A dispatch to my friends around the world

I want to share with you all the good news that I am moving back to Michigan to help start a Google office in Ann Arbor. I am excited to be closer to my family and to be living in a town that, inch for inch, has as much to offer as almost any big city, and all very accessible.
The Choice

Mosaic Initiatives

Vs.

Observations of Googlers

• Everywhere you go downtown – Google sightings
• The pull of downtown living
• The less car, the better.
• Value of the Running Club
• Activity flexibility – going in groups, grouping activities
• Influence of Family
• View of housing – great for transplants, expensive for locals

AdWords in the Curriculum       Google Apps for Education
Chris Leinberger, U of M & Brookings Institute, on “Turning Around Downtown, 12 Steps to Revitalization”:

1. Intention and vision
2. Strategic Plan
3. Role of the Public Sector
4. Make the right thing easy
5. Establish BID & other non-profits
6. Create a catalytic development company
The option of urbanism; investing in a new American dream, Island press, 2008

“The next slum?” The Atlantic monthly, March, 2008

“Turning around downtown”, the Brookings Institution, 2005
Michigan Future
Revitalization of Downtown Detroit: Attracting the Millennial Knowledge Worker

Brad Alexander
Tammi Jones
Chris Gore
Jonathan Nowrocki
Ken Powers

Project Objective

The primary objective of this project is to conduct a market analysis of Millennial Knowledge Workers and their urban living preferences that will help the city effectively attract 15,000 such households by 2015.

Primary scope of work:
- Analyze the Millennial Knowledge Worker segment and assess preferences for:
  - Housing product type (e.g. square footage, layout, amenities, price-point, rent or own, etc.)
  - Neighborhood attributes (e.g. the physical make-up of the neighborhood, types of retail/commercial in the area, walk-ability, availability of third places, park access, etc.)

Secondary scope of work:
- Analyze supply-related challenges to urban residential development in downtown Detroit and develop recommendations to ameliorate these challenges

Deliver a comprehensive market analysis and set of recommendations for attracting Millennial Knowledge Workers to Detroit.
Tools and Methods

Our market analysis and recommendations are derived from a combination of primary research, interviews, and third party research.

Tools:
- Surveys
- Focus Groups
- One on One In-Depth Interviews
- Chicago & Detroit Field Research
- 3rd Party Data Sources

Methods:
- Surveys: Gathered responses from a selection of students from local universities (University of Michigan, Wayne State University, Eastern Michigan University).
- Held focus groups of University of Michigan students and in-depth one-on-one interviews with Wayne State University students in various academic areas of concentration.
- Conducted interviews with regional real estate developers, urban planners, burgeoning entrepreneurs, and other key stakeholders.
- Investigated Detroit (Royal Oak, Ferndale, Corktown, Lower Woodward, CBD, Near East Riverfront, Lower East Central) and Chicago (Wrigleyville, Wicker Park, West Loop, Lakeview, Bucktown) neighborhoods and the specific retail structure within that neighborhood.
- 3rd Part Research: Leveraged research from experts in the fields of urban planning and development.
  - General consumer market data and academic research reports.
- 3rd Party Data Sources: Acquired relevant demographic and consumer spending data from Demographics Now.

Executive Summary

Observations:
- MKWs value walkable urbanism
  - Significant interest in walking to work and public transportation as well as to grocery stores, bars and restaurants.
- MKWs value green spaces as well as outdoor recreational activity.
- Neighborhood infrastructure and amenities are more important to MKWs when deciding on a home than housing amenities.
- A critical mass of independent retail, entertainment, and third place businesses are characteristic of neighborhoods successful with MKW in Chicago.

Recommendations:
- Focus on increasing the density of independent retail, entertainment, and third place businesses in focus neighborhoods.
- Prioritize the development of light rail to proximate downtown neighborhoods.
- Continue the development of urban parks and streetscapes.
- Market the city—Emphasize early development successes as well as historical strengths of the city.
The Importance of Attracting Young Talent

Young professionals are educated, mobile and entrepreneurial, making them key to metropolitan economic growth.

