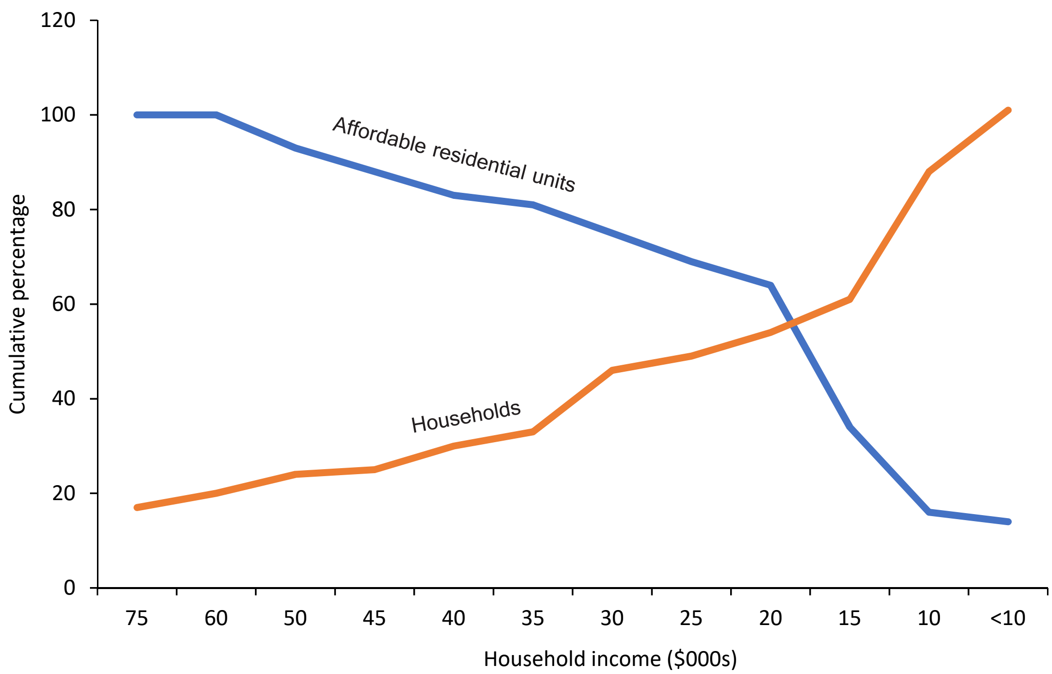
Figure 7: Household Income and Apartment Availability for Various Income Ranges



NOTE: Blue bars represent the percentage of households in downtown that fall into that particular income category. Orange bars represent the percentage of apartments on the market whose monthly rent corresponds to 30 percent of gross monthly income for a household in that income range.

The disparity in available housing is shown more directly in Figure 8. Twenty percent of the households in the two highest income brackets can afford the rent of 100 percent of residential units in downtown, using our assumption regarding housing affordability. Moving down the income categories from left to right on the graph, note that 24 percent of the households earning $60,000 or more can afford 93 percent of residential units. At the $20,000 income range, 54 percent of the households can afford 64 percent of the residential units. Finally, for the lowest income bracket, 100 percent of the households can afford 14 percent of the housing stock. Since the highest percentage of residential units are affordable

Figure 8: Percentage of Households Able to Afford Percentage of Residential Units



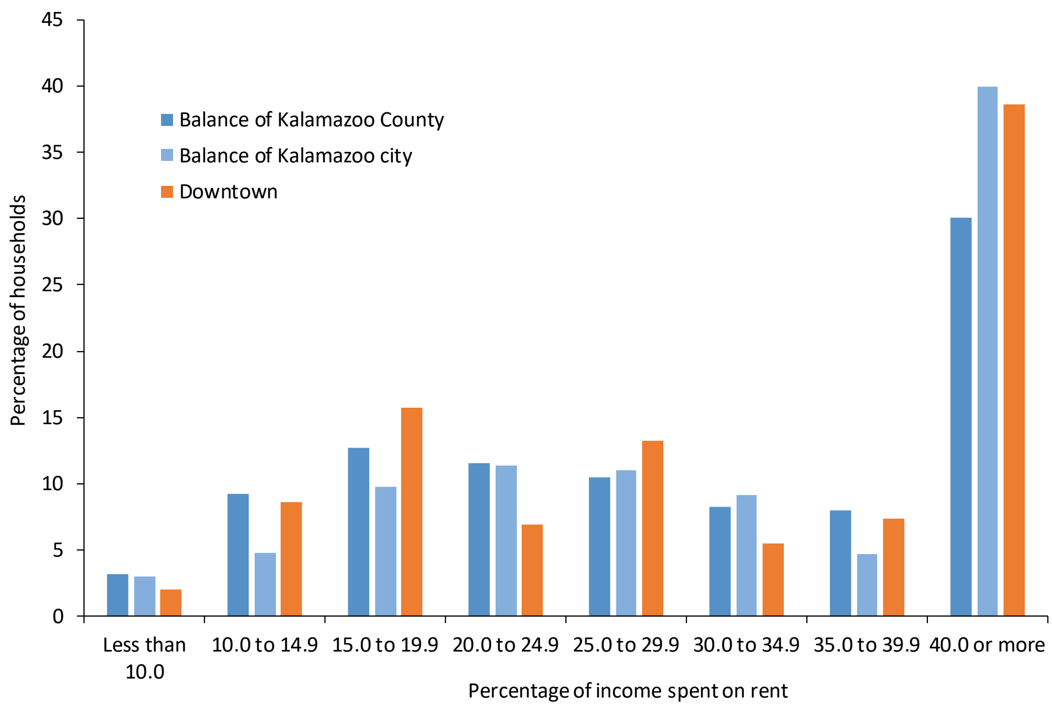
by those in the $15,000 to $25,000 income bracket, anyone with income below $15,000 is at a disadvantage in finding suitable housing.

Figure 9 shows the distribution of households in downtown according to the share of income spent on rent. Based on census data, 38 percent of households spend 40 percent or more of their income on rent, which, per our assumption of affordable housing, means that nearly four in ten households in downtown would overextend their budgets by living in downtown. On the other hand, around 55 percent of households spend 34.9 percent of their income or less on housing.

Therefore, it appears that the shortage of units, relative to the estimated demand, is in the $300 to $500 per month range, which accounts for around 18 percent of residential units (Figure 6). Since developers have difficulty covering their costs of constructing residential units in this price range, developers may need financial subsidies to add to the residential stock at that end of the price range. Without such subsidies, considering the cost of new construction, most developers will focus on building units toward the higher end of the price spectrum.

The building pace in downtown for market-rate units appears to be meeting the market demand suggested by the 2014 TMA. However, affordable rate units are not being constructed at a pace that would meet the demand for lower-price-point rentals. Between the need for new affordable units and the existing residents in downtown paying 40 percent of their income or more to rent, affordable housing development should be encouraged.

Figure 9: Rent as a Percentage of Income



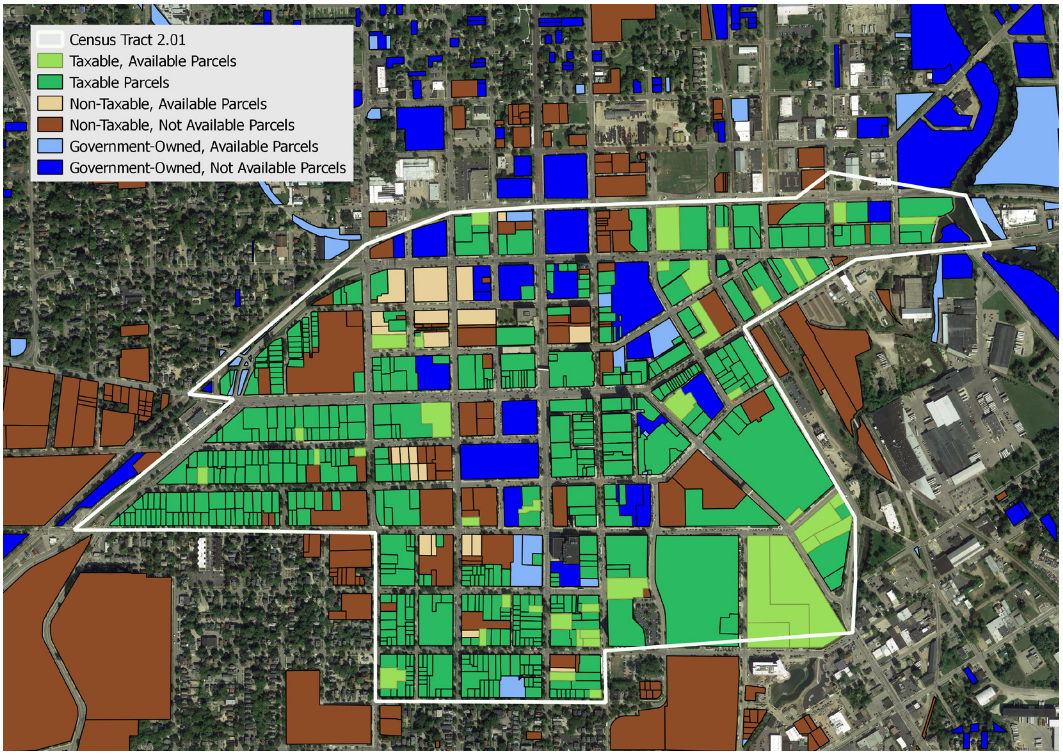
Developable Land

Downtown Kalamazoo occupies only 0.56 square miles, or about 360 acres. Thirteen percent of that area (42 acres) is available for development (vacant or a surface-level parking lot). The available land is predominantly held by for-profit entities (64.2 percent) and located in the southern and eastern portions of downtown (outside the Arcadia Commons West site). More than one-fifth (21.3 percent) of the available land in downtown is held by nonprofit entities, and one-seventh (14.5 percent) is held by various governments. Table 1 outlines the number of acres available and unavailable by ownership type. Map 2 displays where areas available for development are located.

Table 1: Number of Acres Available/Unavailable by Type of Ownership

	Acreage	
	Available	Unavailable
Government-owned parcels	6.09	24.09
Nongovernment nontaxable parcels	8.97	36.69
Taxable parcels	27.03	183.52
Total	42.09	244.30

Map 2: Land Available for Development in Downtown



NEXT STEPS

Based on the analysis of residential property, the groups made the following seven recommendations to encourage more residential infill in downtown:

1. Relax zoning restrictions.

   Relaxing zoning restrictions was discussed in the 2009 downtown master plan, including encouraging row houses and more mixed-use developments to increase density. Currently, city zoning restrictions encourage lower-density, single-family homes rather than mixed-use or other types of middensity housing. Recently the city rezoned 45 parcels on the northeast side of downtown to entice commercial and residential development. The area requires new construction to be at least 20 feet tall, and it requires the structure to be close to the front of the property. City of Kalamazoo staff is taking steps to relax some of the zoning restrictions, but these decisions ultimately reside with the City Commission. Nonetheless, this topic remains an important tool for encouraging housing infill.

   However, the area in and around downtown remains a challenge for developers who might seek to build new residential units. Even if the city were to assure developers that it would support zoning variances on a case-by-case basis, the additional time required to file zoning appeals and wait for an answer is a confounding factor, hindering development. Streamlining the process, even if overall zoning cannot be changed in the short term, would help embolden developers.

2. Allow for fee waivers.

   Waiving fees, while technically a financial incentive offered to developers, is considered a nonmonetary concession, as it does not hinder the city's ability to collect property taxes over the long term on development. Thus, fee waivers could be considered a way to lower the up-front costs of development while still maintaining the city's tax base.

3. Develop nontraditional financing.

   Another pathway to achieving additional affordable housing comes through nontraditional financing options. Currently, the new units being built are aimed at the higher end of the market. Other financing options, such as community ownership, crowdfunding, and equity funds, may have to be utilized to make up for the lower rate of return on investment for lower-rent units. The section on Large-Scale, Transformative, Mixed-Use Development offers more detail on nontraditional financing options.

4. Partner with nonprofits to provide low-income housing.

   Another recommendation is for the city to encourage—or if necessary mandate—a certain number of low-income units as a condition for granting variances and permitting new market-rate developments. The market conditions may make constructing and owning these units unaffordable, so the city, DTI, or other partners could bear some of the cost of construction and ownership. These units would be owned by the city or a nonprofit entity in partnership with a developer. This ownership structure would allow developers to qualify for low-income housing tax credits, thus lowering the cost of development. By renting these units below market rates, but not fully subsidized, the effect on the city budget would be mitigated, as compared to a rental subsidy. Also, by making the units a part of a larger, for-profit development, the tax base would not be negatively impacted.

5. Bundle available land to make it more attractive to developers.

   To develop more townhouses and other types of housing described earlier as the "missing middle," Advisory Council and Strategy Team members noted that developers are looking for bundles of parcels upon which to develop. In the downtown area, where small parcels are the norm, the groups recommended that the city work with developers to help bundle land suitable for this type of development.

6. Develop a comprehensive downtown housing plan.

   Downtown partners should create a comprehensive housing plan that aims to build the number and type of housing units identified in the 2017 Gibbs Planning Group retail market analysis, while enumerating strategies that specifically intend to maintain and add affordable housing units. The plan should also develop strategies that would meet the housing needs identified by the anchor institutions in and around downtown. The plan should seek input from current downtown residents to discover what is needed to keep them as residents, and from current downtown employees to discover what is needed to attract them to live downtown. While the city is working with Local Initiatives Support Corporation (LISC) to develop a plan for the entire city, a more targeted plan that addresses the needs and growth of the urban core is warranted.

7. Create a single point of contact or "navigator."

   This navigator would assist potential investors through the process. Although there are many experienced investors in the region, other investors may be either inexperienced or unfamiliar with the Kalamazoo region, but nonetheless interested in downtown residential activities. A navigator could prove crucial in helping such persons.

CONCLUSION

The housing market is growing in downtown Kalamazoo, but at a rate slower than the pace suggested by the 2014 target market analysis. While the city has little to offer in terms of financial incentives, nonmonetary incentives could be utilized to encourage development. Additionally, there is a need for increased availability of affordable housing. Finally, a clear vision for downtown can help to coordinate development and communicate to residents, workers, developers, and civic leaders what to expect from future downtown housing.

Priority Objective: Large-Scale, Transformative, Mixed-Use Development

RECOMMENDATIONS

Large-scale development was identified by the Advisory Council and Strategy Team members as a priority for downtown Kalamazoo because of its potential to transform the physical and economic landscape through relatively few projects. Research into, and discussions on, large-scale development revealed a need to reframe the topic. The groups originally had made large-scale development a priority because large projects typically transform a downtown. However, the groups recognized that these are not the only forms of development that can transform a downtown. Some large-scale developments do not induce additional investment, whereas a series of smaller developments may bring about a transformation to a downtown. Thus, the research, as well as subsequent discussions with the groups, was reframed to encompass all forms of transformative development. Upon reflection and discussion of the research into transformative development, the groups recommended these five steps:

1. Align partners around a comprehensive and coordinated project selection plan to guide and appropriately incentivize development in and around downtown.
2. Coordinate with other efforts in both business retention and recruitment as well as housing infill actions to attract, coordinate, and promote transformative development in downtown Kalamazoo.
    a. Create a primary point of contact and main source of information as a navigator for assisting development in Kalamazoo.
    b. Provide technical assistance to smaller developers and cultivate developers from within the region.
3. Create new, and assemble existing, resources to encourage transformative projects.
4. Cultivate smaller projects in concentrated areas of downtown Kalamazoo.
5. Prepare key sites for redevelopment.

PROFILE OF DOWNTOWN FOR TRANSFORMATIVE DEVELOPMENT

Many small Midwestern downtowns have struggled to reshape their physical and economic outlook after many years of industries leaving and businesses disinvesting (Wachter and Zeuli 2013). Kalamazoo has largely fallen victim to the same market forces. Although downtown Kalamazoo has benefited from strong philanthropic investment and high concentrations of employment, it still has seen a large share of new commercial and industrial investment in the county go to nearby cities, villages, and townships. Fortunately, the residential market in downtown Kalamazoo is strong, with vacancy rates approaching zero and many units newly available or under construction. However, investments in the residential market have not spurred similar investments in commercial or retail spaces, as the square footage of office and retail space has recently declined (DKI 2016). The investments in and around downtown over the past 30 years have largely taken advantage of easy-to-develop sites (i.e., redevelopment of existing buildings near downtown's core) or were initiated by nonprofit entities.

Transformative development changes the composition and landscape of downtown. It also provides the opportunity to increase the tax base through increased investment, expand residential and employment opportunities, increase social activity, and improve the physical landscape of the downtown. Recently, downtown has realized some projects that have positively transformed the nearby area (see Map 3). For example, the areas around Bell's Eccentric Cafe and Bronson Methodist Hospital have seen substantial growth in taxable value between 2007 and 2014 (Bell's Eccentric Cafe began serving customers in 1993, and Bronson invested in substantial building renovations in the late 1990s and early 2000s). Intervention and general coordination among local partners can bolster transformative development; in fact, Hodge et al. (2016) state that coordination is needed to spur transformative development in "gateway cities" (smaller core cities).

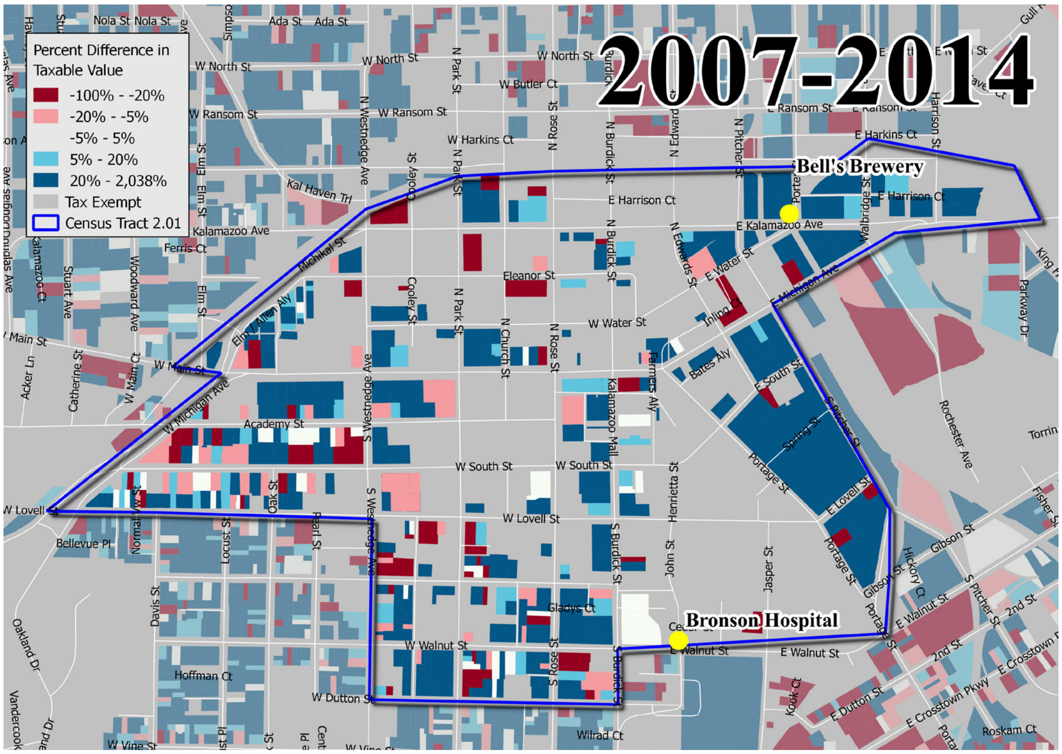
THE NEED FOR TRANSFORMATIVE DEVELOPMENT

Obstacles and Challenges

Downtown Kalamazoo faces a series of obstacles and challenges that have hindered transformative development and continue to do so. Based on conversations with area developers, development in downtown Kalamazoo doesn't make great financial sense unless there are incentives, since the return does not outweigh the risk of development. The development costs (land purchase and preparation, construction, and regulatory expenses) are high, given the rental rates available in the Kalamazoo market. These developers often cited construction costs as being particularly high in Kalamazoo, and this factor more than likely is attributable to the exodus of skilled trade workers from the Kalamazoo market. Many developers anticipate that development in downtown Kalamazoo may net them a modest profit, but that it will also come with a moderately high risk. Developers could achieve the same or better rates of return in other areas of the greater Kalamazoo market with lower risk exposure, but many have a desire to improve downtown Kalamazoo. Rental rates are likely to increase as development continues in downtown.

A portion of the higher costs to develop in downtown Kalamazoo is attributed to the condition of the building sites. Downtown Kalamazoo has an industrial history, and because of this, much of the land needs remediation before development can begin. Environmental contamination and other soil issues slow development and increase the developer's costs. While the City of Kalamazoo's Brownfield Redevelopment Authority provides financial assistance to overcome many building site problems, the program has limitations. The program uses tax increment financing (TIF) to reimburse developers for costs associated with environmental contamination, blight, or functional obsolescence. The Brownfield Redevelopment Authority captures tax increment revenues on the affected site and uses a portion to reimburse the developer. Under this scheme, the developer must often pay for the costs associated with site improvements up front and *then* seek reimbursement. Often that reimbursement is capped at a defined dollar amount or number of years of tax increment revenue; the caps are frequently insufficient to cover the improved expenses incurred by the developer. Furthermore, the program creates an obvious tension: The local Brownfield Redevelopment Authority must strike a balance between the city's fiduciary responsibility to the residents of the city and the need to transform its core by incentivizing developers.

Map 3: Developmental Transformation Downtown, 2007–2014



Based on these findings, the Advisory Council and Strategy Team meetings yielded recommendations of the following strategies to overcome the obstacles outlined above:

1. Create a comprehensive and coordinated project selection plan.

   The City of Kalamazoo and its downtown partners should develop a project selection plan, both comprehensive and coordinated, to ensure that incentivized development has a transformative impact. To ensure that all relevant perspectives are incorporated, this plan should have the input of the following constituencies:

   - Key business leaders
   - Anchor institutions
   - Residents of the downtown
   - Residents and businesses located outside downtown but in the region
   - Local developers

   The plan should serve as a blueprint for development in and around downtown. To positively shape development, the city and any other applicable partners should align their incentives, resources (monetary and nonmonetary), and spending around the priorities identified in the plan. The plan would create agreed-upon goals, objectives, and strategies that all organizations can work to achieve.

The plan should incorporate the needs and priorities of downtown stakeholders while understanding market forces and developer preferences. Obviously, development will respond to the market and to developer preferences, but the downtown Kalamazoo constituents should have a hand in guiding development based on their knowledge and priorities. The plan should identify areas of emphasis or higher risk within the downtown area. The plan should also recognize types of development or land uses that would help to bring about transformative development. The partners should meet on an annual basis to update the plan and ensure that changes to partner and stakeholder preferences are incorporated. Updates to the plan should reflect changes to market conditions as well as development progress during the preceding year.

Downtown partners should customize incentives offered to reflect the relative risk, the emphasis on certain areas of downtown, and the type of development or land use. As an example, the plan may call for development along Michigan Avenue and Academy Street to bridge the development gap between downtown and the college campuses to the west and thus maximize the impact of new development. As such, the incentives from applicable partner organizations to projects in the area would reflect this prioritization. Similarly, if the plan called for the construction of row houses, the construction of those buildings could receive additional focus and resources. Creating a comprehensive plan allows those with resources to incentivize projects that follow a mutually agreed upon and researched blueprint instead of allowing development to happen in a haphazard way that may not amount to a transformative impact.

