BUILDING PROSPEROUS PLACES IN MICHIGAN

understanding the values of, perceptions of and barriers to placemaking

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full report

A CASE STUDY OF THREE CITIES: LANSING, TRAVERSE CITY AND ROYAL OAK

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Executive Summary

IN THE NEW ECONOMY, THE PRECURSORS TO ECONOMIC GROWTH (E.G., TALENT, ENTREPRENEURSHIP, KNOWLEDGE INDUSTRIES) ARE ATTRACTED TO LOCATIONS THAT ARE ENHANCED THROUGH PLACEMAKING. OTHER PLACES ACROSS THE NATION AND THE WORLD HAVE LEARNED TO RESPOND TO THIS CHANGING PARADIGM IN THE BUILT ENVIRONMENT AND THE CHOICES THEY OFFER. UNFORTUNATELY, MICHIGAN AND OTHER RUSTBELT STATES HAVE NOT SHIFTED QUICKLY ENOUGH TO THIS NEW MINDSET TO HAVE A CRITICAL MASS OF THESE PLACES TO ATTRACT GROWTH.

Background

Michigan community leaders that have recently faced large population losses, high unemployment rates, massive numbers of foreclosures, and other economic woes have been exploring the reasoning behind these dire trends, as well as the strategies that would help to reverse them. One of those potential strategies, among others, is the implementation of "placemaking" efforts that attract people, businesses and jobs, and create greater sustainability in economic, environmental and social terms. Placemaking can be defined as the "development or redevelopment of value-added real estate that integrates essential elements of local and regional allure (e.g., mixed use, walkability, green spaces, energy efficiency) to generate an improved quality of life, a higher economic impact for the community, enhanced property tax revenue and better return to the developer and investors, while minimizing negative environmental and social impacts" (Adelaja, 2008). Fundamentally, placemaking is all about creating the types of places that people are drawn to work, play and live, while addressing recent shifts in housing demand, due to changes in the economy, energy, health and other quality-of-life components.

In the New Economy, the precursors to economic growth (e.g., talent, entrepreneurship, knowledge industries) are attracted to locations that are enhanced through placemaking. Other places across the nation and the world have learned to respond to this changing paradigm in the built environment and the choices they offer. Unfortunately, Michigan and other Rustbelt states have not shifted quickly enough to this new mindset to have a critical mass of these places to attract growth. Michigan's "places" are built upon the Old Economy paradigm, where uses are separated, people are auto-dependent, and infrastructure is outdated and inefficient. New pathways in placemaking should be explored to help the Rustbelt region successfully transition to the New Economy to meet the needs of its current and prospective populations.

PLACEMAKING
The "development or redevelopment of value-added real estate that integrates essential elements of local and regional allure (e.g., mixed use, walkability, green spaces, energy efficiency) to generate an improved quality of life, a higher economic impact for the community, enhanced property tax revenue and better return to the developer and investors, while minimizing negative environmental and social impacts."

About the Study

Through the "Rebuilding Prosperous Places" initiative, the Michigan State University (MSU) Land Policy Institute (LPI) and its numerous partners endeavored to better understand placemaking in order to aid in its implementation in Michigan communities. The objectives of this initiative were to:

1. Identify barriers to and other perceptions about placemaking among key real estate development stakeholder groups.

2. Explore the economic value of placemaking by assessing its impact on property values in selected urban areas in Michigan.

3. Evaluate the impact of placemaking on workforce housing, and discover methods for incorporating workforce and affordable housing into placemaking developments.

The ultimate goal of this study has been to help Michigan and the Rustbelt region to catch up to and surpass other successful places in their ability to build placemaking projects that attract growth through the education of relevant stakeholders, transformation of policies, removal of barriers and creation of incentives.

Four main methods were utilized to address these objectives. First, numerous existing efforts surrounding placemaking were investigated to determine what knowledge, and knowledge gaps, currently exist. Previous efforts to uncover the barriers to placemaking, such as the Urban Land Institute's (ULI) survey of developers in 2004,[1] identified things like "neighborhood opposition" and "local regulations" as perceived hurdles. In addition, several examples of successful programs and actual projects were discovered that can provide some guidance to Michigan communities, including numerous in-state examples, like Campus Martius in Detroit and Lansing's Stadium District.

Second, the barriers to and incentives for placemaking, as perceived by local governments, financial institutions and developers in Michigan, were assessed through qualitative surveys. Opportunities for capitalizing on incentives and successful strategies, perceived and real barriers that must be overcome and potential areas for education and facilitation to assist in placemaking processes were identified. For instance, a majority of respondents from the three survey groups agreed that placemaking is an important component of strategies to achieve high-impact economic activity in Michigan communities. Still, such issues as access to financing and lack of information about the true value of placemaking features were cited as barriers that keep these complex projects from moving forward.