“Talented young workers ... have a fresh base of skills, they have more flexibility, ... they are relatively cheap to hire, and they are willing to relocate. They are, in short, the dream demographic for the human resources director of a fast-growing knowledge-based company.” – The Young and the Restless in a Knowledge Economy, CEOs for Cities

Young workers are mobile
- Young adults are twice as likely to move to other states as those who are “middle-aged.”

Young workers have “recent vintage human capital”
- They are used to operating with computers, utilizing the Internet for both research and communication.

Young workers are entrepreneurial
- Surveys of entrepreneurship conducted by the Global Entrepreneurship Monitor (GEM) indicate that people in the 25 to 34 year-old age group are the most entrepreneurial in our society.

Appealing to Young Talent
General Attributes and Consumer Preferences of MKWs

While Millennial knowledge workers may not think of themselves as part of a cohesive group or demographic, they often share key behavioral and demographic traits.

- **Millenial Knowledge Worker (MKW)** is a term that describes 24-35 year old participants in the 21st century knowledge-based economy

- **Millenials are:**
  - Mostly single
  - Highly social
  - Early-stage or unsettled careers
  - Very mobile
  - More likely to be renters
  - Ethnically and culturally diverse
  - Green

- **Millenials value:**
  - Art
  - Culture
  - Music
  - Physical activity / Outdoor recreation
  - Diversity

- **Neighborhoods established by MKWs will often be characterized by:**
  - Artistic, gallery shops
  - Cutting edge galleries
  - Trendy clubs
  - Stylish eating and drinking establishments

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Highly Valued Walkable Urbanism

As the pendulum swings back to urban living, walkable urbanism is increasingly demanded by MKWs.

- 65% of respondents classify their ideal neighborhood as high or low density urban
- 73% of respondents would like to walk or take public transit to work
- A majority of respondents consider it important or very important to live within 6 blocks of:
  - Grocery stores
  - Restaurants
  - Services (Dry cleaning, salons, etc.)
  - Entertainment venues
  - Bays and riverfronts

- "I want to do outside stuff (i.e. parks, recreational activity) within a city. I want to feel safe and be able to walk places such as bars and restaurants"  

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Attributes Important When Deciding Where to Live

<table>
<thead>
<tr>
<th>Attribute</th>
<th>% of MKW respondents valuing as Important Very Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Being Within Walking Distance of Public Transportation</td>
<td>71%</td>
</tr>
<tr>
<td>Being within walking distance to stores and restaurants</td>
<td>78%</td>
</tr>
<tr>
<td>Having sidewalks and places to walk</td>
<td>54%</td>
</tr>
</tbody>
</table>

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1 [Source: The Ingredients of a Walkable Street by Dom Nazzi](#)
Neighborhood & Housing Amenities

MKWs find neighborhood amenities more critical to location decisions than internal housing amenities

Neighborhood Amenities
- Most Valued: Affordable Purchase Price/Rental rates, Neighborhood Safety (Public Lighting), Quality of Public Services, Access to Parks & recreations
- 65% of respondents plan to rent next home

Unexpected Findings
- Internal Housing amenities were not a driving factor in deciding where to live
- Low density (non-high rise) urban housing was preferred by 41% of those surveyed
- Nearly half of respondents were neutral on their preferences for new construction vs. historical architecture

Neighborhood Amenities vs. Housing Amenities

- 56% Superior neighborhood amenities
- 39% Superior housing amenities
- 12% They are equally important

“Whether it is a coffee shop, or an art exhibit, I want to meet different people from different groups”

“I don’t really care all that much about the housing amenities; I tend not to spend that much time in my home or my apartment, and that has been true for a long time. Though, I can see that changing in a little bit after school – I need a decent amount of space, but I don’t need anything else”

Chicago: Successfully Attracting Young Talent
Where are Chicago’s Young Hip Neighborhoods?