2. Dedicate efforts specifically to attracting, coordinating, and promoting development in downtown Kalamazoo.

   Downtown Kalamazoo could benefit from dedicating efforts to increasing real estate development activity. Under this scheme, it would be necessary to identify a primary point of contact and main source of information for those interested in developing real estate in downtown Kalamazoo. Part of this source's function would be providing technical assistance to fledgling and aspiring developers. Such an approach could have a significant impact if given funding or limited municipal approval power. Finally, there needs to be regular convening of key staff from Southwest Michigan First, Downtown Kalamazoo Inc., the City of Kalamazoo, and others to share information and adjust strategies to encourage development.

   a. Develop a primary point of contact and main source of information as a navigator for promoting development in Kalamazoo.

      Within this focus on DTI as a development facilitator are two subtopics. First, a navigator needs to be put in place to work with developers. Downtown Kalamazoo lacks a single organization that promotes development opportunities in the area, implements the coordinated development plan for downtown, and manages prospective developers. A singular manager of prospective developers would remove confusion about whom to contact and how the local system operates. The development navigator would serve as a guide and assistant to developers during all aspects of the development process; this person would act as an advocate and interact with all levels of government on behalf of the prospective developer. This navigator would need to reside in a private nonprofit organization, as developers demand project secrecy, at least in the initial phases.

b. Provide technical assistance to smaller developers and cultivate developers from within the region.

   A way to help small developers needs to be identified and designed to assist smaller developers in the area and cultivate new ones. The technical assistance would consist mostly of connecting these smaller developers to lenders and to reliable contractors, providing them with template tenant agreements and with information on how to manage tenants and collect rent, and on applicable ordinances, and with legal and tax advice. The technical assistance provided would help eliminate barriers to entry for new developers and would help existing smaller developers further invest in the area. Obviously, larger, more experienced developers would not have a need for this service, but fledgling developers may.

NONTRADITIONAL FUNDING OF REAL ESTATE DEVELOPMENT

A community-based equity fund and other nontraditional funding mechanisms, if properly staffed and supported, could be a system to aid transformative development downtown. As with Invest Detroit, it could be possible to create and manage a set of unique resources intended to spur development. An equity fund and a community-based real estate investment trust could work to encourage development and interest in downtown Kalamazoo.

An equity fund would need substantial support from many donors. This is not a new concept, especially in Kalamazoo; many years ago, Martha Parfet donated several million dollars to DTI to help spur development in downtown Kalamazoo. Nonetheless, the need has increased. As outlined below, new banking regulations make equity funds more important.

Through an equity fund, a group could make investments in local development projects as a passive equity investor or could make loans to developers. It would be necessary to restrict investments or loans to those that meet the priorities of the comprehensive development plan. It would also be necessary to set up a board of qualified individuals who would not have conflicts of interest with potential projects to make investments or loans. Furthermore, it would be necessary to place a cap on the portion of the total equity the organization's investment represented in any development. As well, the organization would need to establish additional parameters based on the best practices of other community-based equity funds to avoid potential pitfalls. Equity funds must wrestle with concerns that include prioritizing potential projects, raising funds, replenishing funds that become depleted, and engaging in competition with other entities that may operate in a similar space.

In a similar vein, a community-focused real estate investment trust (REIT) could help increase investment in downtown Kalamazoo, while instilling a sense of ownership among its shareholders. The REIT is a real estate investment vehicle widely used throughout the United States. Typically, REITs invest in a specific type of real estate (e.g., shopping malls, health care facilities, assisted living facilities), not a specific community. Nonetheless, it could be possible to create and manage a REIT that is specifically focused on real estate in downtown Kalamazoo.

A REIT is different from an equity pool in a few ways. A REIT is profit driven, whereas an equity pool is focused on creating a community impact. A REIT sells shares to anyone who is willing to invest (typically by making a small, minimum investment), whereas an equity pool is typically funded by wealthy philanthropic donors. A REIT may take on investments without partners or may take a passive equity position, whereas an equity pool is designed to take only a passive equity position.

A significant amount of working capital could be raised through a REIT by appealing to anyone who has an interest in improving Kalamazoo while receiving a return. It could also appeal to those who see downtown Kalamazoo real estate as a good investment but lack the large amount of up-front capital or technical expertise needed to take on an investment on their own. Additionally, a REIT could serve as a for-profit source of equity that may alleviate the burden placed on development by the new banking regulation referenced later in this chapter. However, a community-focused REIT has its own set of potential pitfalls:

- Dividends may not meet the expectations of investors.
- There are a host of issues that come with owning and developing real estate; among these are political concerns.

For these reasons, a careful examination, with advice from qualified attorneys, is needed before a REIT is established.

The Need for Alternative Forms of Equity

In 2015, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Reserve issued rules that regulate commercial real estate. These High Volatility Commercial Real Estate rules were intended to reduce the risk of loan defaults and bank failures, but they could have a negative impact on commercial real estate development. Under the rules, lending institutions are required to assign a higher risk weighting to commercial real estate acquisition, development, and construction loans that do not fit a narrow set of criteria. The higher risk rating would require lending institutions to keep more cash in their vaults as compared to lower-risk-rated loans. The exemption criteria include the following:

- Projects that involve residential properties of between one and four units
- "Community development" under Title 12 of the Code of Federal Regulations, part 25 or part 195
- Agricultural land
- Projects with at least 15 percent developer equity contribution

The establishment of these criteria creates a disincentive, by way of higher interest rates, against projects that the federal government has deemed as risky. Downtown Kalamazoo partners could assist developers in qualifying for the last exemption by providing a pool of equity.

The rules issued in 2015 force developers to either invest greater amounts of equity than previously or face higher interest rates. Banks will more than likely pass costs related to higher-risk assets on to those taking out loans, in the form of higher interest rates. These higher interest rates on acquisition, development, or construction loans will make development more difficult in places like Kalamazoo, where developers have said that margins are already thin. Likewise, stiffer equity requirements will slow development in Kalamazoo. Many lending institutions previously considered federal, state, and local incentives as equity toward acquisition, development, or construction loans; under the new rules, lending institutions are not able to consider incentives as equity. This presents a problem for many of the larger developments in downtown Kalamazoo, which receive government incentives.

Nevertheless, downtown Kalamazoo has an opportunity to alleviate some of the burden that the new rules have placed on developers. As stated before, a pool of funding could be created to finance passive equity investments. In exchange for capital up front, developers would grant the organization an equity stake in the development. Thus, the organization would become a partner in the development, thereby counting its contribution as equity in acquisition, development, or construction loans. The organization could vary its equity stake by the criteria set forth in the comprehensive development plan; in this way, it could take a lower stake (relative to total investment) in high-risk or high-priority areas and a higher stake in low-risk or low-priority areas. The return on the equity stakes could also provide operational or programmatic funding for the organization.

Preparing Key Sites for Redevelopment

Downtown partners could work with the City of Kalamazoo to make key sites available and ready for development. These downtown partners and the City of Kalamazoo own several sites on which transformative development could take place. In addition, downtown partners and the City of Kalamazoo could create a development template for many sites. They could enlist the assistance of local architects to develop general site plans for these key sites; city staff could move the site plan through the approval process while the downtown partnership was waiting for a developer to purchase the site. A developer may view the site as more attractive because the preapproval process reduces uncertainty and the time required to develop the project. The downtown partners would value this process because they would have an active hand in the site plan. A local architecture firm may have an interest in helping in this process because that firm would have an advantage when a developer is hired (with prior knowledge of the site, the firm could easily modify the existing site plan). If the state and the other partners were willing, they could develop an incentive package for the potential development as designed in the site plan. This would further reduce the uncertainty and time to develop.

CONCLUSION

While recognizing the benefits of transformative projects for downtown, the Strategy Team and the Advisory Council reframed the discussion to include a series of smaller-scale projects as well as large-scale ventures. Yet they recognized that both types of development face various obstacles and challenges in downtown and made several recommendations to help mitigate these challenges, including REITS and alternative forms of equity. They concluded that if local organizations can work together, focus their resources, and improve the development climate in Kalamazoo, they are likely to transform the landscape of downtown Kalamazoo.

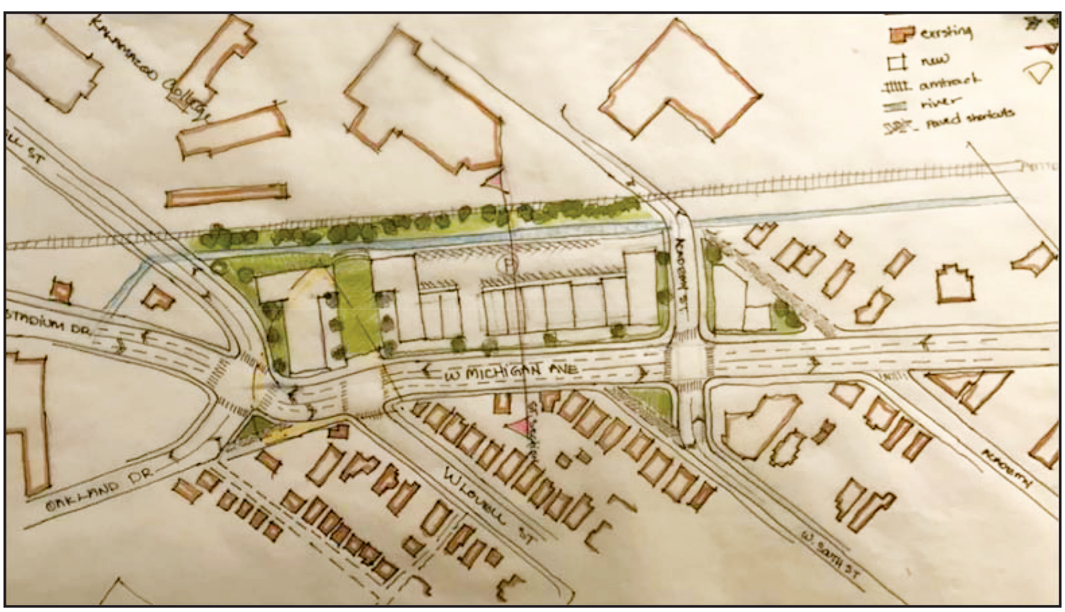
Priority Objective: Improve Mobility

RECOMMENDATIONS

In early meetings with the UGI Advisory Council and Strategy Team, the need for improvement in mobility quickly emerged. The consensus of both groups, at the time, was around changing Michigan Avenue from a one-way street to a two-way street. However, later discussions with the groups shifted that emphasis slightly, and they recommended Lovell Street as the first step in a conversion of one-way streets to two-way. One proposal for the redesign of Lovell is shown in Map 4. The following five recommendations are based primarily on feedback from the members of both groups:

1. Convert Lovell and South streets to two-way as a first step, with the goal of all one-way streets eventually being converted to two-way.
2. Eliminate free on-street parking in the urban core and allow a short window of free parking in the ramps to encourage turnover in prime parking spots.
3. Increase bicycle parking availability.
4. Encourage the city, anchor institutions, and developers to form a compact that details common principles for mobility, such as equity, access for both motorized and nonmotorized vehicles, and access for persons with disabilities.
5. Join the Kalamazoo Valley River Trail to the Portage Creek Bicentennial Trail. This combined trail could then be utilized to connect downtown to the neighborhoods to the south, as well as to improve nonmotorized connections in the city overall.

Map 4: Proposed Adaptation of Stadium Drive to Two-Way Traffic on Lovell Street



PROFILE AND BACKGROUND OF MOBILITY DOWNTOWN

The need for mobility improvements to downtown Kalamazoo, whether for automobile drivers, pedestrians, or bicyclists, has been discussed repeatedly in multiple formats. As far back as the late 1950s, when the city sponsored and implemented a plan to create the first pedestrian mall, the issue of how to bring people downtown was a priority. The 2009 Downtown Comprehensive Plan from the City of Kalamazoo suggested streetscape improvements and traffic calming. The Disability Network of Southwest Michigan conducted a Walkability Workshop in August 2014 where participants recommended traffic calming measures, such as a conversion of certain streets from one-way streets to two-way to improve walkability in downtown. Also in 2014, the Michigan Department of Transportation (MDOT) conducted a series of charrettes to gather community input on the Stadium Drive/ Michigan Avenue corridor; the stakeholders at these meetings also suggested traffic calming and improved pedestrian access.

The neighborhoods that surround downtown have also examined options for mobility improvements. A study commissioned on walkability from the Northside Association for Community Development found impediments to pedestrian access. The Kalamazoo College 2009 master plan suggested improved walkways and a more visible “gateway” into campus from Stadium Drive. The Vine Street Neighborhood 2009 Strategic Plan also suggested gateways to highlight that neighborhood.

Several indexes of mobility and walkability are available for comparing downtowns. One index, constructed by a commercial vendor called Walk Score, offers some perspective on the availability and proximity of services and amenities in the Kalamazoo downtown. Locations within a five-minute walk to amenities are given top ratings in a range between 0 and 100. Kalamazoo’s downtown is given a score of 81, which, according to the index, means that most errands can be accomplished on foot. A score of 18, on the other hand, which Portage received, means that nearly all errands are dependent on a car. The downtowns in both Grand Rapids and Ann Arbor received a 94, indicating that daily errands do not require a car.

THE NEED FOR IMPROVED MOBILITY

Mobility improvement in downtown Kalamazoo needs to address multiple goals. More than 10,000 people commute into downtown daily, mostly by car. Not only do these motorists need easy access to downtown employers, they also need convenient parking close to their place of work. Some of the larger organizations in the downtown have expressed interest in improving access by bus, bicycle, or walking to reduce the need for employee parking. Patrons of downtown businesses prefer street access to retailers so that they can park in front of the stores they are visiting, quickly pick up their items, return to their vehicles and drive off, as they would in a suburban strip mall. Downtown residents seek easy car access to their buildings but a walkable distance to most downtown amenities, such as retailers, restaurants, and entertainment. The Advisory Council and Strategy Team acknowledged the various preferences of people who frequent downtown and emphasized the need to balance their wishes in a more comprehensive view of downtown mobility.

Mobility improvements are the emphasis of other planning work either completed or in process by various stakeholders in Kalamazoo. The conversion of Lovell Street from one-way to two-way would tie in with the purpose of the city’s master plan update, Imagine

Kalamazoo 2025, of developing an overall strategy to connect the Western Michigan University and Kalamazoo College campuses to downtown for nonmotorized transportation (bicycles and foot traffic primarily, but also strollers, skateboards, and wheelchairs). The city indicated in the master plan that the conversion of Lovell and South streets would be Phase One of this process. Other cities that have made two-way street conversions have generally found the experiment to be successful, but it remains an uncommon strategy.

The Gibbs Planning Group retail market analysis suggests increasing turnover by eliminating free parking in the core—South Street, Michigan Avenue, and the mall on Burdick Street. To compensate for the increase in the cost for street parking, ramp parking would be free for the first two hours, giving shoppers the option of paying for immediate parking or parking for free or at a lower cost if they are willing to walk a block or two. Currently, Downtown Kalamazoo Inc. (DKI) is working to add bike spaces and racks.

The study by Gibbs suggests that there are significant economic outcomes to improving mobility within the downtown. The study suggests that more than a half-billion dollars leaks out of the region annually. This leakage is not only captured by the growing array of online retail providers, but also by retail centers outside the region, such as in Grand Rapids, Detroit, and Chicago. The study estimates that a portion of that leakage could be captured by the downtown.

The report also suggests that the college student population does not see downtown as an attractive place to shop, and that most shop at the West Main and Drake Road retail hubs. Part of this is due to the difficulty of accessing the downtown, even with a car, and another part of this is due to a "lack of relevance to university students" (Gibbs Planning Group 2017, p. 1). According to the study, if the city were to adopt the recommendations contained in the 2009 Downtown Comprehensive Plan, including additional on-street parking, along with the study recommendations of returning streets to two-way, installing parking meters on streets, and offering short-duration, free parking in the ramps, the downtown merchants could capture a large share of the current leakage. Under this plan, the downtown could capture an additional 156,500 square feet of space utilization and an additional $51.6 million in sales.

Members from the UGI groups echoed the desire expressed in previous studies to calm traffic in downtown. A major thoroughfare runs the length of downtown from west to east with heavy traffic volume, including heavy truck traffic. It appears that the goal of many motorists who use this route is to get through downtown as quickly as possible. Several studies have recommended ways to calm the traffic on this street. The city complicated the situation by asking the state to take over that route. With state ownership, the primary purpose of the road is to get through, not to, downtown with the fewest possible stops. This road divides the downtown, reduces the comfort level in crossing the street, and increases safety concerns for those who do. Other streets have similar concerns with speed and volume, which in many cases are incompatible with the activities taking place along these streets.

THE NEED FOR ACTION

The city has been talking about access and mobility for many years, but little action has been taken to follow through with these plans. Anchor organizations downtown have expressed concern about the lack of attention and cooperation in making progress in improving the flow of traffic as well as improving the streetscapes of these areas. Group members noted that considerable nongovernment investment is taking place downtown and that they would like to see these efforts supplemented with cooperation and investment by the city. They offered the view that focusing on one or two projects, such as converting Lovell and South streets to two-way traffic, before tackling the larger project of Michigan Avenue, would be advisable.

The Strategy Team and the Advisory Council emphasized the need for improved mobility in the downtown. They acknowledged the progress that is taking place but also lamented the slow pace at which it is happening. The groups did not suggest any dramatically new ideas about how to improve mobility, but they stressed the need to begin to do something now. Recommendations to convert one-way streets back to two-way have been made numerous times over the past several decades, but nothing has happened. The groups recommended pursuing small projects instead of tackling a comprehensive plan that includes all the major thoroughfares. Several members called for the city to initiate improvements along Lovell and South streets as soon as possible to demonstrate the benefits of the conversion and to show a commitment on the part of the city to work with downtown organizations to help improve access and a sense of place along these streets.

The groups also recommended exploring the suggestions from other studies in rationalizing parking in downtown with incentive schemes that will increase the turnover of parking slots and make the downtown a more welcoming place for those needing to park their vehicles and wishing to access retailers and other amenities on foot.

CONCLUSION

Improvements to mobility must be part of development in downtown Kalamazoo. Previous plans suggested traffic calming and nonmotorized improvements. Currently there are various efforts, including the Imagine Kalamazoo master plan update, the Gibbs Planning Group retail market analysis, and work by DKI, to improve mobility in downtown. There is the will and a consensus in the community for mobility improvement, and the next step is to leverage resources to accomplish those goals.

Priority Objective: Create a Healthy Living District

RECOMMENDATIONS

Bronson Methodist Hospital and Kalamazoo Valley Community College have been proactive in developing the area they commonly share in and around their campuses. There have been significant investments in both campuses, as well as the recent addition nearby of Western Michigan University's new Homer Stryker M.D. School of Medicine. The Advisory Council and Strategy Team felt that the existing investment should be leveraged to benefit not only the anchor institutions but also the adjacent residents and their neighborhoods. Based on anchor district activities in other cities, such as Cleveland, Ohio, and St. Louis, Missouri, the following eight recommendations are offered:

1. Work within the coordinating downtown organization to formalize an anchor district that would allow dedicated resources from anchors and other stakeholders to pursue an agenda that will leverage both existing and future resources to the benefit of the anchors and stakeholders, as well as the residents of the nearby neighborhoods.
2. Improve mobility both to and within the Healthy Living District by changing the one-way streets to two-way, and engage in traffic calming.
3. Use the scale of the anchors to support housing infill across many types of residential units—from duplex and triplex to townhouse and multiplex developments—that can meet the needs of residents.
4. Create healthy food options through the creation of a "public market" that would allow vendors with locally sourced (where possible) fresh and unprocessed foods access to a year-round and full-week facility to support demand from the residents, workers, and visitors to the Healthy Living District and the downtown.
5. Expand access of locally sourced farm products to not only include farm-to-table but farm-to-home.
6. Continue to support infrastructure investment that allows easier and safer access for multimodal users.
7. Continue to capitalize on investments such as an urban food hub that can be beneficial in supplying not only Bronson Methodist Hospital with locally sourced and healthy food options, but also users—including persons and commercial interests—with healthy food options.
8. Find ways to use the Healthy Living District initiative as a catalyst for additional transformation projects in downtown.

THE CHANGING FACE OF DOWNTOWN

While the number of downtown residents has more than doubled since 1990, from 841 to 1,997 today, there are several key areas where the downtown is lacking. One is the availability of fresh and unprocessed food. Even with the addition of trendy and upscale lofts, which attract highly educated individuals, the downtown does not have a full-service grocery store or other outlets for fresh produce. The neighborhoods bordering downtown also lack access to fresh produce for many of the residents. Although there are a few merchants providing fresh produce in various neighborhoods, the selection falls short of what is available in the more affluent neighborhoods around Kalamazoo. Without a car, many inner-neighborhood residents do not have convenient access to these places.

Seeing that they were situated in the middle of a "food desert," and recognizing the benefits of healthy food to residents in neighborhoods surrounding their facilities, Bronson Methodist Hospital and Kalamazoo Valley Community College partnered to develop a Healthy Living Campus. The Bronson-KVCC Healthy Living Campus, located on Crosstown Parkway, is a place where the cooking of healthy meals is taught, and it houses a state-of-the-art facility to process locally grown food. This corresponds with the hospital's goal of obtaining half of its food from local farmers and the community college's mission to provide training that prepares students for a healthy and productive life. In addition, both organizations saw this initiative as a chance to connect the surrounding neighborhoods with downtown through activities associated with the Healthy Living Campus. The campus, which includes both the Culinary Building and the Food Innovation Hub, opened in 2015.

WHAT IS AN ANCHOR DISTRICT, AND WHAT IS A HEALTHY LIVING DISTRICT?

In working with the UGI Advisory Council and Strategy Team, the question was raised, "How can 'anchors' in the region support the concept of 'healthy living'?" To answer that question, we must define the basic concepts.

The first concept is, "What is meant by an 'anchor' organization?" Chris Roynane, president of University Circle Inc. in Cleveland, Ohio, introduced the concept of "anchor districts" at the UGI kickoff meeting in August 2016. In response to an invitation from Roynane, representatives from the Upjohn Institute attended a forum of more than 25 anchor districts in St. Louis, Missouri, in September 2016. The concept of these anchor districts is nothing new; many of the current anchor districts have existed for decades.

Anchor districts provide for the collective governance of a shared resource—namely, the ambience, usability, and safety of a specified location. Much of the successful governance of this type of resource parallels what is known about the management of common-pool resources (CPRs). In *Governing the Commons*, Elinor Ostrom (1990, p. 30) defines CPRs as "a natural or manmade resource system that is sufficiently large as to make it costly (but not impossible) to exclude potential beneficiaries from obtaining benefits from its use." Ostrom asks how a group of individuals in an interdependent situation can organize and govern themselves so as to continue to enjoy group benefits when they face the temptations of free riding, shirking, and acting opportunistically. She finds that there are several conditions that must be met for the establishment of a successful system to manage CPRs. These include the following:

- clearly defined boundaries
- rules that are related to local conditions
- allowing the individuals affected by the rules to participate in modifying them
- having a system for members to monitor other members' behavior
- having a system of graduated sanctions for those who violate the rules

- low-cost and accessible conflict resolution
- support from governmental authorities for the rules developed by the group members

These boundaries show how to apply common and shared resources to enact a collaborative vision.