Third, to better understand the economic impact that placemaking projects can have, the marginal effects of placemaking elements (walkability, mixed use, access to green spaces) on property values in three Michigan cities (Lansing, Traverse City and Royal Oak) were estimated. The results showed that certain placemaking features were found to have a positive relationship to property price. For instance, living within walking distance

1. See the Urban Land Institute's Policy Form Report on *Barriers and Solutions to Land Assembly for Infill Development*, 2004: http://www.uli.org/ResearchAndPublications/Reports/~/media/Documents/ResearchAndPublications/Reports/Urban%20Revitalization/LandAssembly.ashx.

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of a river, lake or school was associated with a higher priced home in Lansing. Interestingly, however, living within close proximity (quarter-mile) of grocery stores, was associated with a lower priced home in Royal Oak. Differences were also discovered between communities in terms of which placemaking features appear to be desirable. Clearly, assessing the value of placemaking attributes is a complex endeavor.

Finally, in order to ensure that the enhanced quality of life that is created by placemaking does not have negative social effects, the methods for including workforce and affordable housing in these types of developments were evaluated. Several examples of places where this inclusion has been successfully achieved are presented as models for Michigan communities, including two developments near downtown Grand Rapids, Division Park Avenue and Serrano Lofts, that are geared toward workforce affordability. In addition, the hedonic study of home prices was broken down into three models that reflected different levels of affordability (see the Full Report for details). There appeared to be some differences in marginal values for placemaking elements between the model for all homes and the model for homes affordable to the workforce (i.e., those at or below 120% of median household income levels). For instance, in Lansing, having a larger number of full-service restaurants within walking distance of a home generally was associated with a higher home price; however, for homes under

the workforce affordability limit, there was not a significant impact. These relationships warrant further investigation.

These methods and findings are explored more in-depth in the following report, in addition to a discussion of limitations of the models and data, and the need for further research to better understand the values and perceptions of placemaking. Finally, recommendations for state and local policy and placemaking efforts are provided. Due to the apparent differences between communities, it is recommended that communities undergo individualized assessments of their vision for placemaking within neighborhoods, and develop master plans and zoning to reflect those goals. Also, there is a clear need for education and information provision around placemaking for the various stakeholder groups associated with these efforts. Next steps for the project team include a deeper and geographically broader analysis through a second phase research and outreach initiative to address these recommendations.

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Part 1: Introduction

AS LONG AS HUMANS HAVE DWELLED ON EARTH, WE HAVE FOUND WAYS TO MAKE OUR PLACES MEANINGFUL. THE MAKING OF PLACES—OUR HOMES, OUR NEIGHBORHOODS, OUR PLACES OF WORK AND PLAY—NOT ONLY CHANGES AND MAINTAINS THE PHYSICAL WORLD OF LIVING; IT ALSO IS A WAY WE MAKE OUR COMMUNITIES AND CONNECT WITH OTHER PEOPLE. IN OTHER WORDS PLACEMAKING IS NOT JUST ABOUT THE RELATIONSHIP OF PEOPLE TO THEIR PLACES; IT ALSO CREATES RELATIONSHIPS AMONG PEOPLE IN PLACES (SCHNEEKLOTH AND SHIBLEY, 1995).

In recent years, the use of the term *place* and *placemaking* has escalated among real estate developers, realtors, architects and planners, as well as local, regional and national policy makers. The growing interest is the result of the realization that cultivating a *sense of place* is an increasingly important requirement for attracting people, firms and local economic development prospects in general. The various contexts in which the terms place and placemaking are used today suggest an increased understanding of the connections between a physical location; its natural, constructed and cultural assets; its economic activities; and its short- and long-term prospects for prosperity. Community leaders are increasingly recognizing that they have a greater capacity to manage their resources and place-based assets in order to achieve more sustained and comprehensive forms of economic development than before.

Understanding how place-based assets add to the geographic notion of place is important. The combination of natural, cultural and built (constructed) assets is what positions a place for success, especially in the New Economy (Adelaja et al., 2009). Furthermore, understanding how *place persona* can be constructed to enable a location to be more competitive is critical to "placemaking." One important element of placemaking is, therefore, the design, location and construction of real estate developments, which have the potential

to crystallize economic activities at levels beyond what is conventional. In other words, place is a combination of several attributes, which taken as a whole, connote more value to communities than their sole parts. It is this synergy of attributes within a place that must be better understood. Since place and placemaking have become such hot topics, it is necessary to examine more wholly the many aspects—including the costs and benefits—of placemaking, especially when it involves real estate.