Millennial Knowledge Workers have been gravitating towards specific Chicago neighborhoods

<table>
<thead>
<tr>
<th>Metric</th>
<th>Neighborhood</th>
<th>2007 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bachelor’s Degrees</td>
<td>Lakeview</td>
<td>44.10%</td>
</tr>
<tr>
<td></td>
<td>Wrigleyville</td>
<td>41.41%</td>
</tr>
<tr>
<td></td>
<td>Buck Town</td>
<td>38.44%</td>
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<tr>
<td></td>
<td>Wicker Park</td>
<td>31.09%</td>
</tr>
<tr>
<td></td>
<td>West Loop</td>
<td>28.41%</td>
</tr>
<tr>
<td></td>
<td>South Loop</td>
<td>28.34%</td>
</tr>
<tr>
<td>Median Age</td>
<td>Lakeview</td>
<td>31.78</td>
</tr>
<tr>
<td></td>
<td>Wicker Park</td>
<td>32.44</td>
</tr>
<tr>
<td></td>
<td>Buck Town</td>
<td>32.68</td>
</tr>
<tr>
<td></td>
<td>Wrigleyville</td>
<td>33.53</td>
</tr>
<tr>
<td></td>
<td>West Loop</td>
<td>34.72</td>
</tr>
<tr>
<td></td>
<td>South Loop</td>
<td>37.22</td>
</tr>
<tr>
<td>Never Married</td>
<td>Lakeview</td>
<td>61.49%</td>
</tr>
<tr>
<td></td>
<td>Wicker Park</td>
<td>60.94%</td>
</tr>
<tr>
<td></td>
<td>Buck Town</td>
<td>53.42%</td>
</tr>
<tr>
<td></td>
<td>Wrigleyville</td>
<td>47.69%</td>
</tr>
<tr>
<td></td>
<td>West Loop</td>
<td>36.87%</td>
</tr>
<tr>
<td></td>
<td>South Loop</td>
<td>34.99%</td>
</tr>
<tr>
<td>Pop / Households</td>
<td>Wrigleyville</td>
<td>1.66</td>
</tr>
<tr>
<td></td>
<td>Lakeview</td>
<td>1.06</td>
</tr>
<tr>
<td></td>
<td>Buck Town</td>
<td>1.56</td>
</tr>
<tr>
<td></td>
<td>Wicker Park</td>
<td>2.21</td>
</tr>
<tr>
<td></td>
<td>West Loop</td>
<td>2.65</td>
</tr>
</tbody>
</table>

According to stakeholders and Chicago neighborhood housing groups, several areas are particularly attractive to young people:

Lakeview
Wicker Park
Wrigleyville
Bucktown

11 STRATEGIC REQUIREMENTS FOR A LIVELY DOWNTOWN AND LIVABLE NEIGHBORHOOD
Rule 1, Deep bench of volunteers and nonprofit organizations

- Elizabeth Dean Foundation for the Dean Promenade along Main St
- Ann Arbor Community Foundation
- Old West Side Historic Assn
- Merchant and Art Associations
- Neutral Zone

Rule 2, Committed Civic Entrepreneurs & Risk Taking Real Estate Developers

- Cathi DuChon & the Ann Arbor Y
- Cynthia Yao & the Hands On Museum
- Margaret Towsley and the Michigan Theater
- Albert Berriz and the Neutral Zone

Developers who take VC risks for pushing for change, implementing the community blueprint
  - Bill Martin, Ed Shaffran, and me with Lowertown and Kingsley Lane
Risk Taking Developers

- Nurture local developers with an appreciation of the community’s values and vision
- Give them 20%/yr return on their risk capital
- Partner with them
- Do character not commodity real estate
- My offer to Ypsilanti
  - They put up land for 15% of value, paid when sold

Broadway Village at Lowertown

- Insert picture of Lowertown
Kingsley Lane near Kerrytown

- Insert picture of Kingsley Lane condos and retail

Rule 3, Visionary City Government

- City council, Planning Commission, Downtown Development Authority all embrace Walkable Urbanity (trade 1 car for $150,000 condo)
- Long term visioning and master planning buy in from key stakeholders
  - Density bonuses, DDA, TOD, PDR
- Historic Districts
- Cluster public uses around town square
Rule 4, Expansive Multi-Modal Connectivity

- Carbon Footprint, healthy bike and pedestrian alternatives,
- Role of mass transit, bike agenda, pedestrian priority
- Simple role of sidewalks. Think pre-car!
- Two rail lines, AATA, Zip Car