The second concept is the notion of "healthy living" and how to achieve it. The Urban Land Institute identified 10 principles of building healthy spaces (Eitler, McMahon, and Thoerig 2013). These are as follows:

1. Put people first: Individuals are more likely to be active in a community designed around their needs.
2. Recognize the economic value: Healthy places can create enhanced economic value for both the private and public sectors.
3. Empower champions for health: Every movement needs its champions.
4. Energize shared space: Public gathering places have a direct, positive impact on human health.
5. Make healthy choices easy: Communities should make the healthy choice that is safe, accessible, fun, and easy (SAFE).
6. Ensure equitable access: Many segments of the population would benefit from better access to services, amenities, and opportunities.
7. Mix it up: A variety of land uses, building types, and public spaces can be used to improve physical and social activity.
8. Embrace the unique character: Places that are different, unusual, or unique can be helpful in promoting physical activity.
9. Promote access to healthy food: Because diet affects human health, access to healthy food should be considered as part of any development proposal.
10. Make it active: Urban design can be employed to create an active community.

The above principles provide answers to the following four questions: 1) How is the space accessed? 2) Who can access it? 3) How is it used? and 4) What comes from it? Aside from the UGI project, the city has been engaged in a process called Imagine Kalamazoo. This all-city visioning process gathers input from community stakeholders and residents that will be included in the update of the city's master plan.

Other parts of this study address three of the four summary questions in the preceding paragraph. The section on Improving Mobility addresses the issue of how the space is accessed. The Business Recruitment and Retention section and the Infill to Meet Residential Demand section treat the issues of how the space is used and what comes from it. The remaining summary point, on who can use the space, is yet to be determined, as the Healthy Living District contains private space (such as Bronson Methodist Hospital), quasi-private space (such as KVCC), and full public space (streets, sidewalks, and other public properties). Access to these assets, except for public space, will be determined by the owners of the assets, in terms of how they create uses for their space and which constituents they allow to have access.

Healthy Living Districts tend to take one of three formats: 1) medical districts, 2) innovation districts, and 3) health districts. The medical district seeks to maintain the proper surroundings for a medical center and a related technology center to attract, stabilize, and retain hospitals, clinics, research facilities, and educational facilities within the district. While the primary goal of Kalamazoo's downtown health district is only partially served by this objective, other areas of this report relate to it:

- Housing infill and rezoning: This is a priority of UGI and is on the city's radar for change as part of Imagine Kalamazoo.
- Providing grants to medical employees to purchase homes in the area: This is included in Bronson's employee benefits.
- Large-scale development: One of the UGI priority recommendations is large-scale, transformative development.

The second form of these healthy living districts is the innovation district. Defined as a geographic area in which institutions and companies cluster and connect with start-ups, business incubators, and accelerators, an innovation district could provide potential development opportunities. While KVCC has been working with Bronson Methodist Hospital on culinary arts and locally produced food, the cluster (and any goals attached to it) is not clearly defined. However, some aspects of an innovation district found in other communities that could be incorporated in Kalamazoo are:

- New urbanism design principles: These are being addressed by the transformative development priority, as well as within Imagine Kalamazoo.
- Technological upgrades (for example, free Wi-Fi in the district): While not addressed within the UGI structure, this could be included for future consideration in development plans. Although not traditionally considered to be part of mobility, it does fit into the infrastructure component of an efficient and effective downtown. The ability to provide free broadband to visitors, residents, and workers would be an important asset in attracting constituent groups to downtown.
- Transit accessibility: The mobility priority primarily targets how the infrastructure provides better access across all modes of transportation. With changes in flow and speed of traffic, the ability to provide transit options is important.

The third type of district, the health district, best fits the form and intent of the Kalamazoo Healthy Living District. This type of district focuses on how people use their neighborhoods, specifically addressing areas of built and social infrastructure that can improve the health of community members. This type of district often does the following:

- Focuses on community health and wellness: These are priorities of KVCC, Bronson Methodist Hospital, and the Homer Stryker Medical School.
- Promotes green space: This is included in the vision of Imagine Kalamazoo.
- Promotes walking and biking through adoption of design principles: The mobility priority includes these activities.

While a health district may be the best fit for the UGI recommendations, parts of the medical district (such as financial assistance with nearby housing) and of the innovation district (such as broadband access and using urban design principles) also apply.

THE GOAL OF THE HEALTHY LIVING DISTRICT PRIORITY

The goal of this priority is to provide a healthy living environment for residents, workers, and visitors within the district.

To develop recommendations on what should be included in this priority, a working subgroup of stakeholders from the Advisory Council and Strategy Team was convened in April 2017 to discuss how Healthy Living Districts are defined and possible options for the district in Kalamazoo. Best practices for each of the 10 Urban Land Institute principles were presented to the group to frame the discussion.

Conversations with the stakeholders at that meeting yielded a few baseline conclusions. First, the stakeholders are already collaborating at some level: KVCC has been instrumental in helping Bronson address issues of local food sourcing. Next, while economists think of sunk costs as irrelevant, the investments made by the medical school, the hospital, and the community college are all significant. As most of the investments are relatively recent—and in many cases are ongoing—they form a commitment to the location well into the future. That they are in place for the long run means each institution has a plan for future development.

NEXT STEPS

Formalize an Anchor District

Anchor districts generally consist of various stakeholders (especially anchor institutions) forming an interest group (usually operating as its own nonprofit entity) that works together to solve place-based issues. It is clear from the meetings with both UGI's Strategy Team and Advisory Council that the major institutions (i.e., the anchors) are moving ahead with development plans. It is also clear that the representatives from the anchors communicate with each other, and while this communication may occur in structured environments focused on other goals, the conversations are not about establishing a Healthy Living District.

The Advisory Council and Strategy Team recommend that anchors and other interested stakeholders create a formal relationship among the various parties, one that commits time and resources to developing and implementing a common vision for a Healthy Living District. Across the stakeholders, there is broad interest in bringing in more workers and residents to the downtown, changing mobility patterns to be more bicycle and pedestrian friendly, and creating more healthy options for visitors, residents, and workers—particularly around access to healthy (fresh and unprocessed) food.

Transforming individual interests and intent into action is best done when the weight of the collective anchors and stakeholders coalesce behind a single voice. A single voice for a position conveys solidarity, but it can also provide assurance and cover to entities that must make decisions among competing interests.

The creation of another nonprofit is generally not high on anyone's list of things to do, but in this case it may be essential. First, it allows an organization to accumulate resources and demands commitment on the part of interested parties, whether anchors or stakeholders. Second, such a structure does provide a vehicle for one recognized and legitimate voice to speak for the group, whether that group is bound together by geographical proximity or common interest.

But when creating a new organization, it should be done with minimal overhead, which allows resources to be targeted to outcomes rather than operations. That said, staff does need to be in place to help set agendas, organize and staff meetings, keep records, and provide "boots-on-the-ground" support for implementing the agenda of the Healthy Living District. Given that the Healthy Living District would be closely aligned, at least spatially, with the downtown, the groups recommend that a formalized Healthy Living District with resources be created. This district would be able to contract with an existing organization, such as Downtown Kalamazoo Inc., to staff the nonprofit and advance an agenda.

Such a relationship is not unprecedented in Kalamazoo and could prove helpful in several areas. First, it would allow anchor-based funding to be applied to programs and actions with shared overhead. Second, resource sharing would allow the partner organization to cover some of its fixed costs, while lowering the fixed costs to the Healthy Living District. And third, it may help minimize the competition for resources, particularly when agendas are complementary; however, with each organization retaining its own board and stakeholders, the various organizations would still be able to act in their own self-interest.

Develop a Set of Priorities That Are Actionable

1. Improve mobility.

   One of the other priority sections of the UGI process addresses issues of mobility in the downtown area. There is general agreement that downtown traffic patterns need to change, through conversion of one-way streets to two-way. The goal would be to see traffic "calming" occur. This would create a more welcoming environment for pedestrians and bicycles to access the Healthy Living District. A collective voice from the Healthy Living District would be useful in communicating preferences about changes in mobility to the City of Kalamazoo as well as to the Michigan Department of Transportation (MDOT). Both organizations have indicated that they are open to options, but that a collective voice is needed for them to take action. In addition, for any change in mobility to occur will require resources. Anchors and stakeholders may be able to provide not only advocacy but also access to resources.

2. Be a catalyst for housing infill and the creation of affordable housing.

   The availability of affordable housing is discussed in another priority section in this study. With residential vacancy rates hovering around 1 percent in the downtown, the need for housing by medical students and anchor institution employees may not currently be enough. Through a survey, the Healthy Living District could determine the type of housing needed and the associated price points based on current and anticipated demand. Good consumer data could prod the market toward more residential development in the downtown and nearby neighborhoods.

3. Be a catalyst for healthy food options.

   Essential to any Healthy Living District is the availability of options for healthy food choices. The groups expressed an interest in—and a need for—an "urban market" that could provide fruits, vegetables, and fresh foods in a section of town that is currently referred to as a "food desert." A range of options exist for such a market, from an expanded farmers' market to a full-service downtown grocer. One example is the West Side Market in Cleveland, which, four days a week, houses regular vendors (including butchers, bakers, and produce sellers) who provide a wide variety of fresh foods.

The Business Recruitment and Retention chapter also mentions eliminating the food desert. Preliminary estimates of a retail market analysis by the Gibbs Planning Group (2017) indicate a significant need for healthy food options in downtown, at least based on supportable square footage. The ability of the district to provide leverage to either attract or demonstrate support for such a facility could be important.

The nearest full-service grocery store, which would offer fresh and unprocessed foods, is either the Park Street Market, located a couple of blocks north of Kalamazoo Avenue on Park, or the People's Food Co-op of Kalamazoo, located near the eastern entrance to downtown, both of which are more than a mile from Bronson Methodist Hospital. One other option is the farmers' market, which does offer fresh foods but is seasonal and not easily accessible from most neighborhoods without a car (see Map 5).

Support Continued Investment in Infrastructure

Members of the working group commented on the need to invest in infrastructure. Some of this is discussed in the Improve Mobility section of the report, which deals with changing traffic flows and creating safer and more efficient means of access for bicyclists and pedestrians. Beyond that, water, sewer, and other types of infrastructure, such as broadband, must not only be maintained but also be upgraded. This will be particularly true as the Healthy Living District and the downtown grow, straining the capacity of these utilities.

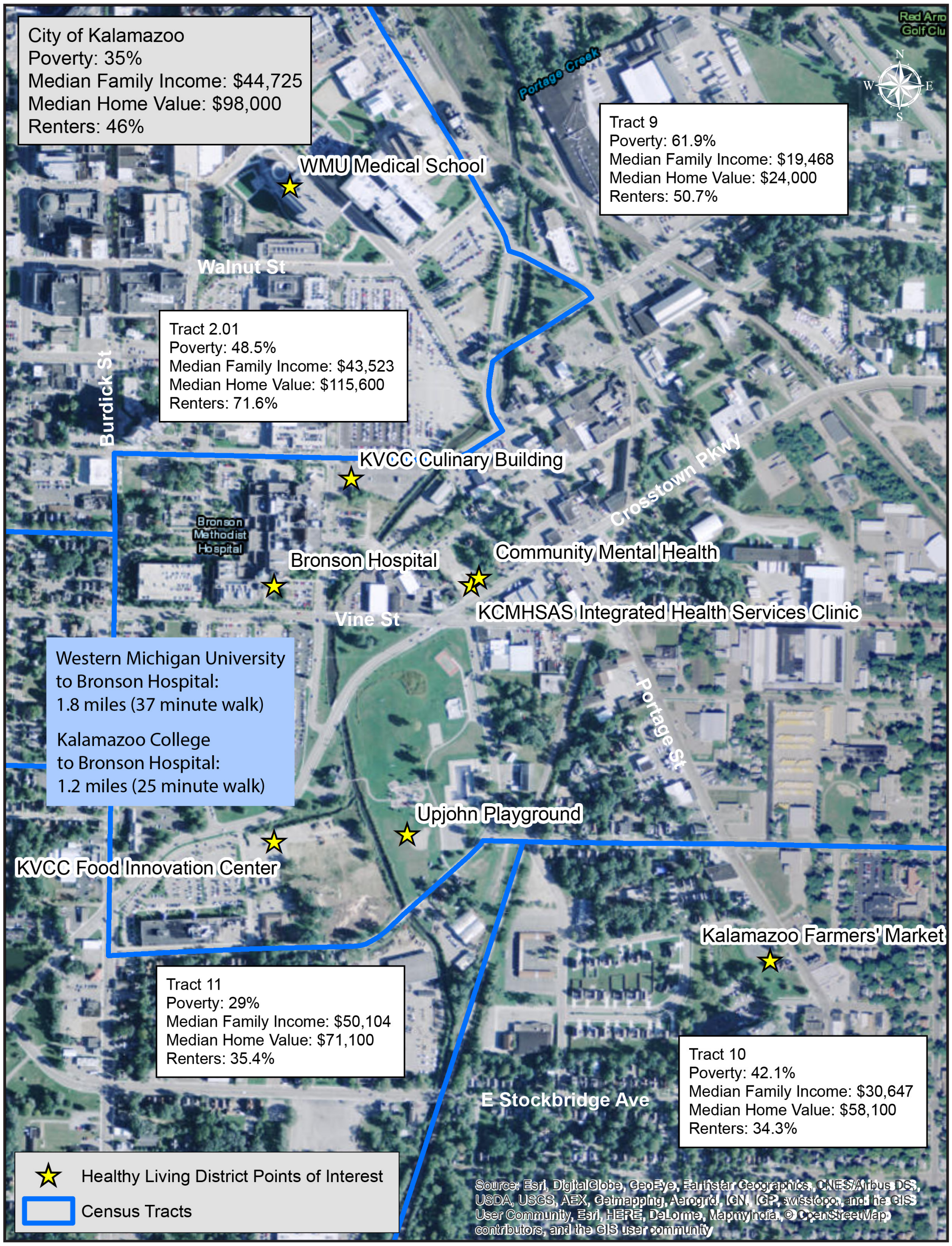
Continue to Develop the Urban Food Hub

Kalamazoo Valley Community College and Bronson Methodist Hospital have been working together to develop a food hub. A food hub is defined as "a business or organization that actively manages the aggregation, distribution, and marketing of source-identified food products primarily from local and regional producers to strengthen their ability to satisfy wholesale, retail, and institutional demand" (Barham et al. 2012, p. 4). Sabine O'Hara of the University of the District of Columbia defines four key areas of activity: 1) food production, 2) food preparation, 3) food distribution, and 4) waste and water management (O'Hara 2017). KVCC has been actively involved in developing these key activities for a Healthy Living District.

There is a need for a food hub. As seen in Map 5, the rates of poverty in the neighborhoods adjacent to the areas surrounding Bronson Methodist Hospital nearly all exceed the base rate for Kalamazoo as a whole—35 percent. Also, except for the downtown, median home values in the nearby neighborhoods are below the median for the city.

In particular, the expansion of food production and food distribution could be part of the supply chain for an urban market. KVCC is active in food preparation. While it is important that residents of the downtown and surrounding neighborhoods have access to good-quality foods, they may also need information on how to use and prepare food in a healthy way.

Map 5: Vicinity Surrounding Bronson Methodist Hospital



NOTE: White boxes show demographics for residential neighborhoods bordering the hospital, which is an anchor institution in a potential Healthy Living District. Blue lines define the boundaries of the neighborhoods.

Finally, as the district increases food production (whether through aquaponic/hydroponic or traditional means) and scale-based food preparation, waste products (particularly waste water) may have negative impacts on the city's infrastructure.

CONCLUSION

Kalamazoo Valley Community College and Bronson Methodist Hospital have been collaborating on the continued evolution of a Healthy Living District. The UGI groups recommend that a Healthy Living District be structured in a more formal way—likely as a nonprofit that can accumulate resources of scale to achieve the goals of anchors and stakeholders within the district. With a more formalized Healthy Living District, additional anchors such as the Homer Stryker Medical School could be included, depending on how the district is defined.

Such a structure would allow for advocacy as well as manage the interests of anchors and stakeholders, but would also allow for resources for staffing to be placed within another organization, such as Downtown Kalamazoo Inc. This would eliminate the need for fixed costs such as overhead, would add capacity to the existing organization, and would align common goals and objectives between a Healthy Living District and the downtown. The Healthy Living District would also need a board of anchors and stakeholders that would be focused first and foremost on the evolution of the district and its constituents.

Expanding the participants and representation would potentially accomplish several outcomes. First, additional anchors and stakeholders could bring in resources (financial as well as in-kind). Second, the coordinated efforts of an expanded group could be more effective in obtaining external resources and could provide more effective lobbying based on a larger and more diverse constituency. Third, this expanded group would be able to collaborate on issues like mobility and access to the district, common needs for infrastructure, increasing affordable housing for students and staff, and supporting the continued evolution of the food hub and the healthy living concept.

Priority Objective: Coordinated Management for Downtown Activities and Initiatives

RECOMMENDATIONS

The Urban Growth Initiative Advisory Council and Strategy Team recognized that successful implementation of the recommendations presented in this report should be done by one organization that is responsible for coordinating development in downtown. The current ecosystem supporting downtown activities is a mix of public and private support from several entities (e.g., Downtown Kalamazoo Inc., the Downtown Development Authority, Downtown Tomorrow Inc., the City of Kalamazoo, the Michigan Economic Development Corporation, the Brownfield Redevelopment Authority, several nonprofit organizations, Discover Kalamazoo, downtown anchor institutions, Southwest Michigan First, and others (see Table 5 at the end of this section). Although these entities focus some or all efforts on improving Kalamazoo's downtown, they have different missions and objectives, serve different audiences and geographies, and may be duplicating services and resources relative to downtown (see Table 6 at the end of this section). A more streamlined process of coordinated management for Kalamazoo's downtown would contribute to the success of helping ease the financial and operational challenges facing businesses in the downtown area, which has significant spillover benefits for the rest of Kalamazoo.

Based on the collaborative discussions of the two groups and on the experiences of other successful Michigan and U.S. cities, the groups recommended the following seven actions for coordinating and managing downtown activities:

1. Keep the current downtown organizational structure in place, led by DKI.
2. Establish a new business improvement district (BID).
3. Modify the existing tax increment financing (TIF) agreement to better capture changes in values within the downtown.
4. Work with anchors and other not-for-profits to support the benefits received from the downtown organization through sharing in the costs of providing an array of services in the downtown.
5. Using the existing structure of one of the downtown organizations, create a platform for collaboration among the downtown anchor institutions (including public, nonprofit, and private anchors).
6. The DDA should amend its agreement with applicable taxing jurisdictions to expand its boundaries in order to broaden revenue generation and serve areas of the city in need of place-making services.
7. The primary function of a downtown organization should be business recruitment and retention. Specifically, it should focus on four activities: 1) the execution of a targeted business recruitment strategy, 2) advocacy and support for existing businesses, 3) the development and execution of a branding and marketing strategy, and 4) maintenance and management of public spaces.

PROFILE OF COORDINATING AND MANAGING DOWNTOWN ACTIVITIES

The Downtown Kalamazoo Association (DKA) was formed in 1950 to attract consumers downtown to shop at retailers or attend public events (see Table 2). The DKA focused on retail marketing and events such as sidewalk sales and holiday parades. With the suburbanization of America during the 1950s, Kalamazoo's downtown merchants and city

Table 2: Timeline of Downtown Management Activities, 1950–2015

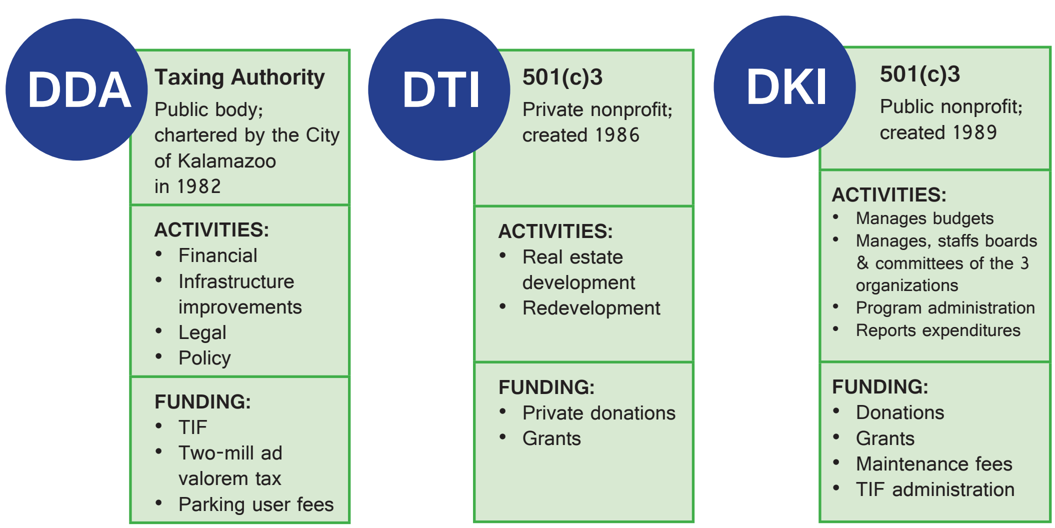
1950	1959	1960s	1982
Downtown Kalamazoo Association (DKA)	Kalamazoo Mall	Downtown Services Department (DSD)	Downtown Development Authority (DDA)
Role: • Facilitate events and interest in downtown	First outdoor pedestrian mall in the U.S.	Role: • Part of the Community Development and Planning Department • Established by the City of Kalamazoo to address infrastructure issues	Role: • Taxing authority • Replaced DSD
Services: • Retail marketing • Special events		Services: • Infrastructure issues • New business construction • Parking	Services: • Legal • Levy taxes • Issue bonds • Assemble land • Create TIF
1986	**1989**	**1992**	**2015**
Downtown Tomorrow Inc. (DTI)	Downtown Kalamazoo Inc. (DKI)	Downtown Kalamazoo Association of Charities (DKAC)	Downtown Kalamazoo Inc. (DKI)
Role: • 501(c)3 • Focus is on development and redevelopment downtown	Role: • 501(c)6 • Replaced DKA	Role: • 501(c)3 • Charitable arm of DKI	Role: • Consolidated DKAC into DKI • DKI now a 501(c)3 • Able to seek grants, accept donations
Services: • Fund-raising • Land assembly	Services: • Coordinate downtown planning and marketing	Services: • Coordinate special events	Services: • Administers programs and events • Manages budgets • Reports budget • Manages boards and committees

officials sought ways to bring people to the city center. They hired architect Victor Gruen to craft a plan for attracting people downtown. Gruen, a native of Vienna, Austria, was well known for his work on designing indoor pedestrian malls, and he had just completed a plan for downtown Dallas. His forward-looking plan for Kalamazoo, dubbed *The Kalamazoo 1980 Comprehensive Plan*, provided an innovative solution—an *outdoor* pedestrian mall or zone that prohibited autos and allowed pedestrians to leisurely walk along downtown storefronts on a broader avenue untroubled by traffic. The Kalamazoo Mall became the first outdoor pedestrian shopping mall in the United States when it opened in 1959, funded by the City of Kalamazoo and by direct contributions from the businesses with shops along the mall.