Project Rationale

Real estate-based placemaking development projects typically provide more diverse uses than traditional real estate development projects, such as an individual strip mall, an isolated office building, or an isolated recreational park. A "placemaking" project leverages the compounded effects of multiple uses to generate farther-reaching impacts on the community. Such a project may include a mixed-use development that not only serves a residential or commercial purpose, but perhaps combines them, and has additional features, such as public or semi-public gathering spaces, throughways for pedestrian traffic, an arts and entertainment venue, a collection of art or sculptures or vibrant landscaping that attract people and businesses, which in turn, adds value to the community. The idea behind placemaking is to target a real estate project that has the capacity to generate value over and above what is conventional.[2]

One purpose of this report is to estimate market values for specific components of placemaking through the utilization of the hedonic pricing method supported by rich data sources. It is hypothesized that placemaking features add value to real estate, and that such values positively contribute to overall community prosperity. It is also expected that improving planning for and realizing greater implementation of placemaking projects across Michigan will add to the overall economic allure of the state. Prior hedonic pricing research has often been hindered by having only a few essential housing components to examine—typically due to data limitations. As of late, however, it has been possible for researchers and practitioners to devise tools that help measure elements of mixed-use, like VivaCity's GIS-based analysis tool (Porta, et. al, 2007); walkability (Leslie et al., 2007); resident satisfaction of the built environment (Kweon et al., 2010); among several other placemaking components. Such studies supply indispensable findings that will guide and help this project to further understand the many features of placemaking, how they are valued, and the ways in which they can be applied in Michigan cities.

Placemaking projects have been demonstrated to create value, allure and community benefits. But they also have the potential for being unaffordable to various segments of the population (Haughey and Sherriff, 2010; Bohl, 2007), due to rising housing and rent prices that tend to push out the workforce. Oftentimes, affordable or workforce housing is difficult to incorporate into placemaking projects, primarily due to the higher premiums such developments command. Therefore, another purpose of this project is to document workforce housing and its applicability in placemaking.

The report will first highlight literature related to place and placemaking, and their implications for poverty reduction and providing workforce housing. Next, it will summarize challenges and barriers to placemaking. Third, survey results collected from developers, bankers and local units of government on their perceptions of placemaking will be discussed. Fourth, the hedonic pricing method will show the financial benefits of placemaking components. Finally, the report will conclude with a discussion of the findings along with recommendations and final remarks.

Understanding the Significance of "Place"

The historical or traditional concept of place describes a specific location of physical geography. Simply speaking: "A place is a spatial setting that has been given meaning" (Tuan, 1977). Contemporary concepts of place acknowledge that a location can be transformed into a location of interest when one looks at the combination of assets that makes a particular geographic place worthwhile and distinctive. This concept of place is central to understanding the built environment—the physical context in which

2. For more information on conventional development types, see Leinberger (2001) and page 13 in this report.

we live, work, interact, travel and procure goods and services—and it is something that has transformed over time.

During the period of Industrialization, places became known by what they produced. Major industrial locations served as epicenters of economic activity. Cities, such as Pittsburgh (PA) and Detroit (MI), became recognized for their ability to leverage the resources of their surrounding regions into products, and job opportunities in specific industries, such as steel and automobiles. This era brought a different realization to the concept of place, whereby the definition evolved to also include the industrial assets and other elements of the built environment, alongside physical geography. During this era, large cities and towns began to feature multiple locations with unique and distinct assets and features (i.e., districts). Thus, places that presented a range of economic activity through a multitude of districts and cultural characteristics were the ones that flourished.

The next iteration of the concept of place began to emerge in the 1990s as the New Economy paradigm intensified. Even before this time, many cities began the shift from centers of production to centers of consumption (Glaeser et al., 2001), as marked by decreases in manufacturing industries coupled with increases in the technology and services sectors (Lee and Wolpin, 2006). The onset of the New Economy also shifted the meaning of the term "place" to increasingly focus on features that were most attractive to people. Today, place no longer refers to just a specific location, along with its assets, whether natural or built. Place connotes the degree of allure that a geographic location has to offer.