Rule 5, Connected Parks, Greenways and Natural Resources

- Reconnecting to where the city was originally founded in this location
- Bringing back the creeksheds for function and aesthetics
- Think back to “City Founded 18__?” Why??
Rule 6, Affordable Life Long Learning Opportunities

- Building upon the local college campus
- Community college, university, libraries, public schools
- Adding magnet schools, rec and ed

Rule 7, Belief in diversity as a core community value

- In age, income, ethnicity, educational level
- Housing types for all, within walking distance of downtown
Rule 8, Ease of approvals for Mixed Use Development (MXD)

- Most mixed use outlawed with zoning laws
- Next step to new master plan
- Zoning overlay that is form based, not use based
- Green architecture, LEED rated
- Density bonuses
- Design review boards

Economic argument for high density

- 1 acre (say 40,000 sf) at 25% FAR or density creates 10,000 sf, which at $100 per sf in value, creates $1 million in fair market value. Think McDonald’s or Costco.
- 1 acre at 200% FAR creates 80,000 sf, which at $200 per sf (more expensive to build) creates $16 million in value. Think one block of downtown.
Rule 9, Financial Support for the Cultural Arts

- Michigan Theater bought by visionary Mayor.
- Ann Arbor Symphony plays in Mi Theater
- Ann Arbor Art Assn use of real estate to expand agenda. Trying to buy across street
- Kerrytown Concert House explained by Deanna Relyea. Typical 2000 sf house downtown
- The Ark with David Sieglin. Hippie coffee house now a major arts venue.

Rule 10, Appreciation for a mix of unique local and national retailers

- Necessary to excite the sidewalk
- Locals set authenticity, nationals set standards and hours
- Shoot for 50/50 mix
- Find local entrepreneurs among your residents.
- No fear of failure!!
Rule 11, Role of public schools

- Add picture of new elementary school in Chicago
- New parents are now changing the schools instead of moving to the burb’s.
  - Better back yard is the rich city
Old Westside Square Arts Village and Gateway to the Old West Side and Downtown

$15 West Washington St

Floor Plans - Residential Floors
- Residential Unit Layout
- Picture for Old Westside Square Center
- The Artist Lofts at 611 could have two additional lofts per floor

Floor Plans - Retail Lofts
- Retail/Office/Lofts - First Floor between
- Picture for Old Westside Square Center
- The Artist Lofts at 611 could have two additional lofts
### SMART NAPKIN - April 26 2008

#### LAND COST ASSUMPTIONS
- **Pessimistic**: Land Cost $1,155,000
- **Realistic**: Land Cost $1,100,000
- **Optimistic**: Land Cost $1,045,000

#### CONSTRUCTION HARD COST ASSUMPTIONS
- **Demolition**: $11,000, $10,000, $9,000
- **Clearing**: $22,000, $20,000, $18,000
- **Utilities**: $66,000, $60,000, $54,000
- **Landscaping**: $11,000, $10,000, $9,000
- **Paving (% of lot cover)**: 10%, 9%, 8%

#### TOTAL COST - UNITS
- **A - Old West Side Café & Bistro**: 3,270 SF, $83 SF
- **B - Walkout/Garden live work units**: 1,770 SF, $75 SF
- **C - Below grade basement parking**: 375 SF, $68 SF
- **D - Smaller 1 bedroom on 2nd & 3rd floor**: 650 SF, $67 SF
- **E - Larger 1 bedroom on 2nd & 3rd floor**: 750 SF, $78 SF
- **F - 2 bedroom on 4th flr with mezzanine Loft**: 1,000 SF, $77 SF
- **G - Small 2 bedroom with loft**: 900 SF, $75 SF

#### PRO FORMA SUMMARY
- **Gross sales income**: $6,617,025, $7,352,250, $8,087,475
- **Land cost**: $1,155,000, $1,100,000, $1,045,000
- **Building cost**: $1,952,832, $1,828,183, $1,314,840
- **Soft cost**: $680,355, $618,505, $556,654
- **Gross profit (loss)**: ($856,300), $1,000,864, $2,926,307

#### Redevelopment Toolkit Course
- **13 week course on How to Develop Lively, Transit Oriented Downtowns for Public Officials all packed into 1 day at Ross School of Business at U of M**
- **On a Friday before a football game**

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