With increased downtown activity came the need to capitalize on new development opportunities and provide additional parking. In the late 1960s, the City of Kalamazoo responded by forming the Downtown Services Department (DSD), an office within the Community Development and Planning Department, to address parking and infrastructure issues. The DSD was later dissolved when it was determined that a more stable funding stream for addressing downtown issues was needed.

Downtown activities and initiatives are currently managed and governed primarily by three entities, all of which are staffed by one of the three organizations (see Figure 10). Oversight for financial, policy, and legal matters for greater downtown Kalamazoo is carried out through the Downtown Development Authority (DDA), with financial support and assistance from resources such as tax increment financing (TIF) revenue (begun in 1987—for more detail, see page 63), taxes, and user fees. DDA, a taxing authority chartered by the City of Kalamazoo in 1982, oversees policy and budget activities for downtown. The city's DSD was dissolved with the formation of DDA, and DDA took over its role. DDA serves as the legal and financial arm for downtown growth by levying a two-mill tax on downtown properties, collecting TIF revenues (which are used for downtown services), and managing public improvements and facilities.

Figure 10: Current Structure for Managing Downtown Activities



Real estate activities and initiatives are administered through Downtown Tomorrow Inc. (DTI), a 501(c)3 private nonprofit group created in 1986 to stimulate development downtown. DTI acquires properties and facilitates strategic real estate management and development opportunities in greater downtown Kalamazoo. These activities are implemented with resources from private donations and grants.

Downtown Kalamazoo Inc. (DKI) was formed in 1989 as an umbrella organization to coordinate all downtown activities across organizations as a 501(c)6 organization, but is now a private 501(c)3 nonprofit. This is the place-management organization for greater downtown Kalamazoo.

The three organizations—DDA, DTI, and DKI—focus on specific areas; however, community leaders expressed the need for an organization to coordinate downtown festivals and events, and to provide tax-deductible benefits to sponsors and donors. In response, the Downtown Kalamazoo Association Charities (DKAC) was created in 1992 as a 501(c)3 nonprofit organization not only to organize events downtown but also to serve as the charitable arm of DKI. DKAC was consolidated into DKI in 2015 when DKI became a 501(c)3 organization.

With four full-time employees, DKI administers programs and operations for the downtown, manages budgets and reports all public and private fund expenditures, and manages the three boards and committees of the three organizations. Two DTI board members and two DDA board members serve as representatives on the DKI board of directors. The DKA, formed in 1950, was dissolved and its retail promotion activities were absorbed by DKI. The DKI committees currently focus on branding and community engagement, safety, capital improvements, review of development and redevelopment projects, business recruitment and retention, and transportation, mobility, and parking. A Citizens Council also provides input on the use of TIF funding and development plans for downtown. Funding for its operations and staff are derived from donations, grants, maintenance fees, and fees for the administration of the TIF.

Downtown activities are currently funded through two primary resources of the DDA's budget—TIF revenues and a two-mill ad valorem tax. It is beyond the scope of our efforts to conduct a financial analysis of the downtown organizations and their funding streams; however, we have examined the TIF and millage revenues and expenditures of the DDA, which were provided to us by DKI. Our cursory examination of the DDA's TIF and two-mill revenues over a 10-year period (2007–2016) shows that these two revenue streams are declining and will shortly be in a negative position. Implementing the recommendations of the Advisory Council and Strategy Team detailed throughout this report will require resources.

Figure 11 shows the stream of revenues and expenditures for the Downtown Development Authority from 2007 to 2016. Over this 10-year period, revenues as well as expenditures declined. Additionally, reserves have also declined, particularly in periods when revenues were positive. It is noteworthy that nearly three quarters of the TIF and millage revenues have been dedicated to debt servicing (e.g., bond payments, property tax appeal rebates, and other debt payments). The reserves from the TIF and millage are insufficient for an organization of this size. Given that fact, it is likely that, not only to stabilize current downtown activities but also to increase the portfolio of activities recommended by the two groups, additional and expanded revenue sources must be identified and developed.

Figure 11: DDA TIF and Ad Valorem Revenues and Expenditures, 2007–2016

THE NEED FOR COORDINATED MANAGEMENT

While the need for coordinated management of downtown activities has grown, funding for the downtown organizations has declined, resulting in the need to cut expenditures so as to keep pace with falling revenues and avoid a negative net balance (Figure 11). The causes stem from a recession-based decline in downtown property values, coupled with limitations imposed by state law in capturing the value of any positive changes to the market and related assessments. Furthermore, funding from the tax increment financing (TIF) of the Downtown Development Authority is spatially bound and only supports part of the areas defined as “downtown” or “near downtown.” This limits any true downtown organization in its ability both to achieve economies of scale and to represent the whole of the downtown.

Improved Funding

To better serve the downtown and its stakeholders, residents, and other constituents, the Advisory Council and Strategy Team identified three ways to increase funding sources: 1) establish a new business improvement district (BID), 2) modify the existing TIF agreement to better capture changes in values within the downtown, and 3) work with anchors and other nonprofits to support the benefits received from the downtown organization through sharing in the costs of providing services.

1. Business Improvement Districts (BIDs)

   The first change in funding would be to expand the base of the funding beyond the DDA to include the area commonly defined as “downtown.” Determining a common geographic definition for downtown would need to involve public, private, residential, and nonprofit constituents, stakeholders, investors, and other relevant parties. This larger base for financing downtown activities could be accomplished through some type of business improvement district. The city, downtown organizations, anchor institutions, and other stakeholders will determine the best structure for the business improvement district (BID), but here we discuss different types of BIDs that could be considered.

A BID allows property owners, merchants, and city officials to collaborate by using the power of tax collection to assess properties to create reliable, multiyear funds for economic development. Funds collected by the BID are used for a variety of functions including maintenance, beautification, marketing, security, and other services, as well as for capital improvements. The roles of the downtown organization are contained in other places in this study, but the Advisory Council and Strategy Team have suggested that the roles mentioned for these somewhat general functions of BIDs are needed in downtown Kalamazoo. The purpose of a BID is to allow for the collective management of a designated area to improve retail, commercial, and industrial outcomes. Lawrence Houstoun (1997, p. 1) writes that "in essence, the program is one of self-help through self-assessment and business-led management."

BIDs are known by a variety of different names across the United States, including "business improvement area" (BIA), "business improvement zone" (BIZ), "business revitalization zone" (BRZ), "community improvement district" (CID), and "special improvement district" (SID). However, the term "BID" can be used interchangeably to signify each of these districts. BIDs (and their variety of namesakes) offer several distinct advantages:

a) They are formed and designed solely by those who pay the assessment to fund them.

b) They are governed by a board composed of property and business owners who directly benefit from the creation of the BID.

c) They are established for a predetermined number of years, after which approval is required to renew the BID.

Michigan Public Act 120 of 1961 enables cities to create BIDs, principal shopping districts (PSDs), and business improvement zones (BIZs). These areas are created for a predetermined period (up to seven years) and subject to reapproval by vote of property owners. Each has different requirements. PSDs require a minimum of 10 retail businesses and must be created within the municipality. BIDs require a contiguous area of predominantly commercial or industrial use and may span municipalities. BIZs require a petition driven by at least 30 percent of the property owners within a zone plan and must be created within either a city or village. More than one BIZ can be created within a city or village; however, there are limitations in terms of the combination of each that may exist (MEDC 2016a).

BIDs are administered by a governing board, which must include a representative of the local government (appointed by the chief executive officer of the local government). Other members of the board can be nominees of businesses or property owners within the BID. Each local government determines the number of board members. BIDs may be financed through grants and gifts, local governmental unit funds, the issuance of revenue and general obligation bonds of the local government (which, however, may not be used for administrative costs), special assessments against land or interests in land or both, and other sources.

The most recent national survey of business improvement districts (BIDs) identified four major areas in which BIDs were involved: 1) marketing and hospitality services, 2) public space maintenance, 3) security services, and 4) public space management. The survey found that 93 percent of all BIDs surveyed provided some form of marketing and hospitality services (e.g., marketing/advertising campaigns, festivals, events, maps and area information, holiday decorations, street guides or ambassadors, and tourism kiosks), which is one of the recommendations the two groups made regarding business retention and attraction (Becker 2008).

The BID in Holland, Michigan, for example, is responsible for the marketing of an annual sidewalk sale, which helps to promote businesses downtown. In Brooklyn, New York, the BID works to promote the district through its website and social media networks, as well as through providing workshops for businesses.

The survey found that 74.4 percent of the BIDs conducted public-space maintenance activities, which was another of the recommendations made by the two groups. Members of the two groups placed significant importance on the maintenance of downtown through services such as litter and graffiti removal, sidewalk washing, snow shoveling, grass and tree cutting, flower plantings, streetscapes, lighting and street furniture installation, directional signage, and rubbish collection. Grand Rapids, Michigan, for example, planted 126 trees to achieve a 10 percent tree canopy downtown. Cleveland, Ohio, combined public space maintenance with social services by creating the SEEDS Workforce Readiness Program, which provides specialized training in landscaping and urban gardening to men transitioning out of homelessness (DCA 2016).

The survey found that 52.3 percent of BIDs provided security services. These included ambassadors or other nonuniformed officers, community policing programs, private uniformed security guards, and electronic security cameras. Some of these services, such as ambassadors, were recommended by the two groups. In Grand Rapids, uniformed ambassadors are trained as social service outreach professionals, capable of responding to concerns about public drunkenness, loitering, and homelessness in a swift and respectful manner. Portland, Oregon, employs both private security patrols and bike patrols for its downtown, in cooperation with the Portland Police Department.

The survey also revealed that 45.8 percent of BIDs carried out public space management activities, including the development and enforcement of urban design/facade guidelines, management of street performances and artists, management of loitering, sidewalk vending management, and code compliance. Philadelphia installed LED fixtures to light the facades of a dozen historical buildings. This type of service was a lower priority of the two groups, but should be considered in the portfolio of services.

Overall, BIDs intend to build effective partnerships between property owners, businesses, and the city government to create safe, clean, vibrant communities. They do so by coordinating programs that serve to promote and enhance the designated area served by the BID, and that provide communities with an effective tool to enhance public spaces and support the local economy. Table 3, below, outlines details of the Grand Rapids, Holland, East Lansing, and Ann Arbor BIDs, and Table 4 depicts the assessment formulas for each.

Table 3: Description of Grand Rapids, Holland, East Lansing, and Ann Arbor BIDs

	Grand Rapids	Holland	East Lansing	Ann Arbor
Year founded	2000	2008	1997	2010
Size	15 blocks	200 businesses	165 businesses	54 businesses
Funding	Special assessment	Special assessment	Special assessment	Special assessment
Type of zone	BID	PSD	PSD	BIZ
Budget	$450,000	$100,000	$45,150	$311,538
Services provided	Maintenance and beautification (example: snow removal, planters) Marketing and promotion; limited special events	Market research; public relations campaigns	Marketing and promotion; monthly newsletter; business retention visits	Maintenance and beautification (example: snow removal, planters)

Table 4: Formulas for Calculating BID Assessments

Grand Rapids BID assessment formula (multipliers are represented in parentheses):

0.3 × (property area / total property area in district) + 0.3 × (property street frontage / total street frontage of district) + 0.3 × (property building area / total building area in district) + 0.1 × (property parking area / total parking area within district)

Holland PSD assessment formula:

- Core zone: First-floor properties are assessed at $0.17 per square foot; other floors are assessed at $0.06 per square foot.
- Transition zone: First-floor properties are assessed at $0.15 per square foot; other floors are assessed at $0.06 per square foot.
- Edge zone: First-floor properties are assessed at $0.12 per square foot; other floors are assessed at $0.06 per square foot.

East Lansing assessment formula:

- Properties with assessed values of up to $99,999 are “capped” at a maximum assessment of $2,500 per year; properties with assessed values greater than $100,000 are capped at $4,000 per year of PSD assessment.
- Basement-floor area: $0.04 per square foot
- First-floor area: $0.08 per square foot
- Second-floor area: $0.05 per square foot
- All other floors: $0.03 per square foot

Table 4 (continued)
Ann Arbor assessment formula: The BIZ assessment formula establishes a fixed assessment percentage for each commercial property in the BIZ zone based on the number of lineal feet of sidewalk abutting that property and the number of square feet of commercial area in the building on that property. Direct benefit costs ÷ total linear feet = cost/linear foot. For Year One of the estimated BIZ budget, the formula would be as follows: $70,000 of direct benefit cost ÷ 3,349 total linear feet = $20.90/linear foot. Common benefit costs ÷ total commercial square feet = cost/commercial square foot. For Year One of the estimated BIZ budget, the formula would be as follows: $48,852 of common benefit cost ÷ 575,998 total commercial square feet = $.0848/commercial square foot. Example: Property A has 45 linear feet and 7,500 square feet of commercial space. The assessment rate would be calculated as follows: 45 linear feet × $20.90 = $941 (59% of total); 7,500 commercial square feet × $0.0848 = $636 (41% of total). Total assessment for Property A = $1,577. Assessment formula: (% that Property A pays to the total assessment of $118,847) = 1.3%.

2. Tax Increment Financing (TIF)

   Tax increment financing is a standard financing tool that redistributes tax revenue from across a region to benefit a defined submunicipal district. TIF revenues come from property taxes generated from real estate investments, infrastructure development, community improvement projects, or other place management or economic development activities. A TIF authority is governed by a board and typically managed by the city in which it resides or an independent local organization. Downtown Development Authorities (DDAs) are TIF authorities, and Michigan has provisions for 11 different TIF authorities. Many cities, villages, and townships are home to DDAs.

   DKI administers the DDA in downtown Kalamazoo, and the TIF revenue generated in the district is the primary source of funding for DKI. In 1988, the DDA entered into an agreement with Kalamazoo County, the Kalamazoo Public Schools, Kalamazoo Valley Community College, and the Kalamazoo Valley Intermediate School District (now Kalamazoo Regional Educational Service Agency) to capture their tax increment revenues. In 1992, the Kalamazoo Public Library was added to the taxing jurisdictions subject to capture.

   The agreement between the taxing jurisdictions and the DDA severely limits the DDA's ability to capture revenue; presumably, the taxing jurisdiction intended to limit the capture as a condition of its participation. The exclusions of capture enumerated in the agreement are as follows:

   - Voted debt millages
   - Personal property tax increment revenues (except the revenues generated from the school district levy; those revenues were placed in a special fund)
   - Revenues generated from the reinstatement of tax abatements

- 20 percent of "major new development"
- Revenue generated from natural or inflationary growth in the tax base

Other DDAs in Kalamazoo County collect tax increment revenue without similar restrictions. These restrictions leave the City of Kalamazoo DDA with limited opportunities to generate revenue. Essentially, the DDA is limited to capturing and retaining 80 percent of the tax revenue generated by "major new development," which consists of improvements to private property that increase the assessed value by at least 10 percent.

The impact of the DDA is severely hindered by the restrictions on the potential tax increment revenue listed in the agreements with its taxing jurisdictions. These restrictions may have a perverse effect: The restriction may lead the DDA to focus its efforts on activities that would primarily attract major new development rather than activities that benefit the whole of downtown.

To appropriately fund the recommendations from the two groups detailed in this report, the DDA should consider amending its agreement with the applicable taxing jurisdictions and expanding its service boundaries. Easing the existing restrictions placed on its current capture of tax increment revenue and expanding its service boundaries would broaden its revenue generation potential and provide services to areas of the city that need additional place-making programming (e.g., the River's Edge District). A first step would be to petition the City of Kalamazoo, Kalamazoo County, KRESA, Kalamazoo Public Schools, and the Kalamazoo Public Library to amend or completely replace the agreement with these entities that governs collection and disbursement of tax increment revenue generated in downtown Kalamazoo. The amended agreement would allow the DDA to appropriately capture increased tax revenue that may reasonably stem from its programming or initiatives—that is, minor increases in assessed property tax values that are presumably the result of DDA actions. Furthermore, the DDA could request a more streamlined tax increment revenue-sharing scheme. In many other communities, a TIF authority and the taxing jurisdictions that contribute to it share the total revenue on a pro rata basis (i.e., the DDA could retain 80 percent of all tax increment revenue and distribute 20 percent based on millage rate). This is a less nuanced approach than that which currently exists, but it would eliminate any perverse incentives to focus on projects that more positively impact DDA revenue generation.

3. Share in the costs of providing services

In many places, nonprofits such as churches, schools, and medical facilities are not included in the property tax rolls. In such cases, these institutions are "free riders" that consume public benefits, both from the city and from any changes made to the downtown environment caused either by positive actions of the downtown organizations or by any negative actions from an organization unable to fulfill its mission because of a lack of funding. Nearly 20 percent of developable land in Downtown Census Tract 2.01 is tax exempt. Public finance theory suggests there are two principles that define how public and quasi-public goods should be funded. The first is the "ability-to-pay principle." This is the foundation of the progressive income tax system, at least at the federal level. In this case, those who are able to pay should support the provision of these goods. The second is the "benefit principle," meaning those who benefit should pay for public goods.

It is arguable that one or both principles may apply to some downtown anchor institutions and stakeholders. Given that, a suggestion that some form of contribution to help support public services be negotiated between the downtown organization and the interested parties surfaced in discussions with the Advisory Council and Strategy Team. The intent of the contribution is help fund activities that the anchors and stakeholders consider important, and activities from which they benefit but to which they are not currently contributing.

The City of Kalamazoo does not currently have an income tax for either commuting workers or residents. Other cities in Michigan, such as Grand Rapids and Ann Arbor, do have such income taxes and thus benefit from economic growth outside of recovery through changes in property values. In other states, local governments are funded by sales taxes, but this is not the case in Kalamazoo. So neither income nor sales tax collected in the downtown could or would directly benefit downtown activities, and the inability of the city to capitalize on growth from these two funding streams prevents the city from supporting a downtown organization with additional funding.

It is possible, although outside the scope of this study, to estimate the value of revenues to BID and TIF districts from the tax-exempt parcels. It is not suggested that the tax-exempt institutions pay equally with their nonexempt neighbors, but that some level of contribution be considered to support continued growth downtown. This should be negotiated on a case-by-case basis and likely in confidence.

FUNCTION OF A DOWNTOWN MANAGEMENT ORGANIZATION

A downtown management services organization could coordinate and manage the duties and responsibilities relative to the other five recommendations identified by the Advisory Council and Strategy Team through the Urban Growth Initiative: 1) Business Recruitment and Retention; 2) Infill to Meet Residential Demand; 3) Large-Scale, Transformative, Mixed-Use Development; 4) Improve Mobility; and 5) Healthy Living District. Our case-study research indicates numerous possible functions for successful coordination and management; unfortunately, current resources and funding limit the breadth of activities a downtown management organization could effectively accomplish.

The first recommendation, Business Recruitment and Retention, was identified as the most important function of a downtown management organization, both through research and through stakeholder input. The downtown management organization could support multiple activities identified by the two groups as having a positive impact through business recruitment and retention activities—market research and analysis, business development and navigation, business advocacy and support, grant writing and grant development, branding and marketing, event management, wayfinding, space management/maintenance, and business recruitment (see the Business Recruitment and Retention section of this report). Again, current funding and resources limit the ability of a downtown management organization to effectively execute all identified business recruitment and retention activities. Research and stakeholder input indicate that the activities and functions that would have the greatest impact on business recruitment and retention are the execution of a targeted business recruitment strategy, advocacy and support for existing businesses, and the development and execution of a branding and marketing strategy. We discuss each of these in turn.

Business Recruitment Strategy

The downtown management organization should play the lead role in the development and execution of a targeted business recruitment strategy, which should drive the vision for the greater downtown. The strategy should be attentive to business occupancy and draw in new businesses and people. The downtown management organization should be the point of contact for developers and businesses interested in locating in the greater downtown area. As the point of contact, the downtown management organization should function as a "navigator," with the ability to walk developers through the city's permitting process. The downtown management organization should also work closely with the City of Kalamazoo to streamline the permitting process and ensure responsiveness to the needs of developers.

It is critical that the downtown management organization ensure that the appropriate talent is recruited and in place to accomplish this critical function. The individual in this role should have extensive business acumen and experience in recruiting and working with small and medium-sized businesses. The ideal candidate should also possess demonstrated experience in working effectively with government entities to meet the needs of business and development.

The City of East Lansing, Michigan, for example, provides a varied portfolio of business recruitment and retention services for the downtown. Hoping to draw entrepreneurial activity to the downtown, the East Lansing Downtown Development Authority invested in the East Lansing Technology Innovation Center, a business incubator for technology start-ups and professionals. The DDA also created a recruiting video showcasing the attributes to developing and locating in downtown East Lansing.

Berkeley, California, sets a good example for recruiting and retaining downtown businesses. The City of Berkeley focuses on securing anchor retail tenants for its downtown, and the city works with its anchors to develop new partnerships to house technology, research, and other University of California–Berkeley job-producing spin-offs in the downtown. Downtown Berkeley additionally works with existing property owners and businesses to develop flexible leasing approaches for "pop-up" businesses and entrepreneurs seeking space to test their products within the downtown market.

Advocacy and Support for Existing Businesses

The downtown management organization should develop strong relationships with existing greater downtown area businesses. The organization should be attentive to the needs of both small and medium-sized businesses, as well as to the greater downtown anchor institutions—Bronson Methodist Hospital, the Homer Stryker Medical School, Kalamazoo Valley Community College, Kalamazoo College, and others. Support should include ongoing and regular conversations initiated by the downtown management organization to ensure that the diverse needs of small and medium-sized businesses and anchor institutions are heard and addressed. The downtown management organization should develop the infrastructure for collecting and distributing information helpful to downtown-area businesses, including consumer insight reports, rooftop analyses, co-tenancy analyses, commercial property inventory information, and future trends and projections. The downtown management organization should convene meetings regularly with downtown businesses to strategically discuss branding, marketing, events, and other topics.

The City of Ann Arbor's Downtown Development Authority supports and informs its businesses through a variety of ways. The Ann Arbor DDA communicates downtown changes and progress to its businesses by conducting and publishing studies on parking, transportation, and planning relative to the downtown; by issuing semiannual reports on the health and changing dynamics of the downtown; and by annually developing a State of the Downtown report. The organization has also developed a Partnership Grant Program to assist private developers with installing infrastructure improvements downtown, and it provides grants to downtown businesses to aid with graffiti cleanup.

Another example of support for downtown businesses is with the community neighborhood of Auburn Gresham, which is part of Chicago. That city neighborhood developed a technology lab where downtown business owners can build and improve on technology skills (e.g., using business and accounting software and databases), bank online, use e-commerce tolls, accept secure online customer payments, and engage through social media. Auburn Gresham also offers business assessment, consulting, and strategy development services for its downtown businesses.

Development/Execution of a Branding and Marketing Strategy

The downtown management organization should play the lead role in the development and administration of a branding and marketing strategy to promote the downtown core as both a destination and an experience. This begins with identifying and developing a "brand" for the downtown and using multiple avenues for communicating that brand. It is also necessary to create a brand for the organization. The marketing strategy should maintain an awareness of and seek to promote all that is new downtown, while not neglecting downtown anchors and legacy businesses. The strategy should include a mechanism for communicating with and supporting area retailers.