When the term "place" is used today, it is often in the context of sense of place, which relates to the special feeling that people have about a location, or the emotional response elicited when they come in contact with a place's characteristics—appealing design, beautiful landscape, attractive buildings, optimal configuration of amenities, locational functionality, integration of the features of the natural and built environment, attractiveness, livability, opportunity for fun and entertainment, and economic and social functionality (e.g., job opportunities, ethnic diversity, housing choices). More simply, sense of place integrates several dimensions: the physical environment, human behaviors, and social and/or psychological processes (Relph, 1997; Brandenburg and Carroll, 1995; Stedman et al., 2004), along with cultural and spiritual ones (Aravot, 2002).

While the definition of place has evolved, there is not so much a gap in public understanding of place and how it has evolved as there is a wide brushstroke. With definitions of place ranging from its general description of physical geography to locations that have specific attributes driving greater economic activity, there is an inconsistency of its use among academics, elected officials, developers, financers and citizens. Despite these inconsistencies, the use of the term continues to expand. Place now encompasses more than just location and its assets; it now includes such features as desirability, walkability, mixed-use, safety and bikability, along with many others.

Place typically describes a physical location, such as an intersection, a downtown district, an airport, a neighborhood, or an area of known specialized activity. However, the CLEAR Network provides a standard, contemporary definition of place as "a livable community, which has an identifiable character, sense of place and provides for high quality of life" (The CLEAR Network, 2004). Similarly, the Project for Public Spaces (PPS) describes place by considering the elements that enhance the provision

Description of Placemaking

In academic circles, placemaking is described in terms of its overall purpose. For instance:

- "Creating livable communities, which have an identifiable character, sense of place and provide for a high quality of life" (The CLEAR Network, 2004).
- "Placemaking is the way all of us as human beings transform the places in which we find ourselves into places in which we live . . . It is not just about the relationship of people to their places; it also creates relationships among people in places" (Schneekloth and Shibley, 1995).
- "Placemaking is a multi-faceted approach to the planning, design and management of public spaces. Put simply, it involves looking at, listening to and asking questions of the people who live, work and play in a particular space, to discover needs and aspirations" (Project for Public Spaces, N.D.).

of public and private benefits to individuals, families and local businesses. Locations that capitalize on local community assets, inspiration and the potential to create an environment that promotes health, happiness and well-being are poised to become high-quality places. Finally, Pierce et al. (2010) delve deep into the inter-relationships between place, politics and society, and conclude that all places are relational, in that they are all produced through "networked politics," which recognizes an innately human interest and ability to plan, build, rebuild and influence the politics, economics and physical distinction of a place.

What is "Placemaking?"

These definitions and concepts of place support the role of placemaking, which implies that there are systematic and understood methods for influencing the appeal and attractiveness of a location by adequately managing its assets and infrastructure, based on a better understanding of what creates the best livable community. Both internationally and domestically, placemaking can be understood through several components or features. As a result, placemaking has been used to redesign suburban neighborhoods (Forsyth and Crewe, 2009), guide the rebuilding process following a disaster (Cuff, 2009), establish the designs of places based on historic culture or art (Markusen and Gadwa, 2010), re-use brownfields (Franz et al., 2008) and underutilized land (Stevens and Ambler, 2010), direct equitable gentrification (Hankins and Walter, 2011), and even to provide a paradigm that guides urban policy (Imbroscio, 2011), among many other applications in urban, rural, regional and community-based initiatives. In this report, placemaking is used to describe location-based approaches and strategies that drive economic development strategies by leveraging assets.

Across the nation, communities have realized that they have power to influence their development and place-based strategies and, thus, are seeking even more ways to understand and implement placemaking. Researchers and policy makers are increasingly working to promote the principles of placemaking; but in order to do this, they must understand what placemaking is amidst the numerous interpretations and definitions. Schneekloth and Shibley (1995) categorize the range of placemaking into three approaches: academic, professional and intensely personal.

Intensely personal or communal understandings of placemaking describe the experience of placemaking. Similar to the professional description, this perspective focuses on process; however, it emphasizes the role of community members.

There may be competing notions between these definitions that hinder effective placemaking strategies. Schneekloth and Shibley (1995) argue that professional placemakers often overlook the academic and intensely personal/communal definitions. This oversight can create tension between developers and community members. As PPS states, "The term can be heard in many settings—not only by citizens committed to grassroots community improvement, but by planners and developers who use it as a fashionable 'brand' that implies authenticity and quality even when their projects do not always live up to that promise." However, professional placemakers also highlight that their roles are necessary in reaching the vision that community members seek to achieve. All relevant parties must be able to work together for placemaking to be successful.

Why is Placemaking Important?