The City of Holland, Michigan markets its downtown with guides for dining, shopping, lodging, and events; coupon booklets with discounts to downtown businesses and events; member newsletters; and by promoting downtown events such as the Tulip Festival, sidewalk sales, concerts, and public cultural arts programs. The City of Brooklyn, New York maintains a comprehensive district marketing and promotional website with social media connections for downtown businesses and visitors, and it manages an e-mail list server where merchants share information on safety and security issues, contractor recommendations, marketing opportunities, grants, and other topics. The city also conducts workshops on topics of interest to downtown merchants.

Midtown Detroit Inc. capitalized on its name as a brand for the geography of the Midtown Detroit neighborhoods. Catch phrases such as "Shop Midtown," "Dine Midtown," "Live Midtown," and "Work Midtown" are embossed on all informational materials—both online and in print. University Circle Inc. in Cleveland is well branded and known both within and outside of Cleveland as the University Circle district (University Circle 2017). All marketing efforts and media—online and off-line—cite living, working, and playing in "the Circle" as a destination. Even some strategically placed public art depicts this brand.

The growth, development, and maintenance of a healthy and thriving downtown requires a stable and active downtown management organization. Funding to support Kalamazoo's downtown organization has been in decline for many years, and as such, the current structure and activities cannot be maintained. Recommendations have been made to establish a new business improvement district, modify the existing tax increment financing agreement, and expand the boundaries of the DDA. The primary function of a downtown management organization should be those activities that support the recommendations, with business recruitment and retention as the top priority.

CONCLUSION

Kalamazoo needs a strong advocate that focuses on downtown businesses, as well as on the interests of residents and visitors. The continued support of Downtown Kalamazoo Inc. (better known as DKI) will allow for the growth of all three constituencies in the downtown. While other areas of this report deal with recommendations on programs and policies to achieve such growth, this section addresses the structure and funding for DKI.

First and foremost, a long-term strategy that provides DKI with consistent and reliable funding needs to be in place. For this recommendation to occur, it is necessary to create a Business Improvement District in the downtown, as well as to expand the tax-capture area and change the rules for tax capture for the Downtown Development Authority.

With stable support for DKI, staff can be put in place to help attract and retain businesses. Additionally, a brand can be developed as part of a marketing campaign to attract all three constituencies. Such funding can also support staff to help both businesses and residents navigate the systems currently in place, which is necessary to both live and work in the City of Kalamazoo.

Table 5: Business and Development Organizations That Support Downtown Initiatives			
Who provides services?	What services are provided?	Geography served	How funded?
Arts Council of Greater Kalamazoo	Promotion of arts and culture through events and grants	Kalamazoo	Donations and membership fees
Brownfield Redevelopment Authority	Brownfield redevelopment, economic development planning	City	Local site remediation revolving fund, federal, TIF
City of Kalamazoo	Governance, services, business retention, zoning, permitting, speed occupancy, public safety, infrastructure support, roads, plowing, garbage, development incentives, planning	City	Private donations, federal, state, ad valorem taxation, service fees
City of Kalamazoo Historic Preservation Commission	Historic preservation, development	City	Funded through city activities, membership dues, application fees, fund-raising, foundation grants, U.S. historic preservation funds
City of Kalamazoo Parks Department	Park maintenance, event support, recreational services, beautification	City	Taxes, state, federal
Disability Network Southwest Michigan	Connect people with disabilities to resources, mobility	Southwest Michigan	Federal and state grants, donations, contract services, program service fees
Discover Kalamazoo	Convention and tourism advocacy	Kalamazoo County	Bed taxes
Downtown Development Authority	Parking, maintenance, beautification, seasonal décor, branding, capital investments, debt services, legal, financial, policy, community development	Central city	TIFF and millage, parking fees
Downtown Kalamazoo Inc.	Marketing, promotion, parades, special events, minor maintenance, grants, management of downtown activities, community development, economic development	Central city, but larger than DDA	Millage, pass-through from DDA
Downtown Kalamazoo Restaurant and Retail Association	Business advocacy, event hosting, communications network	Downtown	Membership dues
Downtown Tomorrow Inc.	Property holding company, strategic development, real estate, redevelopment	Downtown	Private donations and programmatic revenue
Kalamazoo Bike Club	Bike lanes, event development, safety events, recreation	County	Membership dues, event fees
Kalamazoo Community Foundation	Community development	Greater Kalamazoo	Trust
Kalamazoo County	Infrastructure support	County	State and federal, bonding capacity

Table 5 (continued)			
Who provides services?	What services are provided?	Geography served	How funded?
Kalamazoo County BRA	Brownfield redevelopment	County	Local site remediation revolving fund, federal, TIF
Kalamazoo County Land Bank	Amass and redevelop parcels, development, redevelopment	County	Private donations, federal and state, property taxes
Kalamazoo County Parks Department/ Foundation	Nonmotorized trail maintenance and development, recreation	County	Taxes, state, federal
Kalamazoo County Transit Authority	Fixed route and on-demand service, transportation	County	Property tax millage, federal and state transit funds, fare revenue
Local Initiatives Support Corporation (LISC)	Community development	County	Federal, local fundraising
MDOT	Transportation, public transit, rail, roads, nonmotorized infrastructure, economic development, community development	State	State and federal, gas tax, service fees
Michigan Works Southwest!	Workforce development	Kalamazoo, Branch, St. Joseph, and Calhoun counties	Federal
People's Food Co-op	Farmers' market	City	Fees and city support
PTAC	Business development, training	Southwest Michigan	Federal
Small Business Development Center	Counseling, training, secondary research services to promote business start-up, growth, innovation, and product diversification	Regional	Federal (US SBA), State (MEDC)
Southcentral Michigan Planning Council	Planning, access to EDA funding, economic development	Kalamazoo, Branch, St. Joseph, and Calhoun counties	Local municipal support
Southwest Michigan First	Projects of scale in exportable goods and services, business recruitment, economic development	Regional	Private member contributions
Startup Zoo/Pitch Zoo	Entrepreneurial support network	Greater Kalamazoo	No funding—this is a vehicle to "pitch" entrepreneurial ideas to audiences for feedback
TED (MEDC)	Scale economic development activities, business attraction and retention, workforce development, mobility	State	State Michigan Strategic Fund
TED (MSHDA)	Housing and urban development incentives	State	State and federal
Foundation for Excellence	Community development	City	Private donations

Table 6: Organizations and Activities Focused on Downtown Kalamazoo

Organizations and Activities Focused on Downtown Kalamazoo / Who provides services?	Arts Council of Greater Kalamazoo	Brownfield Redevelopment Authority	City Historic Preservation Commission	Disability Network Southwest Michigan	Discover Kalamazoo	Downtown Development Authority	Downtown Kalamazoo Inc.	Downtown Kalamazoo Restaurant and Retail Association	Downtown Tomorrow Inc.	Kalamazoo Bike Club	Kalamazoo City	Kalamazoo City Parks Department	Kalamazoo Community Foundation	Kalamazoo County	Kalamazoo County BRA	Kalamazoo County Land Bank	Kalamazoo County Parks Department/Foundation	Kalamazoo County Transit Authority	Local Initiatives Support Corporation (LISC)	MDOT	Michigan Works Southwest!	Peoples Food Co-op	PTAC	Small Business Development Center	Southcentral Michigan Planning Council	Southwest Michigan First	Start Up Zoo/Pitch Zoo	TED (MEDC)	TED (MSHDA)	The Foundation for Excellence
Arts & Culture	■																													
Beautification						■	■					■																		
Brownfield Redevelopment		■													■															
Business Advocacy								■																		■				
Business Development																							■	■		■				
Business Recruitment																										■		■		
Business Retention											■															■		■		
Business Start-up																								■						
Community Development						■	■						■						■	■					■					■
Development (Real Estate)									■							■														
Economic Development		■					■													■					■	■		■		
Entrepreneur Support																											■			
Events							■	■																						
Farmers Market																						■								
Financial						■																								■
Governance											■																			
Historic Preservation			■																											
Housing																													■	
Infrastructure											■			■						■										
Legal						■																								
Maintenance						■	■				■	■					■													
Management							■																							
Marketing						■	■																							
Mobility				■																■										
Planning											■									■					■					
Policy						■																								
Recreation										■		■					■													
Redevelopment									■							■														
Safety											■																			
Services							■				■																			
Tourism					■		■				■																			
Training																							■	■						
Transportation																		■		■										
Workforce Development																					■					■		■		

Appendix A
UGI Leadership Groups and Roles

ADVISORY COUNCIL

The Advisory Council of the Urban Growth Initiative is cochaired by Kalamazoo City Manager Jim Ritsema and by Ken Miller, Chief Executive Officer/Partner of the Millennium Restaurant Group. The Advisory Council is comprised of CEO-level leaders from the public, private, and philanthropic sectors. This includes anchor institutions, major downtown employers, foundations, and local government. The Advisory Council reviewed the work of the Strategy Team, the Upjohn Institute, and various outside consultants, and provided high-level strategic guidance. The Advisory Council is tasked with building community support for the Urban Growth Initiative, and with fostering organizational alignment around jointly developed shared goals.

Expectations

- Review and comment on materials, studies, and reports provided.
- Attend joint kickoff meeting with Strategy Team, providing input to help further shape direction and scope of the Urban Growth Initiative process.
- Attend not more than six meetings to review progress.
- If possible, attend Detroit tour exploring strategies, partnerships, and organizations that have transformed Downtown and Midtown Detroit.
- Serve as advocate and resource builder for Urban Growth Initiative.
- Accountable for implementation of the plan.

Advisory Council Members

Jim Bridenstine, *Chair, Downtown Kalamazoo Inc.*
Lonny Carpenter, *Group President, Global Quality & Business Operations, Stryker*
John Dunn, *President, Western Michigan University*
Jim Escamilla, *President/CEO, Byce & Associates*
John Faul, *Deputy County Administrator, Kalamazoo County*
Jorge Gonzalez, *President, Kalamazoo College*
Bobby Hopewell, *Mayor, City of Kalamazoo*
Bill Johnston, *Chairman, Greenleaf Trust*
Ken Miller, *CEO/Principal Partner, Millennium Restaurant Group*
Bill Parfet, *Executive Chairman, inviCRO*
Don Parfet, *CEO, Apjohn Group LLC*
Carrie Pickett-Erway, *President/CEO, Kalamazoo Community Foundation*
Jim Ritsema, *City Manager, City of Kalamazoo*
Frank Sardone, *President/CEO, Bronson Methodist Hospital*
Marilyn Schlack, *President, Kalamazoo Valley Community College*
Belinda Tate, Director, *Kalamazoo Institute of Arts*
Von Washington Jr., *Executive Director, Kalamazoo Promise*
Kathy Young, *President/CEO, Borgess Medical Center*

STRATEGY TEAM

The Strategy Team comprises practitioners from economic, community, and downtown development, urban planning and design, anchor institutions, philanthropy, and other sectors. Andrew Haan, president of Downtown Kalamazoo Inc., served as chair of the Strategy Team. The Strategy Team engaged with community stakeholders, developed models for the integration of Urban Growth Initiative principles into local institutions, reviewed national best practices, and worked with Upjohn Institute staff to develop detailed action plans.

Expectations

- Attend joint kickoff meeting with Advisory Council, providing input to help further shape the direction and scope of the Urban Growth Initiative process.
- Attend 1–2 meetings per month over the duration of the process.
- Potentially be assigned to topical subcommittees as the process develops.
- Attend Detroit tour exploring strategies, partnerships, and organizations that have transformed Downtown and Midtown Detroit.
- Serve as community ambassadors for the Urban Growth Initiative.

Strategy Team Members

Joe Agostinelli, *Associate Vice President, Southwest Michigan First*
Sonali Allen, *Sr. VP, Compliance & Community Development Officer, Mercantile Bank*
Anne Armstrong-Cusack, *Associate Director, Michigan Office of Urban Initiatives*
Jeff Chamberlain, *Deputy City Manager, City of Kalamazoo*
Bob Cinabro, *Board Member, Downtown Kalamazoo Inc.*
Kelly Clarke, *Executive Director, Kalamazoo County Land Bank*
Mike Collins, *Vice President, College & Student Relations, Kalamazoo Valley Community College*
Greg Diment, *Chief Information Officer, Kalamazoo College*
David Feaster, *Community Investment Manager, Kalamazoo Community Foundation*
Andrew Haan, *President, Downtown Kalamazoo Inc.*
Karen Joshua-Wathel, *Associate Dean of Students, Kalamazoo College*
Rebekah Kik, Director, *Community Planning & Development, City of Kalamazoo*
Jerome Kisscorni, *Assistant City Manager/Economic Development Director, City of Kalamazoo*
Laura Lam, *Assistant City Manager, City of Kalamazoo*
Chris Lampen-Crowell, *Owner, Gazelle Sports*
Jason Latham*, Region Planner, Michigan Department of Transportation*
Bob Miller, *Associate Vice President, Western Michigan University*
Greg Milliken, *Real Estate Specialist, Bronson Methodist Hospital*
Derek Nofz, *Associate Vice President, Southwest Michigan First*
Patti Owens, *Managing Director, Catalyst Development*
Emily Petz, *Community Assistance Specialist, Michigan Economic Development Corporation*
Doug Phillips, *Business Development Manager, Walbridge*
Tom Shuster, *Owner, Shuster Electric*
Ryan Simpson, *Economic Development Coordinator, City of Kalamazoo*
Carol Skowronski, *Director of Business Development, Borgess Medical Center*
Doug Smith, *Group CFO, Stryker*
Greg Taylor, *Principal, Phoenix Properties*
Chuck Vliek, *Executive Director–Michigan, Local Initiatives Support Corporation*
Mike Way, *Senior Vice President, Supply Chain, Facilities, & Real Estate, Bronson*

Appendix B
Michigan Economic Development Tools and Options for Businesses

The state of Michigan offers several economic development incentives and tools to assist new and existing businesses. These tools vary from financing and funding options to industrial tax abatements and industrial tax capture districts. Several of these tools and programs could be applied to the six recommendations that evolved through a consensus-building process with key community stakeholders. Of the 37 programs described here, 21 of these could assist with the recommendations of the Urban Growth Initiative:

- Agribusiness Financing Programs (e.g., loan enhancement, collateral support, district loans and loan participation, equity investment)
- Agricultural Processing Renaissance Zone
- Brownfield Program
- Business Improvement District/Principal Shopping District/Business Improvement Zone
- Capital Access Program
- Commercial Redevelopment Act (Public Act 255)
- Commercial Rehabilitation Act (Public Act 210)
- Downtown Development Authority
- EB-5 Regional Center
- Energy Efficiency and Renewable Energy Loans for Michigan Businesses
- Historic Neighborhood TIFA
- Michigan Community Revitalization Program
- Michigan Redevelopment Ready Communities Program
- Michigan SmartZones
- Neighborhood Enterprise Zone
- Neighborhood Improvement Authority
- Obsolete Property Rehabilitation Act
- Private Activity Bond Program
- Redevelopment Liquor Licenses
- Small Business Association Programs (e.g., 7[A] Loan Guaranty Program, SBA Express, CAPLines, Export Working Capital Program, SBA Certified Development Company [504] Loans)
- Taxable Bond Financing

Although this is an exhaustive representation of the state's economic development offerings, there may be other programs offered within Michigan that are not mentioned here. It is important to note that, while some programs may complement each other (such as agribusiness financing and Small Business Administration support), others may rely on tax capture. Because taxes may only be paid and collected once per cycle, a choice may need to be made between competing programs.

Where possible and appropriate, suggestions are included on how these programs could be used to support activities based on the recommendations of the stakeholders. Also included are data and recommendations from the Gibbs Planning Group retail market analysis.

ECONOMIC DEVELOPMENT TOOLS AND PROGRAMS

Agribusiness Financing Programs

The Michigan Department of Agriculture and Rural Development (MDARD), in partnership with the Michigan Economic Development Corporation (MEDC), offers multiple programs to help support the financing and growth of agricultural businesses in the state of Michigan:

- **Loan Enhancement**. MDARD and MEDC offer loan enhancement assistance to help businesses gain access to financing through private lenders, including banks and credit unions. The programs are designed to enhance a borrower's financial position to meet standard loan requirements.
- **Collateral Support**. This program is designed to help borrowers overcome deficiencies in the value of loan collateral to assist lenders in meeting regulatory compliance while allowing borrowers with insufficient or unvalued assets to obtain loans at near market rates.
- **Direct Loans and Loan Participation.** These programs are designed to provide debt service relief through delayed payments for expansions or capital restructuring projects. The loan participation program can purchase a portion of a private loan, and can delay a portion of interest and principal payments for up to 36 months. This lending program "frees up cash flow," allowing applicants to reinvest in the business or develop and grow in new markets.
- **Equity Investment**. Public dollars have been invested into nearly 30 venture capital, private equity, and mezzanine funds, which are now actively investing in Michigan companies. Some of these firms are interested in opportunities in the agriculture industry.

How could these programs be applied to UGI objectives?

These programs may be useful in supporting a "public market" in the downtown or in a Healthy Living District. The creation of a public market is also a recommendation from the city-commissioned retail study. The goal of a public market is to provide vendor space to a variety of local suppliers, including bakeries, cheese shops, and meat markets, that provide both locally sourced and healthy food options to the community. Such a market would need funding for a planning study, infrastructure, facility construction, facility management, and vendor assistance. The U.S. Department of Agriculture (USDA) and the U.S. Small Business Administration (SBA) may also be leveraged to create economies of scale with Michigan-based incentives.

Agricultural Processing Renaissance Zone (APRZ)

Agricultural Processing Renaissance Zones (APRZ) were created to promote agricultural processing operations in the state of Michigan and to enhance the agricultural industry overall. These APRZs differ from Michigan's original renaissance zones because they are required to contain an agricultural processing facility and can be located anywhere in the state. In addition, the benefits of an APRZ apply only to the operations of the designated company within the geographic boundaries of the zone. Eligible facilities or operations transform, package, sort, or grade livestock or livestock products, agricultural commodities, or plants or plant products (excluding forest products) into goods used for intermediate or final consumption (including goods for nonfood use and surrounding property). An APRZ provides eligible companies with tax exemptions such as the state education tax, personal and real property taxes, and local income tax, where applicable.

How could these programs be applied to UGI objectives?

Kalamazoo Valley Community College and Bronson Methodist Hospital have been collaborating on both food processing and the local sourcing of food products. This type of incentive could be useful in attracting additional investors (including for-profit investments) as collaborators to a Healthy Living District. These entities could provide value-added products and services, as well as offer potential job opportunities. The dilemma with such a zone is that, while it may create growth, it also abates new taxes and limits the amount of return to the city. Depending on where such a zone is created, the tax capture through a tax increment financing district (TIF) or business improvement district (BID) may already be in place and thus limit benefits.

Brownfield Program

The Brownfield Program (Public Act 381) uses tax increment financing (TIF) funds to reimburse brownfield-related costs incurred while redeveloping contaminated, functionally obsolete, blighted, or historical properties. It is also responsible for managing the Single Business Tax and Michigan Business Tax Brownfield Credit legacy programs (SBT/MBT Brownfield Credits). The Brownfield Redevelopment Authority (BRA) is the local jurisdiction entity that manages the development of brownfield plans.

Eligible brownfield program uses under TIF include demolition, lead and asbestos abatement, site preparation, infrastructure improvements, and assistance to land banks and local government units. Program uses eligible under the legacy SBT/MBT Brownfield Credits include demolition, lead and asbestos abatement, building renovation, new construction, and purchased or leased equipment. Program highlights include the reimbursement of costs using state school taxes (School Operating and State Education Tax) for nonenvironmental eligible activities that support redevelopment, as well as revitalization and reuse of eligible property.

Two additional eligible activities are available in any qualified local government unit or on property owned by a land bank: 1) site preparation and 2) infrastructure improvements. Land banks may also be reimbursed for costs related to conveying and managing property in their possession. The nonenvironmental program generally targets industrial site reuse and urban development with mixed-use components.

How could this program be applied to UGI objectives?

Given that this study was funded by the Kalamazoo Brownfield Redevelopment Authority, it is likely that the client is familiar with this type of funding. Much like other abatement-based zones, parts of the downtown are already in a TIF district, and the capture of these additional revenues in those areas isn't possible. However, in other areas of the downtown, a TIF district could be applied. One of the most important uses is to apply TIF tax capture to fund the renovation of functionally obsolete buildings (e.g., funding for HVAC, electrical, plumbing, and other code issues that would help to bring the buildings up to current standards).

Business Improvement District | Principal Shopping District | Business Improvement Zone

Through the provisions of Public Act 120 of 1961, cities, villages, and urban townships may create a business improvement district (BID) or a principal shopping district (PSD) to promote economic development within a defined area of a municipality. A BID/PSD allows a municipality to collect revenues, levy special assessments, and issue bonds to address the maintenance, security, and operation of that district. A provision under Chapter 2 of the act allows a business improvement zone (BIZ) to be created by private-property owners of those parcels in a zone plan within a city or village. A BIZ may levy special assessments to finance activities and projects outlined within a zone plan for a period of 10 years.

How could these programs be applied to UGI objectives?

Both this study and the city-commissioned retail study propose that a business improvement district be created for the downtown. This would require a vote of stakeholders to tax themselves for a common benefit. This will likely be essential to funding the recommendations of this study (as well as the retail study) for providing navigation, marketing, real estate, and other services needed to help the downtown reach its potential.

Capital Access Program

The Capital Access Program (CAP), administered for the Michigan Strategic Fund (MSF) by the Michigan Economic Development Corporation (MEDC 2016b), is an innovative program available to assist businesses with capital needs. The CAP uses small amounts of public resources to generate private bank financing, providing small Michigan businesses with access to capital that might not otherwise be available.

How could this program be applied to UGI objectives?

Given the focus on small business, it would be useful to coordinate with the Small Business Development Center (SBDC) on Western Michigan University's campus to access these funds, where appropriate. The public market concept could be supported here by working with a group of businesses interested in offering goods and services at the market. It is possible that economies of scale could be reached if the state, SBA, SBDC, philanthropic partners, and private lenders came together to advance the market concept.

Certified Business Parks

The Certified Business Park (CBP) program is administered by the Michigan Economic Developers Association (MEDA) and the Michigan Economic Development Corporation (MEDC). CBP is a marketing tool for industrial park developers and communities. Eligible developments must have a set of protective covenants in place that address compatible zoning uses allowed, type and style of building, building materials, landscaping, parking, screened outdoor storage, location of loading docks, setback specifications, sign control, and continuous management of a park by municipality, major property owners within a park, or developer of a park.

How could this program be applied to UGI objectives?

The CBP is not applicable here because the highest and best use for downtown real estate is not based in industrial uses.

Commercial Redevelopment Act (Public Act 255)

This act encourages the replacement, restoration, and new construction of commercial property by abating the property taxes generated from new investment for a period of up to 12 years. As defined, commercial property means land improvements, whether completed or in the process of construction, the primary purpose and use of which is the operation of a commercial business enterprise, including office, engineering, research and development, warehousing parts distribution, retail sales, hotel or motel development, and other commercial facilities. Mixed-use developments may be eligible, but the abatement will only apply to the commercial portion of the property. Land and personal property are not eligible for abatement under this act.

How could this program be applied to UGI objectives?

Many of the recommendations of this study, as well as of the retail study, focus on consumer-based activities. While Public Act 255 allows for these activities, it also provides a vehicle for creating an environment that facilitates higher-paying jobs in the business services sector. Office vacancy rates are higher than normal in the region, and this may be due to the type and condition of office space in the downtown compared to suburban offerings. One of the recommendations of this study is that the city fund a study that complements the retail study by looking at the nature of demand for office space in the urban core. As shown in Figure 1 ("The 'Virtuous Cycle' of the Economy"), consumer-based businesses need customers, who need jobs. The dilemma with this abatement program is that the offerings may conflict with other programs that offer abatements or tax capture, such as TIF districts.

Commercial Rehabilitation Act (Public Act 210)

This program encourages the rehabilitation of eligible commercial property 15 years or older by abating the property taxes generated from new investment for a period of up to 10 years. The primary purpose of the facility must be for operation of a commercial business enterprise or multifamily residential use.

How could this program be applied to UGI objectives?

This has the potential to offer support of existing commercial space for conversion to multifamily residential space. A portion of the priority objective Infill to Meet Residential Demand recommendations focuses on "affordable" housing, which is defined as 30 percent of household income. One of the issues of creating such housing in downtown Kalamazoo is that, while construction costs are constant across the region, the local rents don't support new construction. Abating property taxes may be a way to help reduce operational costs and keep rental prices low. The caveat here is that tax capture or other abatements may limit the usefulness of this opportunity.

Conditional Land Use Transfer (Public Act 425)

This act allows two or more municipalities the option of conditionally transferring land to one another, and it provides the municipalities great flexibility in land negotiation. Land transfer can be used for properties that lack the infrastructure necessary to support economic development projects, as well as to gain economic incentive tools that only core or distressed communities can offer toward support of economic development projects.

How could this program be applied to UGI objectives?

Does not apply to this study.

Corridor Improvement Authority (Public Act 280)

The Corridor Improvement Authority (CIA) is designed to assist communities with funding improvements in commercial corridors outside their main commercial or downtown areas. Once created, a CIA may hire a director, establish a tax increment financing plan, levy special assessments, and issue revenue bonds and notes. More than one authority is permitted within a municipality, and a CIA may enter into interlocal agreements with adjoining municipalities. CIAs cannot levy ad valorem taxes.

How could this program be applied to UGI objectives?

This is not applicable, as it is targeted to districts outside the downtown.

Downtown Development Authority (DDA)

The Downtown Development Authority (Public Act 197) is designed to be a catalyst in the development of a community's downtown district. The DDA provides for a variety of funding options, including a tax increment financing mechanism that can be used to fund public improvements in the downtown district and the ability to levy a limited millage to address administrative expenses.

How could this program be applied to UGI objectives?

The DDA is already in place in Kalamazoo, and there are recommendations within the study for potential reconfiguration and modifications.

EB-5 Regional Center

The state of Michigan's EB-5 Regional Center serves as an intermediary between EB-5 projects and international investors, and it provides an established EB-5 resource and a centrally organized process for investors and project developers. The center works to attract business to the state and to attract investors to Michigan projects. Investors provide capital to support the growth of Michigan businesses and accelerate the timelines for investment projects—the two levels of service are 1) EB-5 financing and 2) marketing to developers and other direct investors through the Michigan prospectus. EB-5 Regional Centers pool funds from qualified investors to support the financing of major projects, and they can also provide financing for small businesses.

How could this program be applied to UGI objectives?

The EB-5 program is a bit controversial, but it can be a vehicle for funding projects of scale. One such project among the recommendations is the public market. This would be a capital-intensive project that includes infrastructure and built environment changes, as well as interior build-out. There is significant international interest in investing in U.S. real estate.

Emerging Technologies Fund

The Michigan Emerging Technologies Fund (ETF) expands funding opportunities for Michigan technology companies conducting federal research and development by providing matching funds to support commercialization of Small Business Innovation Research / Small Business Technology Transfer (SBIR/STTR) projects. The Michigan Small Business Development Center (MI-SBDC), in partnership with the Michigan Economic Development Corporation (MEDC), administers the ETF. Funding for the program is provided through the Michigan 21st Century Jobs Fund.

How could this program be applied to UGI objectives?

It is not likely to be of use, specifically within the study's recommendations.

Energy Efficiency and Renewable Energy (EERE) Loans for Michigan Businesses

The Michigan Strategic Fund (MSF), through the Michigan Energy Office, is offering small businesses financial assistance for energy efficiency upgrades and renewable energy project implementation. This effort is directed at businesses seeking to manufacture, upgrade, or install clean energy technologies. Eligible projects must reduce energy consumption by at least 20 percent (building retrofits), include equipment purchases for general and advanced manufacturing of commercially available products (retooling), and contribute to a reduction in greenhouse gas emissions.

How could this program be applied to UGI objectives?

While likely not targeted to manufacturing a product, the upgrades and installations could be useful in rehabilitation and renovations of office, commercial, and retail space. Bringing real estate to as current a state as possible benefits both businesses and their customers. Consumers Energy also offers programs to help businesses reduce their energy costs and rebates for energy-saving facility improvements.

Foreign Trade Zones

A Foreign Trade Zone (FTZ) is a special economic zone in the United States where imported goods can be stored, distributed, processed, and used without being subject to customs duty. FTZs provide customs-related advantages and help U.S. companies compete in the global marketplace by eliminating, deferring, or reducing duties (and potentially other costs).

How could this program be applied to UGI objectives?

It is not likely to be easily applied.

Historic Neighborhood TIFA

Through the provisions of Public Act 530 of 2004, a Historic Neighborhood Tax Increment Financing Authority (HNTIFA) may be established. An HNTIFA may be used, including tax increment financing, to fund residential and economic growth in local historical districts. An authority may also issue bonds to finance these improvements. A Historic Neighborhood TIFA can support improvements to public facilities like housing, as well as any improvements to a street, plaza, or pedestrian mall. These improvements include street furniture and beautification, parks, parking facilities, recreational facilities, right-of-ways, structures, waterways, bridges, lakes, ponds, canals, utility lines or pipes, or buildings. Also included are access routes designed and dedicated for use by the public generally, or used by a public agency.

How could this program be applied to UGI objectives?

While the study focuses on the downtown urban core, the adjoining neighborhoods are part of the recommendations for the priority objective of Infill to Meet Residential Demand to increase the number of residents, potential customers, and workers downtown (Bronson has set a goal of having 30 percent of its workers living near the hospital). Applying TIF funds from such a program could be used to improve various types of infrastructure, including broadband.

Industrial Property Tax Abatement (Public Act 198, as amended)

Industrial property tax abatements provide incentives for eligible businesses to make new investments in Michigan. These abatements encourage Michigan manufacturers to build new plants, renovate aging plants, or add new machinery and equipment. High-technology operations are also eligible for the abatement. Tax benefits are granted by the legislative body of the city, township, or village in which the investment would be located. To benefit from the abatement, an Industrial Development District or a Plant Rehabilitation District must be established.

How could this program be applied to UGI objectives?

It is not likely to have a significant impact, as most of the recommendations focus on residential, commercial, retail, and leisure. This focuses only on industrial.

Local Development Financing Act (LDFA)

The Local Development Financing Act (LDFA), Public Act 281 of 1986, as amended, allows eligible entities to establish area boundaries, create and implement a development plan, acquire and dispose of interests in real and personal property, issue bonds, and use tax increment financing to fund public infrastructure improvements for eligible property. The tool is designed to promote economic growth and job creation. Communities across Michigan have used this tool to support companies in manufacturing, agricultural processing, and high-technology operations.

How could this program be applied to UGI objectives?

It is not likely to have a significant impact, as most of the recommendations focus on residential, commercial, retail, and leisure. This focuses only on industrial.

Michigan Business Development Program

The Michigan Business Development Program (BDP) is an incentive program available from the Michigan Strategic Fund (MSF) in cooperation with MEDC. The program is designed to provide grants, loans, or other economic assistance to businesses for highly competitive projects in Michigan that create jobs and provide investment. Businesses seeking BDP support for their expansion projects must meet job creation thresholds as established by the MSF. BDP grants are performance-based, and preference is given to eligible businesses seeking to locate or expand in Michigan rather than in another state.

How could this program be applied to UGI objectives?

It is not likely to have a significant impact, as most of the recommendations focus on residential, commercial, retail, and leisure. In contrast, this recommendation focuses only on industrial and projects of scale. It should be noted that, for the right office-based project developed with Southwest Michigan First, this program could be applicable. This would depend on the nature of the project coupled with total employment added and the average wages.

Michigan Business Growth Fund Collateral Support Program

The Michigan Collateral Support Program supplies cash collateral accounts to lending institutions to enhance the collateral coverage of borrowers. To qualify, a business must be engaged with a private lender, with the intent of acquiring an extension of commercial credit, and must exhibit a collateral shortfall according to the lender's analysis.

How could this program be applied to UGI objectives?

This not likely to be a program that would be used within the recommendation of the study.

Michigan Community Revitalization Program

The Michigan Community Revitalization Program (CRP) is an incentive program available from the Michigan Strategic Fund (MSF), in cooperation with MEDC, and designed to promote community revitalization that would accelerate private investment in areas where values have declined over time; contribute to Michigan's reinvention as a vital, job-generating state; foster redevelopment of functionally obsolete or historical properties; reduce blight; and protect the natural resources of this state. The program is designed to provide grants, loans, or other economic assistance for eligible investment projects in Michigan. Generally, no funds would be disbursed until the project is verified as complete.

How could this program be applied to UGI objectives?

This program dovetails nicely with the recommendations of this study. The goals of this program, including to "accelerate private investment in areas of historical declining values . . .

foster redevelopment of functionally obsolete or historical properties, [and] reduce blight," all support renewed growth in employment, businesses, and residents. According to the downtown retail study, if nothing is done, sales will likely increase by about $5 million. But by applying the actions suggested in the 2009 Comprehensive Plan, similar sales could increase by nearly 10 times that amount. Help from this source on "projects" could be catalytic to downtown growth.

Michigan Defense Center

The Michigan Defense Center and the Procurement Technical Assistance Centers (PTACs) work together to increase the number of Michigan companies winning federal contracts. The Michigan Defense Center (MDC) provides resources and guidance to Michigan-based businesses in efforts to secure defense contracting opportunities that will create jobs and increase Michigan's share of defense business.

How could this program be applied to UGI objectives?

While this may affect some office opportunities, it is unlikely to be easily applied to the UGI.

Michigan Manufacturing Technology Center

The Michigan Manufacturing Technology Center (MMTC) offers direct technical assistance to small and medium-sized manufacturers and food processors to connect them to the best manufacturing practices and technologies available. State and federal funding in combination with links to national industry groups, major manufacturers, automation equipment vendors, universities, and research laboratories make it possible for MMTC to offer services that would not otherwise be affordable. Assistance is offered in areas including product and process innovation, lean manufacturing and continuous improvement, quality systems, ISO 14001, costing systems, management training, matchmaking, and business development services.

How could this program be applied to UGI objectives?

This is primarily an industrial activity and would likely not have a major effect on the UGI.

Michigan Redevelopment Ready Communities Program

The Redevelopment Ready Communities (RRC) Program supports Michigan communities in their efforts to become development ready, competitive, and "open for business." RRC is a strategic tool that is leading change in the development culture for communities. It encourages communities to adopt innovative strategies and efficient processes that build confidence among businesses and developers.

How could this program be applied to UGI objectives?

This program would dovetail nicely with the UGI. It would help facilitate other types of incentives by documenting the procedures and processes in place to be "development ready."

Michigan Skills Enhancement Fund

This grant funding may be used as a financial incentive to assist companies in meeting expenses related to skills enhancement of an existing or newly hired workforce. Funding consideration focuses on those projects that demonstrate a significant economic impact and provide transferable skills to trainees. The talent or training gap can be the primary business case for need.

How could this program be applied to UGI objectives?

This would not likely have a major impact on UGI.

Michigan SmartZones

SmartZones provide distinct geographical locations where technology-based firms, entrepreneurs, and researchers locate in proximity to community assets that assist in their endeavors. SmartZone technology clusters promote resource collaborations between universities, industry, research organizations, government, and other community institutions—collaborations that help to grow technology-based businesses and jobs.

How could this program be applied to UGI objectives?

This may be applicable to the Healthy Living District. Bronson Methodist Hospital and Kalamazoo Valley Community College are already collaborating on food-related activities.

Neighborhood Enterprise Zone (NEZ)

The Neighborhood Enterprise Zone (NEZ) Program was established by Public Act 147 of 1992. The program provides a tax incentive for the development and rehabilitation of residential housing. A qualified local unit of government may designate one or more areas as a NEZ within that local unit of government. The program was established to spur the development and rehabilitation of residential housing in communities where it may not otherwise occur. The program also encourages owner-occupied housing and new investment in communities.

How could this program be applied to UGI objectives?

Depending on how the near-downtown neighborhoods are positioned, this could be a useful designation. This study recommends adding affordable housing in neighborhoods adjacent to downtown. There is a need for “the missing middle” of housing, which includes not only rehabilitated single-family but also multifamily types of housing, including duplex, triplex, row, townhouse, and multiplex housing. This program should also fit within the actions of the city to revise zoning codes that change necessary lot sizes, and it should relate to the outcomes of the Imagine Kalamazoo process and product.

Neighborhood Improvement Authority (NIA)

Through the provisions of Public Act 61 of 2007, a Neighborhood Improvement Authority (NIA) may be established. An NIA may use its funds, including tax increment financing, to fund residential and economic growth in residential neighborhoods. An authority may also issue bonds to finance these improvements. This program could be used for residential neighborhood improvements to public facilities, as well as any improvements to a street, plaza, or pedestrian mall. These improvements can include street furniture and beautification, parks, parking facilities, recreational facilities, right-of-ways, structures, waterways, bridges, lakes, ponds, canals, utility lines or pipes, or buildings. Any city or village may establish an NIA; however, an NIA cannot include properties that are already part of a Historic Neighborhood TIFA (Public Act 530 of 2004).

How could this program be applied to UGI objectives?

This program, along with other programs, could set the stage for growth and development in the neighborhoods. As noted, it cannot be used with other programs already using tax capture.

Obsolete Property Rehabilitation Act (OPRA)

The Obsolete Property Rehabilitation Act (OPRA), Public Act 146 of 2000, provides for a tax incentive to encourage the redevelopment of obsolete buildings. A new exemption will not be granted after December 31, 2026, but an exemption then in effect will continue until the certificate expires. The tax incentive is designed to assist in the redevelopment of older buildings in which a facility is contaminated, blighted, or functionally obsolete. The goal is to rehabilitate older buildings into vibrant commercial and mixed-use projects.

How could this program be applied to UGI objectives?

This is similar to an aspect of the BRA-based TIF district that allows for properties to be declared obsolete; thus, any new tax capture could be used to pay down the cost of renovations.

Private Activity Bond Program

Private activity bonds are an attractive source of financial assistance to economic development projects in Michigan. They provide profitable firms with capital cost savings stemming from the difference between taxable and tax-exempt interest rates. Public facilities, which generate a revenue stream (parking structures, for instance), have traditionally been financed by municipalities through tax-exempt revenue bonds. Private activity bonds apply this same tax-exempt finance mechanism to the “public purpose” of economic development. The governmental unit borrows money from private capital markets, secured only by the project’s revenues rather than the government’s full faith and credit. Interest income earned on bonds issued by a governmental entity to finance a project for a private company that has demonstrated a good public purpose is exempt from federal, state, and local income taxes, thereby reducing the cost of capital (including the cost of letters of credit, remarketing fees, and so forth).

How could this program be applied to UGI objectives?

This program removes assets such as parking structures “from the books.” Since the asset is not backed by the full faith and credit of the city or any other public entity, it no longer affects borrowing/debt ceilings or municipal credit ratings. As the city looks to sell assets such as parking facilities, the debt can be shifted from a public obligation to a payment structure that is based on a pro forma and future revenue streams. One potential downside is that, in the case of default, the asset may be held by investors; thus, interests, goals, and objectives may not be aligned with the public entities.

Procurement Technical Assistance Centers

The Department of Defense's Procurement Technical Assistance Center (PTAC) Program was established by Congress in 1985 to help create jobs and to improve the local economy by assisting businesses in obtaining federal, state, and local government contracts and performing under such contracts. Michigan PTACs are funded by the U.S. Defense Logistics Agency (DLA), the Michigan Defense Center/MEDC, and local economic partners.

How could this program be applied to UGI objectives?

Although this program may relate to some office opportunities, it does not tightly relate to the UGI.

Redevelopment Liquor Licenses

Through the provisions of Public Act 501 of 2006, the Liquor Control Commission (LLC) may issue new public on-premises liquor licenses to local units of government. To allow cities to enhance the quality of life for their residents and for visitors to their communities, the LLC may issue public on-premises licenses, in addition to those quota licenses allowed in cities, under section 531 (L) of the Michigan Liquor Control Code, Public Act 58 of 1998, as amended.

How could this program be applied to UGI objectives?

Kalamazoo has both a food culture and a culture based in the craft brewing industry. The area also is home to both wineries and distilleries. Such activities are attractive to both visitors and residents. The retail study suggests that with both the baseline growth and growth based on adopting the 2009 Comprehensive Plan, there will be a need for more eating and drinking establishments.

SBA Certified Development Company (504) Loans

The U.S. Small Business Administration's SBA 504 program provides small and medium-sized businesses with long-term fixed-rate financing for the acquisition or construction of fixed assets. Businesses must have a tangible net worth of less than $15 million and an average net profit of less than $5 million for the past two years. Projects are financed through a unique public/private partnership that involves private lenders financing 50 percent of project costs, a certified development company (CDC) as an agent of the SBA providing up to 40 percent, and a small business investing at least 10 percent. Businesses less than two years old, or projects involving a limited or single-purpose building, have an investment contribution of 15 percent. New businesses with a special-purpose project are subject to a 20 percent investment.

Small Business Administration (SBA) Programs:

- **7(a) Loan Guaranty Program:** The 7(a) Loan Guaranty is the SBA's primary loan program. It reduces risk to lenders by guaranteeing major portions of loans made to small businesses. The 7(a) Loan can be used to expand or renovate facilities; purchase machinery, equipment, fixtures, and leasehold improvements; finance receivables; augment working capital; refinance existing debt with compelling reason; finance seasonal lines of credit; construct commercial buildings; and purchase land or buildings. The maximum loan size is $5 million.
- **SBA Express:** SBA Express is available for loans of up to $350,000. The SBA guarantees up to 50 percent of the loan; loans under $25,000 do not require collateral. As with most 7(a) loans, maturities are usually 5–7 years for working capital and up to 25 years for real estate and equipment. Revolving lines of credit are allowed for a maximum of five years.
- **CAPLines:** CAPLines is a revolving line of credit designed to help small business owners meet their short-term and cyclical working-capital financing needs. There are five loan programs under the CAPLines umbrella, which may be used to finance seasonal working-capital needs; to finance direct costs for construction, service, and supply contracts; to finance purchase orders by obtaining advances against existing inventory and accounts receivable; and to consolidate short-term debt.
- **Export Working Capital Program (EWCP):** The EWCP provides pre- or postshipment working-capital financing for export activities. It is transaction based and can be either a revolving line of credit or structured for each purchase order, shipment, or contract. The loan may not be used for refinancing, fixed assets, marketing, or setting up operations abroad.

How could these programs be applied to UGI objectives?

Working with both the SBA and the SNDC could be quite useful in moving recommendations from both this study and the retail study forward. Some of the larger projects, and notably the public market, could benefit from these programs (except for the export-based one). Depending on how the market is structured (private, nonprofit, or public) and whether it goes forward, SBA and other Michigan programs, including those at MDARD, could be combined to move the public market project forward.

State Essential Services Assessment Exemption and Alternative State Essential Services Incentive Programs

The State Essential Services Assessment (the Assessment) is required for manufacturers that do not pay personal property tax on eligible manufacturing personal property. The MSF, in certain circumstances, may choose to exempt or reduce the Assessment for projects that create jobs and/or private investment in Michigan through the State Essential Services Assessment (SESA) Exemption or the Alternative State Essential Services Assessment Incentive.

Tax Exemptions Available for Michigan Companies:

- **Sales Tax Exemption for Industrial Processing.** Certain types of tangible property used by manufacturers directly in the industrial process are exempt from Michigan's sales and use tax. Eligible exempt property includes machinery, equipment, and energy used in an industrial process. Industrial processing includes, but is not limited to, production or assembly, research and development, engineering, remanufacturing, and storage of in-process materials.

- **Sales Tax Exemption for Energy Used in Industrial Processing.** Energy used directly in the manufacturing process, such as natural gas, electricity, and propane, is exempt from the sales tax. Any time a sales tax exemption is claimed for energy used directly in manufacturing, the company (buyer) must have that specific energy usage metered separately or must have a clear plan with the energy provider (seller) to separate the exempt versus the nonexempt energy usage. Most energy providers have staff that can assist with specific questions regarding exemption claims for energy usage.
- **Sales Tax Refunds.** Manufacturers that have unnecessarily paid sales tax on eligible exempt energy usage in the industrial process may request a refund through their energy provider. The "look-back" period for a sales tax refund is four years. The industrial usage for energy must be appropriately documented, and Exemption Form 3372 must be completed for the period in question. Companies should work directly with their energy providers in requesting a refund.
- **Pollution Control Tax Exemptions.** Air and industrial-water pollution control facilities are exempt from sales, use, and property taxes in Michigan. A facility refers to any machinery, equipment, structure, part, or accessory used for the primary purpose of controlling or disposing of air or industrial water pollution. The Michigan Department of Environmental Quality (DEQ) is responsible for determining what property is eligible.

How could this program be applied to UGI objectives?

The State Essential Services Assessment Exemption and Alternative State Essential Services Incentive programs and the industrial tax exemption programs are not likely to have an impact on UGI, as they are industrial in nature.

Taxable Bond Financing

The purpose of this program is to provide small and medium-sized companies with access to public capital markets typically available to larger companies. The principal advantage of using taxable bond financing is access to long-term (perhaps 10–20 years), fixed-rate, or variable-rate financing. Since banks generally consider a long-term loan to be five years, the annual cash flow difference to a company utilizing taxable bonds could be considerable.

How could this program be applied to UGI objectives?

Such funding may facilitate projects of scale, such as a public market. It is likely that the companies would need to be in a relatively good position with a solid business plan and a realistic pro forma.

Appendix C
Literature Review: Development Initiatives and Community Cooperation

URBANISM

The urban core plays an important role in the economic health of a region and provides a specialized role in the regional economy. Today, urban cores operate as primary locations for small and large businesses; provide varied residential options for individuals, students, and families; and serve as destination hubs for entertainment, restaurants, and cultural amenities. Moreover, strong urban cores help to bolster the suburbs surrounding them, which leads to mutually beneficial regional ties.

Despite this importance, however, the urban areas of many metropolitan areas have faced serious levels of disinvestment and decline, which have been detrimental to the health of cities and the communities they support. Efforts to reverse the tide of deteriorating urban cores have manifested in the form of initiatives that focus on tackling key issues facing urban residents. Several strategies have emerged from these efforts, including a focus on smart cities, placemaking, new urbanism, and smart growth. Central to these strategies is the organization of various stakeholders into coordinating entities that can further the collective goals of a community. This literature review provides a synthesis of information concerning the key elements of successful urban-core initiatives and common themes found in their implementation.

Overall, the strategies used to facilitate the development of urban cores have one general goal—to physically change the urban environment to create an atmosphere that fosters greater levels of social capital. Putnam (2000, p. 19) defines social capital as "connections among individuals, social networks, and the norms of reciprocity and trustworthiness that arise from them." Social capital is emphasized because it fosters a sense of community. The creation of shared and accessible public spaces allows for a greater level of interaction among people, which helps to promote a civil society. Individuals living in communities with higher levels of social capital are more likely to have better physical and mental health, stronger economies, and better systems for educating and caring for the young.

Smart Cities

One of the more top-down approaches that can be used to foster social capital includes the promotion of the "smart-city" model. Although the concept of smart cities is not a one-size-fits-all prospect, the term generally refers to a city that invests heavily in human and social capital (Caragliu, Del Bo, and Nijkamp 2011). Social capital is an important element of smart cities because it allows for people to connect and create relationships (Alawadhi et al. 2012). This fuels economic growth and a higher quality of life, as well as management of city resources through participatory governance (Caragliu, Del Bo, and Nijkamp 2011). The cultivation of a climate that sustains an emerging "creative class" is a primary driver of smart cities (Albino, Berardi, and Dangelico 2013; Florida 2006). According to Bajracharya, Cattell, and Khanjanasthiti (2014), five key themes are important considerations for creating smart cities: 1) leveraging cultural and natural amenities to enhance quality of life, 2) implementing technology for the improvement of cities, 3) attracting and retaining people with a high level of human capital, 4) creating facilities for attracting a knowledgeable workforce, and 5) utilizing governance to arrange and plan for the creation of smart cities.

In a series of semistructured interviews of government officials and managers responsible for smart city initiatives conducted by Alawadhi et al. (2012), several key points were found across the various smart-city implementations. First, the researchers noted that a centralized leading organization, such as a committee, city agency, or department, was an important component for bringing together both internal and external stakeholders. Nearly all managers interviewed stated that the role of top management in envisioning and championing a smart city was critical to success. Second, successful smart-city initiatives promoted citizen and community engagement to better identify what constituents wanted and needed. The primary constraint borne out in these interviews was budgetary, as most interviewees indicated that the initiatives received limited funding.

One method frequently used to promote the "smart city" idea is through the creation of "innovation districts." Innovation districts are described as clusters of companies and institutions in geographic areas that connect with start-ups, business incubators, and accelerators (Katz and Wagner 2014). They are physically compact, transit accessible, technically wired, and offer mixed-use housing, office, and retail. Innovation districts help to foster proximity so ideas and knowledge can be transferred quickly and seamlessly, while at the same time serving to accelerate productive, inclusive, and sustainable economic development. In many ways, innovation districts help to reinforce the concept of smart cities by encouraging high levels of human capital and supporting entrepreneurship.

Placemaking

Another strategy with a strong focus on creating social capital is placemaking. Placemaking involves the deliberate shaping of the environment to facilitate social interaction and improve a community's quality of life. The goals behind placemaking are to build or improve public space, spark public discourse, create beauty and delight, engender civic pride, connect neighborhoods, support community health and safety, grow social justice, catalyze economic development, promote environmental sustainability, and nurture an authentic "sense of place" (Silberberg et al. 2013). A strong sense of place is often an asset to the downtowns of small U.S. cities, as small-scale improvements focused on organization and aesthetics work to give the area a distinct character (Robertson 2001). There is not one single form of placemaking; projects that promote placemaking take on many forms, including the creation of public spaces and outdoor markets, beautification, community programming, promotion of the arts, and creating more pedestrian spaces.

In their survey of placemaking initiatives, Markusen and Gadwa (2010) find two important themes for successful placemaking ventures. They first cite cross-sector partnerships as being essential to the success of a project. This includes finding partners with complementary skills and visions. They also, however, note some challenges of partnership building, including establishing a strong coalition and navigating imbalances in the power, skills, and resources of various partners. They find that the most successful projects are those with a focus on local community issues and participation rather than those focused on attracting tourists. Winning community support is an issue many placemaking initiatives have, especially since the lack of buy-in from the community is a major hindrance to fundraising efforts.

One recommendation for getting the community on board is the use of temporary placemaking initiatives. Also dubbed "tactical urbanism," this refers to "a city and/or citizen-led approach to neighborhood building using short-term, low-cost, and scalable interventions to catalyze long-term change" (The Street Plans Collaborative 2016, p. 11). Tactical urbanism allows for community partners to pilot placemaking initiatives or to gauge community sentiment, as well as to assess the feasibility of the project. A city grants temporary permits for the initiative and devises rules for its implementation (to preserve public safety). The community partner is responsible for gathering data on the effectiveness of the project. There are several benefits to the tactical urbanism approach: it widens public engagement, draws attention to perceived shortcomings in policy or physical design, and tests aspects of a project before a large political or financial contribution is made.

New Urbanism and Smart Growth

Both the smart city approach and placemaking involve changing the physical environment to facilitate more social interaction. One design philosophy by which this can be achieved is through the implementation of "new urbanist" ideals. The new urbanist approach advocates for mixed-use, mixed-income, pedestrian-oriented, compact developments (Garde 2004). New urbanism applies physical design as a tool to improve quality of life by mitigating urban sprawl, supporting development patterns facilitating walking and transit, and encouraging sustainable growth (Garde 2006). New urbanism also encourages a mix of land uses, a variety of housing densities, and a pedestrian-oriented design emphasizing civic spaces and amenities within walking distance and organized around a neighborhood center with an interconnected network of streets and blocks. According to Goode and Molinaro (2013), most Americans prefer mixed-use neighborhoods where it is easy to walk to stores and businesses.

One of the largest barriers to new urbanist projects consists of zoning and land-use regulations that permit only low-density, single-home construction. Although public authorities may claim to support new urbanist design, the time and approval process required to transform regulations is generally seen as an impediment to pursuing this type of development. Furthermore, these projects are considered risky by builders, bankers, and developers, despite the stated popularity of such development (Garde 2006). Part of this risk is derived from the multiple-use nature of new urbanist projects. As the complexity of such projects increases, risk also increases: it becomes more difficult to accurately predict the demand for such property types (Gyourko and Rybczynski 2000). However, other studies have shown that individuals will pay a higher-priced premium to live in new urbanist communities (Tu and Eppli 2001).

One way in which new urbanism can be fostered is through the enactment of regulations designed to promote smart growth. Smart growth involves building more compact regions focused on the development of already existing urban cores rather than expansion outside of city areas (Ewing 1997). Containment policies include a variety of regulations and public investment to create incentives for development within the spatial limits of the city. These may include the enactment of regulatory urban growth boundaries, limits on utility extensions to outlying areas, delineation and acquisition of green belts, as well as a variety of other measures (Nelson, Dawkins, and Sanchez 2004). Smart-growth advocates believe this type of growth can have a positive impact by alleviating the need for new roads and discouraging urban flight (Danielsen, Lang, and Fulton 1999).

The implementation of smart growth projects faces many obstacles in terms of community resistance, because smart growth on a regional scale means many of the existing lower-density neighborhoods would be converted into higher-density housing. Individuals living in lower-density areas are apt to oppose this option for fear of what this type of development would do to property values (Baar 1992). Smart growth also faces issues of governmental coordination, with smart-growth advocates arguing that regulatory barriers to development need to be lowered to offset the loss of buildable land in open spaces (Danielsen, Lang, and Fulton 1999).

New urbanist and smart-growth concepts benefit millennials and baby boomers who choose to live in urban areas. Millennials are less focused on using vehicles than previous generations and report a greater desire for less driver-intensive lifestyles, opting to live in more "walkable" communities with higher levels of public transportation (Dutzik, Inglis, and Baxandall 2014). A survey from the National Association of Realtors and Portland State University (2015) finds that only 71 percent of millennials like driving (the lowest rate recorded, compared to other generations). The survey also finds that millennials are most likely to walk or bike for transportation.

Although millennials may place importance on being within an easy walk and having public transit nearby, only 13 percent live in or near downtowns, as many cannot afford the high cost of rent in the urban core (Lachman and Brett 2013). Millennials are more likely to live at home with their parents, which results in more millennials living in the suburbs. Goode and Molinaro (2013) make the point that while Americans state a preference for walkable communities with short commute times, when presented with the option of a detached single-family house, they choose this option even if the commute time is longer, because they have more living space and it is generally cheaper to live in the suburbs.

Baby boomers are also less likely to live in the city, despite stating a preference for the amenities that city life provides. Many older people prefer to "age in place" in the communities in which they raised their families. Those that choose to move from the central city to the suburbs do so because of life changes, such as disability or the death of a spouse. More than 60 percent of residents of metropolitan areas choose to live in the suburbs, although the smaller the city, the more likely older residents are to rent and live in the central city (McCarthy and Kim 2005).

While both millennials and baby boomers claim to prefer city living, age is not the most important variable in determining who will live in the urban core. Rather, the key factor that unites urban core residents is a higher level of education. The term "consumer cities" has been coined to describe the situation in which more highly educated people live in cities and downtown areas to be closer to amenities like restaurants, leisure activities, and cultural activities (Glaeser, Kolko, and Saiz 2001). Millsap (2016) finds that individuals with a bachelor's degree are just as likely to live in cities today as they were in 1990. In many ways, individuals with higher levels of education are the group smart-city promotion targets, and the group whose involvement is integral to the performance of urban cores.

Strategies and Guidelines

Across the United States, concerned stakeholders have developed strategies to address problems facing the urban core. The primary goal of these initiatives, including the promotion of smart cities, placemaking, new urbanism, and smart growth, is to build the social capital of the community. Social capital plays an important role in how individuals perceive their physical environment. As more people become detached from civic society, the ability of urban spaces to bring people together to share common experiences becomes a greater and greater asset for cities and the people that make them up.

Overall, successful urban core initiatives follow three key guidelines: 1) engage key stakeholders, 2) engage the community at the onset of a project, and 3) form an organization to cooperatively manage the project(s). First, they bring together various stakeholders who are interested in the betterment of the community. While no formula exists for determining which stakeholders are involved, generally it includes a mix of public-sector enterprises, private firms, community organizations, and nonprofits. Because the fostering of social capital is a goal, an important stakeholder to include in urban core initiatives is community foundations. Community foundations focus on community building, civic infrastructure, and healthy cities. They are well poised to play a role in the redevelopment of an area because they have a mission that relates directly to promoting the common good of the community. Community foundations also have deep knowledge about the critical conditions facing the community and generally have widespread credibility among their donors (Easterling 2008). The composition of community foundations also makes them a valuable ally, as many prominent business people serve on their boards to bridge the divide between civil society, the government, and private firms (Malombe 2000).

Another important set of stakeholders that could be beneficial to include in urban core initiatives are anchor institutions. Anchor institutions are place-based enterprises that are firmly rooted in their community and geographically tied to a location (Dubb and Howard 2012). Hospitals, universities, and major cultural institutions all hold significant investments in real estate and social capital within their cities (ICIC 2011). Anchor institutions are ideal partners, especially for smart city initiatives, because their ability to attract the scholars, doctors, and students who are vital for their success is in many ways determined by their physical environment (Kleiman et al. 2015).

Second, successful urban-core initiatives engage the community early in the process to identify any potential pitfalls and to align their vision with community needs. Public participation is important because it provides for an avenue to prevent and minimize disputes concerning projects before they become a major obstacle. Gaining public support is also important because funding and political will are generally tied to how receptive the community is to changes in its neighborhoods.

Third, successful urban-core initiatives develop a collaborative organization that allows for cooperative management of the revitalization efforts. The structure of the collaborative organization can have a significant impact on the success of the partnership. When organizations lack structure, they are apt to suffer from difficulties in retaining a diverse membership, from a lack of accountability, from dependence on a handful of core leaders, and from communication problems among members (Smock 1999). The collaborative organization is an important tool in urban core initiatives because it helps to foster revitalization efforts that are both successful and long term. The collaborative organization helps to legitimize the revitalization efforts, establish an agenda, secure funding and in-kind contributions, establish and coordinate project committees, and it makes sure that implementation of the project occurs. Many of these collaborative organizations incorporate as nonprofit entities. Others operate under the umbrella of an existing organization that acts as a fiscal agent for the collaborative organization (Shields and Farrigan 2002).

One design for a collaborative organization, which is intended to foster buy-in from the community, is the community development corporation (CDC). CDCs are "place-based, nonprofit organizations that bring together concerned citizens, businesses, government and other institutions to direct improvement in a geographically defined area for the benefit of the residents" (Nye and Schramm 1999, p. 3). Generally, they are funded with grants from both nonprofit and governmental sources. One of the defining factors of a CDC is that residents of the community serve on the board of the organization, thus providing residents with an opportunity to exert greater control over the quality of their neighborhood.

Another type of collaborative organization is administered through the creation of a business improvement district (BID), which serves as a type of quasi-government for the downtown and provides services the local government is unable to deliver. BIDs are funded through property owners who voluntarily increase their property taxes or pay a leveraged fee to fund initiatives that improve the physical environment for members of the district (Leinberger 2005). Services performed by BIDs may include sanitation, security, capital improvements, neighborhood promotions, or marketing (Armstrong et al. 2007). BIDs help to foster collaboration among private firms and work to solve place-based issues that negatively impact these businesses.

A hybrid between the CDC and BID is another type of collaborative organization structured as a nonprofit entity and operated by anchor institutions to focus on anchor districts. This type of organization, called a community service corporation (CSC), adopts a larger service portfolio than does a typical CDC. It engages in development, service, and advocacy in behalf of both the anchor institutions and neighborhoods at large (Anchor District Council 2017). CSCs engage in a variety of tasks including real estate development, economic development, public safety, public area maintenance, and marketing. They are funded through contributions from the anchor institutions, grants, and fees.

Various urbanism terms are defined in Appendix Table 1.

Appendix Table 1: Definitions of Urbanism Terms

Urbanism Terms	
Anchor institutions	Nonprofit institutions (generally universities and hospitals) that, once established, tend not to move location.
Baby boomer	The demographic group born between the years 1946 and 1964. This includes people who are between 54 and 72 years old in 2018.
Business improvement district (BID)	Geographic area in which businesses agree to pay an increase in taxes or levy fees to provide services. Operated as a quasi-governmental organization for the downtown.
Central business district	The commercial and business center of a city. In larger cities, it is often synonymous with the city's financial district.
Center city	The central part or main business and commercial area of a city.
Common pool resource	A resource that provides maximum benefits to a group of people when they act collectively to manage it rather than acting in their own self-interest.
Community development corporation (CDC)	A nonprofit organization incorporated to provide programs, offer services, and engage in other activities that promote and support community development.

Appendix Table 1: Definitions of Urbanism Terms (continued)	
Urbanism Terms	
Community service corporation (CSC)	A nonprofit that engages in development, service, and advocacy in behalf of both the anchor institutions and neighborhoods at large.
Community foundation	A tax-exempt, nonprofit, publicly supported philanthropic organization with the long-term goal of building permanent, named funds for the broad-based public benefit of the residents in an area.
Downtown	While no universal definition exists, the U.S. Census Bureau defines the downtown as “everything within a two-mile radius of the local city hall.”
Inner city	Economically distressed parts of the city with high concentrations of poverty and unemployment.
Innovation district	Geographic area where institutions and companies cluster and connect with start-ups, business incubators, and accelerators.
Metropolitan area	A geographical labor market with an urban area as its core.
Millennial	The demographic group born between the years 1982 and 2004. This includes people who are between 13 and 35 years old in 2017.
New urbanism	A planning and development approach based on walkable blocks and streets, nearby housing and shopping, and accessible public spaces.
Placemaking	The deliberate shaping of the environment to facilitate social interaction and improve a community’s quality of life.
Smart city	A city performing well and in a forward-looking way in terms of its economy, people, governance, mobility, environment, and living, built on the smart combination of endowments and activities of decisive, independent, and aware citizens.
Smart growth	Urban planning and transportation theory that concentrates growth in compact, walkable urban centers to avoid sprawl.
Social capital	Connections among individuals, social networks, and the norms of reciprocity and trustworthiness that arise from them.
Suburb	Urban development outside the urban core, but within the area of continuous urban development.
Tactical urbanism	A city- and/or citizen-led approach to neighborhood building using short-term, low-cost, and scalable interventions to catalyze long-term change.
Urban area	Continuous urban development (also called the urban agglomeration).
Urban core	The center of an urban area.

ANCHOR DISTRICTS

The anchor-district model has proven an effective tool for fostering the collaborative management of downtown revitalization. Anchor districts are composed of key anchor institutions (nonprofit institutions—generally universities and hospitals—that, once established, tend not to change their location) that partner with a variety of stakeholders, including community organizations, business owners, and the city government, to facilitate downtown projects. Because anchor-district initiatives are generally funded by the organizations themselves, the constraints placed on what type of projects anchor districts can implement is minimal. Also, because anchor districts are structured to promote collaboration, they serve to reduce conflict and promote a harmonization of projects to improve the downtown.

Collective Governance

Anchor districts provide for the collective governance of a shared resource, namely the ambiance, usability, and safety of a specified location. Much of the successful governance of this type of resource parallels what is known about the management of common pool resources (CPRs). CPRs are defined as "a natural or man-made resource system that [is] sufficiently large to make it costly (but not impossible) to exclude potential beneficiaries from obtaining benefits from its use" (Ostrom 1990, p. 30). In "Governing the Commons," Ostrom asks how individuals who form an interdependent situation in order to organize and govern themselves continue to enjoy group benefits when they all face the temptations of free riding, shirking, and acting opportunistically. Ostrom finds that there are seven conditions that must be met for the establishment of a successful system to manage CPRs: 1) defined boundaries, 2) rules that are related to local conditions, 3) individuals affected by the rules being able to participate in modifying them, 4) a system by which members can monitor other members' behavior, 5) graduated sanctions for those who violate the rules, 6) low-cost and accessible conflict resolution, and 7) making sure the rules developed by the group members are supported by governmental authorities.

The combination of the institutional features of CPR management parallel the qualities that lead to the successful management of anchor districts. Much of the success or failure of anchor districts is tied to the organizational management and structure of the governing body. Therefore, the initial manner in which the governance of the anchor district is constructed has a significant bearing on the overall success and function of the anchor district itself.

Challenges

Each anchor district was created to meet a specific community need. Broadly, the creation of anchor districts breaks down into two primary strategies. First, anchor districts are created to combat urban blight. This strategy is generally adopted by anchor institutions located in urban centers that have seen a mass migration of individuals from neighborhoods, which leads to increases in crime and an unattractive atmosphere. Strategies such as real estate development, the creation of educational opportunities, and public safety initiatives are the plans primarily adopted by these anchor districts.

Several challenges arise with combating urban blight, specifically because of the focus on neighborhood and real-estate development. Although most of the anchor districts adopting this strategy claim to involve the community in their planning, this is not necessarily how this development is perceived by the community. For example, the University of Pennsylvania has been the primary funder and developer for the University City District. Although its initiatives have generally been good for the area, there is still the perception that the university does not take community needs into account; this has done little to resolve so-called town-and-gown tensions between the community and university. This type of issue generally arises when there is one primary stakeholder footing the costs for the redevelopment. While other anchors may be partners in name, the needs of the primary anchor take precedence. In this configuration, the primary costs and benefits are concentrated on one partner, which weakens the effectiveness with which the anchor district can function to benefit all stakeholders.

Another challenge that arises in this type of development is the relationship the coordinating entity has with the private real-estate developers. Excluding them from the management of the anchor district can often lead to negative consequences. For example, the University Park Alliance in Akron, Ohio, embarked on a strategy to purchase vacant buildings in its anchor district, revitalize them, and then sell them to private firms or rent them to individuals. This was intended to be part of its revenue model. At the same time, the anchor district was also investing in the community to make it a more desirable place to live, bolstered by a $7 million grant from the Knight Foundation. As the area became a more attractive location, private developers moved in and purchased most of the vacant houses, thus bankrupting the University Park Alliance. Because the private real-estate developers were not engaged in the development process or included as a participant in the management of the anchor district, they had no incentive to act collectively in the best interest of the community and instead acted opportunistically. This consequently led to the destruction of the collective management of the anchor district and the disintegration of the coordinating entity.

The second primary strategy for which anchor districts are created is to capitalize on the locational advantage of having many anchor institutions in one area. In this manner, coordinating entities work to market the district, engage in beautification efforts, and provide services for the collective benefit of the anchor institutions (for example, transportation, street improvements, and garbage cleanup). The primary challenge associated with this type of strategy is balancing the competing needs of the various anchor institutions. However, the structure of the coordinating entity, as well as the financing structure for many of these collaborations, works to create a system in which these agencies are incentivized to work collectively for the betterment of their community.

Necessary Partners for Success

Each anchor district is unique in terms of the organizations and groups it brings on as stakeholders. However, one common theme among the most successful anchor districts is the inclusion of community groups and community voices in the planning process and operation of the anchor district. This inclusion demonstrates how the rules governing the management of the CPRs are related to local conditions. For example, if the coordinating entity knows that that community is against high-density development, it can work to attract low- to medium-density development instead. Furthermore, the inclusion of community organizations and groups satisfies how individuals affected by the rules can participate in modifying them. Allowing community members to have a say in what type of programs are developed produces buy-in from the community, which in turn promotes an efficient use of resources to achieve a common goal.

While anchor institutions may have a vision for how the district should be managed, designing how this vision is accomplished around local conditions provides for more effective management of the anchor district. For example, the Uptown Consortium (UC) in Cincinnati, Ohio, learned from members of its community that the community was interested in more workforce development and education. Realizing it could not play a direct role in this service delivery, the UC instead attempted to play an indirect role by creating an environment for job opportunities. However, the UC also realized it did not have the resources to devote to direct-service delivery. In this case, it was still tailoring its mission to local conditions, albeit in an ancillary manner. Part of the reason the UC is successful is that it works with established neighborhood groups to effectively plan. The UC collaborates with the community to create a shared vision and to identify the redevelopment principles for the district. Because community groups have input and can have a say in how the district is managed, this leads to the effective management of this district. The strong community consensus has led to community support.

The Oakland (Pennsylvania) Planning and Development Corporation also utilizes these principles well. The creation of its district and plan was done through a collaborative, community-based process. One of the reasons for this strategy was to resolve the conflicts that had arisen between the institutions serving the area, as well as with residents. By both considering the needs of the community and allowing community members a say in how to modify the development trajectory of their neighborhood, the OPDC has added to the successful management of its anchor district.

There are several benefits to including the community as a stakeholder in anchor district development. Namely, by including community groups and organizations, it allows for a better coordination of resources. By tailoring what type of development is occurring as well as allowing the people impacted by the development to have a say in what is happening, anchor districts can build consensus in the community. Lack of community support causes two issues: First, having adversaries that will act in their own self-interest rather than for the collective good leads to ineffective management of the anchor district, because resources are wasted trying to combat what is being done for individual rather than collective goals. Second, without public support, initiatives are unlikely to attract funding, again decreasing the effectiveness of the anchor district.

Structure/Governance

The structure of the anchor district and the rules governing it have important implications for the success of the anchor district. By far the most important structural aspect of anchor districts is clearly defined boundaries, because the benefits produced will be captured by those who collectively contribute to the effort. Clearly defined boundaries are a characteristic of the successful case studies, which are examined and discussed below.

The governance structure of the anchor district is also important in terms of effective management of the district. One aspect of effective management is a system for stakeholders to monitor other stakeholders' behavior. The University Circle Initiative (UCI) in Cleveland is a good example of how this can occur. Tasked with managing over 40 stakeholders, the UCI appointed the Cleveland Foundation to provide structure and accountability for the organization. The leadership group, composed of leaders of various neighborhood institutions, meets quarterly to discuss progress and mediate disputes. Because UCI has a structure that is designed not to compel organizations to engage in any one type of development, much of the value of the organization comes from creating a forum for stakeholders to hold discussions, build relationships, and monitor what is occurring among the other stakeholders.

Two other characteristics of effective management are not as accessible in the publicly available information on anchor districts; however, they bear discussion. In allowing for the successful management of anchor districts, the two measures are important. They are 1) graduated sanctions for those that violate the rules on how to develop the area and

2) low-cost and accessible conflict resolution among stakeholders. These are generally internal mechanisms which do not necessarily play out in the public sphere. Note that in less successful cases, the punishment for rule violation has been swift and crippling, generally resulting in the loss of funding for the coordinating entity. Also in the less successful cases, conflict resolution tends to be carried out in the court system rather through internal means.

What's Necessary for Sustainability?

For the anchor district to be sustainable, government authorities must support the rules developed by the group members. Many coordinating entities work to achieve this by including local governments among their stakeholders; however, conflicts may still arise. For example, the Midtown Alliance in Atlanta, Georgia, faced an issue in which state property was immune from local zoning ordinances. The private developers who wanted to develop on this property were interested in high-density, large-scale projects, but such projects did not match the vision of the Midtown Alliance. To overcome this, legislation was passed giving Atlanta the air rights over these parcels of land. This allowed the city to regulate the height, overall size, and density of buildings on these sites. For anchor districts to realize their vision and be sustainable, their development strategies must be recognized and supported by governmental authorities, because without the consent of such authorities, many attempted projects won't move forward.

What's Necessary for Success?

Successful anchor districts are those that adhere most closely to the principles of effective CPR management. This is because they use institutional principles to help overcome the collective-action problem faced by the anchor institutions. How the coordinating entity incentivizes the inner relationships among its various stakeholders, and its relationship with the community and governmental authorities, plays a large role in how successful the anchor district is in achieving its stated goals. Creating effective rules for the collective management of local development serves to provide the necessary incentives for long-term, mutually beneficial projects.

CASE STUDY COMPARISONS

Case studies provide a useful tool for examining how other communities have championed downtown revitalization efforts. Each case study demonstrates how a city has worked to implement the tactical objectives identified by the Advisory Council and Strategy Team. The case study of Ann Arbor, Michigan, examines how the Ann Arbor Downtown Development Authority (DDA) worked to create a pedestrian-friendly downtown. The case study of Austin, Texas, delves into the redevelopment of the Second Street District, focusing on strategies for business recruitment and placemaking. The case study of Buffalo, New York, shows how community engagement was leveraged to create a Healthy Living District. The case study of Columbus, Ohio, traces the development of Campus Partners (an anchor district) and construction of the campus gateway, a large-scale transformational project. The case study of Grand Rapids, Michigan, demonstrates how Downtown Grand Rapids Incorporated (DGRI) revamped the management of downtown and works to incorporate technology and community voices into the decision-making process. And finally, the case study of St. Louis, Missouri, examines how Washington University's School of Medicine engaged in housing rehabilitation and infill within the surrounding neighborhoods of its campus. Appendix Tables 2 through 6 provide a summary of how these case studies engaged the community, identified with their downtowns, leveraged community assets through partnerships and coordinated efforts, and funded their projects.

The overall takeaways from the successful case-study discussion are these:

- Engage the community throughout the planning and development process.
- Preserve or create a distinct identity for the downtown, and give the downtown a sense of place.
- Leverage community assets to develop partnerships and coordinate revitalization efforts.
- Use a diverse array of funding sources to suit project goals.

Ann Arbor, Michigan

Key Takeaways on Downtown Mobility

- Early pedestrian constraints set the stage for the type of development available in the future.
- Partnerships between the transit authority, city, and business community lead to better coordination for a revitalized, pedestrian-oriented downtown.
- Transportation centers can serve as anchors.

Created in 1982, the Ann Arbor DDA has improved the physical environment and economic strength of downtown through several actions. One of these actions was to facilitate a strong commitment among policymakers, staff, and residents to coordinate mobility improvements. Prior to the creation of the DDA, the city and transit authority often worked in tandem, but not toward similar goals. A common goal was achieved by forging public/private partnerships between the DDA, downtown merchants, the community, and the transit authority to generate infrastructure investments in downtown Ann Arbor. Early projects, including street lighting and streetscape improvements, combined to make downtown Ann Arbor safer and more comfortable for pedestrians.

One early mobility initiative was the construction of the Blake Transit Center, which consolidated all downtown bus stops in one accessible central hub. The transit center features a heated waiting room with restrooms as well as a security presence during operating hours. The transit authority has increased ridership by working with major downtown employers to provide unlimited-use transit passes for their employees and a discounted, late-night, shared taxi service after the buses stop running.

Having a well-patrolled, well-maintained, and well-lit transportation center has increased perceptions of safety in the area, resulting in an increased number of restaurants and shops surrounding the transit center. Because of a 10-mile radius restriction imposed by the owner of the Briarwood Mall, no name-brand stores are allowed downtown if they also can be found at the mall. This means that local businesses have been the primary driver of growth in the downtown.

In 1992, Ann Arbor became one of the first cities in the United States to create a comprehensive bicycle master plan. The League of American Bicyclists rates it the highest-ranked community in Michigan for bicyclists. The City of Ann Arbor has 71.4 miles of on-street bicycle lanes and 57 miles of shared-use paths. The DDA has worked to create more than 900 bicycle parking spaces downtown, and bicycle parking is required for all new developments built in the city.

The DDA also has made the downtown more walkable by creating a "park once" environment, which reduces the amount of parking spaces needed to support commercial activity downtown. Walkability is cited as a reason why demand for living in or near downtown has increased. Construction of mid-block pedestrian crossings, the installation of ADA ramps, and the creation of a cohesive pedestrian network (including seamless connections between downtown and the University of Michigan campus) help to support a safe, efficient, and attractive environment.

Austin, Texas

Key Takeaways on Business Recruitment and Retention, and on Placemaking

- Creating a vision for the area and strong city leadership is required.
- Give attention to the streets of downtown, and treat downtown as a place. Cater to pedestrians.
- Subsidize retail development. Low- or no-cost rehabilitation loans can serve as a step toward retail diversity. So can property or sales tax abatements.
- Highlight and promote the downtown's unique architecture and use it to create a sense of place. Maintain historical buildings and, as a catalyst, make their renovation less expensive, at least in the short term.
- Create design guidelines for building renovation that maximize retail frontage.

In 1993, the downtown property owners of Austin, Texas, petitioned the city government to form a public improvement district (PID) to create and maintain a safe, clean, attractive, accessible, and fun downtown environment. The overall goal was to make the downtown area a destination.

In 1996, Austin adopted a "Great Streets" program to improve the quality of downtown streets and sidewalks. The purpose of Great Streets was to use urban design principles to create a sense of history, unique character, and authenticity for visitors to the downtown. This was intended both to add to a sense of safety and to increase the economic vitality of the area.

The Great Streets program was first implemented in the Second Street District, a six-block, underdeveloped area on Austin's waterfront, along Town Lake. The first phase of revitalizing this area included the conversion of one-way westbound traffic to two-way traffic. The second phase of the design included widening the sidewalks to a width of 32 feet, planting a double row of street trees to provide shade, and implementing a uniquely designed light pole that consolidated lighting, traffic, pedestrian signals, street signs, and special events banners. A cohesive theme of "rivers, streams, and springs" was also designed for the Second Street District, with a sculpture zone, artificial spring, and other appropriate civic art incorporated into the overall placemaking.

To incentivize private investment, the city provided expedited permitting, development-fee waivers, and funding for the streetscape, landscaping, and parking for developers. During negotiations with Computer Sciences Corporation (CSC) to develop Blocks 2 and 4 of the project, the city paid CSC $9.3 million toward the design, construction, and subleasing of the retail components of its buildings. On other blocks, the developers were responsible for the construction, leasing, and management of the retail spaces of their mixed-use projects. However, the city agreed to lease terms that made the mixed-use development financially viable.

One of the goals of the Second Street District for the CSC blocks was to have 168,000 square feet of ground-level retail, 30 percent of which would be local businesses. Thus the Second Street District is now home to 50 specialty shops, services, and dining establishments. As the revitalization of this area nears its end, other new projects adjacent to the Second Street District have been completed, including more mixed-use buildings, a residential tower, the construction of a new art museum, and a new ballet center.

Buffalo, New York

Key Takeaways on a Healthy Living District

- Create a shared vision for the area, without subsuming its distinct identity.
- Engage neighborhood residents and build social capital.
- Environmental and systemic change to facilitate active living requires a comprehensive approach.
- Balance long-term goals with short-term accomplishments: environmental change requires a great deal of time.
- Integrate active living concerns within existing and new planning and policy mandates.
- Make sustainability a priority.

The Buffalo Niagara Medical Campus Inc. (BNMC) was formed in 2002 as a nonprofit organization to facilitate collaboration and address shared issues among various stakeholders that surround the medical campus. The goal of the organization is to promote wellness and economic development for the Buffalo Niagara region.

Revitalizing the Fruit Belt neighborhood, directly adjacent to both the medical campus and downtown, served as one of the first projects proposed by BNMC. The Fruit Belt neighborhood, made up primarily of low-income minorities, had fallen into disrepair because of the high crime rate and large stock of vacant houses. This made the neighborhood unattractive for private commercial and residential investors. The Fruit Belt neighborhood, however, harbored a great deal of potential, because it was located on the transit line, was close to other desirable residential districts, and many of the vacant properties were land-banked by the city for development.

In 2003, the BNMC launched the Healthy Communities Initiative (HCI), a community partnership aimed at promoting healthy living among the employees of the medical campus and residents of the surrounding area. Funded with a grant from the Robert Wood Johnson Foundation, the program encouraged physical activity by building natural environments to support active living. Before launching the initiative, BNMC had invited a variety of stakeholders to join the partnership, including representatives from the medical campus, adjacent neighborhoods, the nonprofit sector, municipal governments, and the academic community.

To form the goals and outcomes of the initiative, visioning sessions were conducted with neighborhood residents and BNMC representatives. The improvement of streets, provision of sidewalks, adequate lighting, and improvement of safety within the area were designated as top priorities through the community engagement process. Building on the success of early conversations with the community, in 2008 BNMC launched the "Four Neighborhoods—One Community" planning process to further integrate the campus planning process with community needs. Physical improvements, such as the installation at street crossings of countdown timers and high-visibility crosswalks, were early successes for the partnership.

Additional projects have included collaboration with the Buffalo Public Schools and others to create a Farm-to-School and Harvest of-the-Month program, funded by the USDA, to provide healthy, locally sourced school lunch options for students. The development of the Healthy Corner Store initiative was designed to provide more healthy food options for the neighborhoods. The formation of Healthy Youth, Positive Energy (HYPE) for Buffalo's middle- and high-school students, the creation of a community garden for accessible fresh produce, and outdoor recreation geared toward seniors, were also efforts dedicated to creating a healthier city.

Columbus, Ohio

Key Takeaways on Large-Scale, Transformative Development

- Be resolute on vision, flexible on role.
- High public-purpose goals require patient capital. Focus on long-term, comprehensive initiatives.
- Adopt an entrepreneurial culture that allows the organization to exercise independent judgment and decisive action, relying on a dedicated staff with specialized skills.
- Invest in board and staff leadership of the highest quality.
- Implement community-based planning, but avoid analysis paralysis.
- Implement transformational projects, achieve a tipping point, and then allow the market to perform.
- Involved anchor institutions can dramatically improve their host communities.

In 1994, the University Area Improvement Task Force was formed, aimed at addressing decline around the University District. Several reasons were cited for the formation of this task force, including responding to rising levels of crime, enhancing student quality of life, attracting top students and faculty, and breaking the cycle of neglect to the area. In 1996, Ohio State University created Campus Partners for Community and Urban Redevelopment. Forming Campus Partners provided several benefits in terms of leadership: First, it meant the revitalization would be led by an organization with a clearly defined mission and full-time staff dedicated to accomplishing the task. Second, Campus Partners would have clear authority over projects and independent decision-making authority. And finally, it would be able to play the dual role of serving as a redevelopment authority and as a source of long-term capital, allowing it to take early risks regarding planning and land purchases.

Campus Partners quickly worked to partner with other key players, including residents, business owners, the City of Columbus, and local developers. This cooperation was manifested in the creation of an Advisory Steering Committee. Using input from the community, Campus Partners set out to respond to issues: it addressed a parking shortage, established a special improvement district, prepared guidelines for development and design, created facade and building-improvement incentives, made streetscape improvements, and developed the mixed-use destination “Campus Gateway.”

The Campus Gateway was designed as a bridge “from campus to community.” Financial backing for the project came from the university, city, and state; tax-exempt bonds; $35 million in new-market tax credits; and tax-increment financing revenues. Initially, work began with a private developer who created the overall design for the Campus Gateway. However, it became increasingly evident that it would make more sense to develop the property as a nonprofit organization, because it allowed Campus Partners to have access to a lower cost of capital. Campus Partners then made the decision to develop the property with the assistance of a fee-development service provider, allowing it to assume full control over the design vision and construction. The Campus Gateway is now home to 184 apartments and 225,000 square feet of retail, restaurant, and entertainment space.

Other important initiatives spearheaded by Campus Partners include the homeownership incentive program to encourage the university’s faculty and staff to buy homes and live in University District neighborhoods, as well as the development of Community Properties of Ohio, which preserved 1,385 subsidized housing units and relocated 500 of them to less distressed neighborhoods. Guidelines to ensure appropriate types of urban development and renovation have also aided in preserving the historical character of the area.

Grand Rapids, Michigan

Key Takeaways on Coordinated Downtown Management

- Compel a conversation. Sometimes it just takes a small spark to get the community involved in revitalization.
- Productive input follows empowerment and education.
- Reward civic participation and good behavior. Help people experience the fruits of their involvement, and create avenues for progressive involvement.
- Engage constantly. Go to where people are. Reach into the underheard populations.
- Technology is your friend: accommodate differing engagement medium preferences.
- Defer to authority.

Coming out of the Great Recession, Grand Rapids, the second-largest city in Michigan, was one of the fastest-growing markets in the nation, with a plethora of jobs in health care and technology. However, despite job opportunities, Grand Rapids was in desperate need of playing catch-up, as it also suffered a reputation as a “boring” place with few amenities, despite being home to a downtown performance arena, many breweries, and a variety of museums.

Established in 2013, Downtown Grand Rapids Incorporated (DGRI) serves as the single management entity for downtown Grand Rapids. DGRI financed much of its recent development with tax increment financing and brownfield redevelopment funds. To facilitate public engagement with the downtown, DGRI embarked on a series of reforms aimed at bringing together a variety of stakeholders.

Upon receiving an estimate to repaint the bridge connecting Grand Valley State University's downtown campus and downtown Grand Rapids, the DDA enlisted the help of Grand Rapids residents to choose the color for the bridge, engaging the public through a social media campaign and media outlets. The purpose of this outreach was not only to give people an opportunity to participate in decision making but to spark a conversation within the community about the importance of an iconic structure. Impressed that the DDA had designed a public input process that was inclusive and broad, MDOT added to the appeal of the project by installing color-changing lighting on the bridge.

The comprehensive approach used by the DGRI has filtered into the way in which the organization is governed. Seats on the advisory group are granted based on civic participation. Individuals can earn points through activities like participating in events or checking books out of the library. Efforts are made to ensure that each advisory group mimics the demographic characteristics of the city. Citizen representation is also found on the executive board, with one citizen from each advisory group having a seat on that board to provide input.

Determined to make the downtown a more desirable place, the DGRI worked to institute a variety of reforms, including a "Pop Up Performers" program, which hires local street performers to sing, play music, and dance on the sidewalks downtown. "Movies in the Park," an outdoor film series running from June through August, has been highly popular, especially as guests are invited to bring their own beer, wine, and snacks to enjoy during the show. The DGRI also worked with the city to create a special ordinance for food vendors to operate in specific downtown zones from 6 a.m. to 2:30 p.m., in designated parks across the city from dawn to dusk, and in specific industrial zones. The purpose of this reform was to invigorate underutilized public spaces.

Additionally, DGRI worked to create a "Downtown Ambassadors" program. Clad in distinct teal-and-blue uniforms, the downtown ambassadors patrol the downtown area seven days a week helping visitors with directions, connecting people to social services, reporting crime, removing trash and graffiti, and planting and watering the flowers downtown. Each downtown ambassador receives considerable specialized training, including CPR certification and overdose response training.

Beyond all that, the DGRI facilitated equitable housing downtown by working with the City of Grand Rapids to increase the height of allowable buildings to support high-density housing and by providing mixed-income housing development incentives. Recently, DGRI brought to the city council a plan to renovate Keeler Flats, a 103-year-old building that has been vacant for 20 years. The renovation would be financed through a Payment-in-Lieu-of Taxes (PILOT), as well as a loan from the U.S. Department of Housing and Urban Development, federal historical tax credits, and brownfield tax credits. Not only would the building provide low-income housing, but the ground floor has a planned day care center, vocational center, art studio, and exercise and fitness center for persons with special needs.

St. Louis, Missouri

Key Takeaways on Housing and Neighborhood Infill

- Be very honest with the community as to why you are investing.
- Leveraging or building community infrastructure is key. Develop existing relationships or build them from the ground up, because people will see through a top-down approach. Prioritization must come from the ground up.
- Do not promise what you cannot deliver: raising unrealistic expectations in the community will degrade the organization's credibility and weaken trust.
- Community conditions directly impact organizational outcomes.
- State and federal historical tax credits can be used to preserve buildings and attract developers interested in rehabilitating them.
- Local employers and businesses can sometimes assist with investment in the neighborhood, including participation in a business district.

Beginning in the 1970s, the neighborhoods surrounding Washington University's School of Medicine saw a precipitous decline, as many residents moved to the suburbs. As conditions within the neighborhoods became less safe, the world-class university faced a challenge to its reputation if it were unable to attract and retain talented students and faculty because the area in which the medical center was located was becoming dilapidated. At the time, the areas surrounding the campus had some of the highest crime rates in the city, leading the university to consider issues of safety for its employees, patients, and vendors. This gave rise to a dilemma for the medical center as to whether it should stay or relocate to a safer area.

Ultimately, the medical center decided to stay, but it also launched a series of investments designed to increase safety and livability in the neighborhoods surrounding the campus. To coordinate its endeavors, the institutions in the area combined to create the Washington University Medical Center Redevelopment Corporation (WUMCRC). Early development projects were funded through Chapter 353, a Missouri statute that provides incentives, such as tax abatement to developers of blighted areas, and allows for the use of eminent domain. The other primary funding source was community development block grants.

The primary activity of the WUMCRC was the creation and rehabilitation of housing units in the neighborhood. This created some conflict between the WUMCRC and neighborhood residents, because the preservation of the neighborhood's historic legacy was important to many of the people who lived in the area. With help from the Landmarks Association, many buildings were placed on the National Register of Historic Places, which allowed developers to have access to investment tax credits as well as federal and state historical tax credits. This reduced the cost of renovating buildings by 25 to 40 percent. By 1985, 641 new housing units had been built, and 685 housing units were rehabilitated. Remaining parcels that the corporation owned in the Forest Park neighborhood were also redeveloped to provide affordable housing units.

After stabilizing the housing stock, WUMCRC began to take a less primary role in the redevelopment of the area, instead focusing its work on helping to support community partners. This included providing funding to develop a community center that houses after-school and summer programs, funding for the Grove Community Improvement District to complete streetscape projects, and funding to Goodwill to provide job training. Much of the organization's focus is on building community capacity by providing administrative support and technical assistance (for example, helping to establish six special business districts encompassing both residential and commercial properties to help the community fund and improve safety and aesthetics). Initiatives included the Safe Block Program, wherein WUMCRC identifies blocks with high numbers of public-safety calls. It then provides residents on these blocks with security motion lights, guard doors, window locks, and steering wheel locks. These efforts have resulted in a 10-year reduction in crime for the area.

Appendix Table 2: How the Case-Study Cities Engaged Their Communities

Case studies	Partnering with community organizations	Public participation on governing / advisory boards	Public input in master planning	Public visioning meetings	Technology / social media
Ann Arbor, MI	X		X		
Austin, TX		X	X		
Buffalo, NY	X	X	X	X	
Columbus, OH			X	X	
Grand Rapids, MI		X	X		X
St. Louis, MO	X				

Appendix Table 3: How the Case-Study Cities Created a Distinct Downtown Identity

Case studies	Pedestrian orientation	Safety improvements	Historic preservation	Mixed-use development	Downtown programs
Ann Arbor, MI	X	X			X
Austin, TX	X		X	X	
Buffalo, NY		X	X		X
Columbus, OH	X			X	
Grand Rapids, MI		X		X	X
St. Louis, MO		X	X		

Appendix Table 4: How the Case-Study Cities Leveraged Community Assets through Development Partnerships

DEVELOPMENT PARTNERSHIPS				
	Development leader			Essential partners
Case studies	Public-city / DDA led	Private for-profit	Private nonprofit	
Ann Arbor, MI	X			DDA, downtown merchants, the community, and transit authority
Austin, TX	X	X		Downtown property owners, City of Austin, private firms
Buffalo, NY			X	Buffalo Niagara Medical Campus, neighborhood groups, nonprofits, municipal government, and academic community

Appendix Table 4 (continued)				
Columbus, OH			X	Campus Partners, private developers
Grand Rapids, MI	X			Downtown Grand Rapids Incorporated, private developers
St. Louis, MO			X	Washington University's School of Medicine, Landmarks Association, nonprofit and community organizations

Appendix Table 5: How the Case-Study Cities Leveraged Community Assets through Coordination

COORDINATION				
Case studies	Collaborative organization	Type of organization	Anchor led	Coordinating entity
Ann Arbor, MI	X	DDA		Ann Arbor DDA
Austin, TX	X	PID		Downtown Austin Alliance
Buffalo, NY	X	CDC	X	Buffalo Niagara Medical Campus Inc.
Columbus, OH	X	CDC	X	Campus Partners
Grand Rapids, MI	X	BID, DDA, LDFA		Downtown Grand Rapids Incorporated
St. Louis, MO	X	CDC	X	Washington University Medical Center Redevelopment Corporation

Appendix Table 6: How the Case-Study Cities Funded Projects

Case studies	Funding	Primary sources of revenue
Ann Arbor, MI	Public	Parking Revenue, TIF
Austin, TX	Private/public	Special assessment on downtown businesses (BID), private investment
Buffalo, NY	Private/public	Real estate holdings, parking revenue, and project management fees, as well as grant-funded initiatives and state and federal support for specific projects
Columbus, OH	Private/public	Ohio State University, Columbus Foundation, JPMorgan Chase Foundation, City of Columbus, United Way, OSU patient capital, OSU tax-exempt bonds, new-market tax credits, state/city infrastructure grants
Grand Rapids, MI	Public	TIF, special assessment
St. Louis, MO	Private/public	Community development block grants, investment tax credits, federal and state historical tax credits

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