Placemaking is important because it has established the ability to create high value and highly demanded places that benefit the local economy by incorporating such concepts as entertainment, commercial, retail, public spaces, eco-consciousness, energy efficiency, walkability, cultural economic development, business community centers, entrepreneurial development and food and wellness into developments. These things not only add to quality of life, but they enhance long-term value to property owners, local units of government and, ultimately, the community.

Professional Placemakers

Professional "placemakers" are generally categorized as developers, local units of government, economic development agencies, real estate agencies and banks, among others. Their descriptions of placemaking largely focus on their roles in the process of placemaking.

- "Placemaking is the use of strategic assets, talent attractors and sustainable growth levers to create attractive and sustainable high-energy, high-amenity, high-impact, high-income communities that can succeed in the New Economy" (Adelaja, 2008).
- "Placemaking offers developers, public officials and consumers unbeatable opportunities to collaboratively create thriving, profitable, sustainable environments to live, work and play. Great placemaking requires bold vision, entrepreneurial business models, and long-term commitment from private and public sector players" (ULI, 2008).
- "Placemaking is both an overarching idea and a hands-on tool for improving a neighborhood, city or region. It has the potential to become one of the most transformative ideas of this century."[3]

3.See Project for Public Spaces, "What is Placemaking?": http://www.pps.org/articles/what_is_placemaking/.

Changing market trends, demographics and governmental policy are encouraging the expansion of these types of projects. These projects add value because they command a higher per-unit price, thereby enhancing the tax base and attracting buyers, renters and visitors who have high economic impacts (Cervero, 1996; Cortright, 2009; Smart Growth Network, 2006). Placemaking projects have the ability to enhance the community by improving quality of life by offering more affordable housing, increasing accessibility to resources and opportunities through innovative transportation schemes and walkability, and encouraging the use of green infrastructure and design (Arigoni, 2001; Project for Public Spaces, N.D.). Furthermore, density—whether population, business clusters or both—has the potential to catalyze and enhance these placemaking components.

The numerous benefits of well-designed density can energize placemaking efforts. Economically, accounting for density at the local level is crucial for explaining variations of productivity at the state level (Ciccone and Hall, 1996). Likewise, a diverse cluster of firms is more productive in larger cities, since firms benefit from both increased competition between firms and more interactions, as firms in denser areas are almost 10% more productive than firms in less dense areas (Combes et al., 2009). Densely populated urban areas are also productive hubs of innovative output, and play a vital role in the flow of knowledge, invention and information (Carlino et al., 2007; Audretsch and Feldman, 1996). In addition to interactions between firms, urban density and vibrancy of civic networks are directly related to stocks of social capital within local communities (Putnam et al., 1994). Although cities have typically been thought of as merely having production advantages with consumption disadvantages, urban density facilitates consumption by providing critical urban amenities, such as a diverse array of consumer goods and services, aesthetics and architecture, strong public services, and the ease of individuals, goods and knowledge mobility (Glaeser et al., 2001). These urban amenities not only provide economic value, but play a critical role in shaping the social worth of urban density.

Yet, increased density typically translates into higher housing and leasing costs. Thus, questions still remain as to the efficacy of placemaking projects in regard to non-market rate housing (Litman, 2009), public and private funding mechanisms (Glaeser and Gottlieb, 2008), incentives and barriers. Of the many barriers, a few that hinder placemaking projects from occurring include regulatory structures, institutional factors and, in some cases, concerns from the public (NIMBYism, or Not in My Backyard).Regulatory barriers include zoning ordinances and financial lending terms. Institutional barriers refer more to the status quo—that development has happened in a given way for a period of time and it is difficult to adjust that course. Finally, public concerns over density, land use changes, taxation and a project's perceived benefits versus its proposed costs can threaten placemaking projects.

Barriers to Placemaking

For the past half-century, conventional development models have been used to design America's built environment. These models encourage "sprawling strip commercial space and subdivision housing," due to an evolved desire for conformity, a focus on short-term returns, and the ability to compare and trade "bundles" of similar real estate types (Leinberger, 2001).

These types of conventional development are surely contradictory to many of the central defined tenets of placemaking (see Kunstler, 1993, 1996; Halprin, 1989). Over time, placemaking has emerged from the impressions of urban design and creating a sense of place, as opposed to making "placelessness" (Aravot, 2002).

Previous attempts to improve urban places, most notably through the urban renewal programs of the 1950s and 1960s, proved largely unsuccessful and even detrimental to many cities' long-term well-being (Pritchett, 2003). Created by the Housing Act of 1949, which promised to deliver federal dollars to blighted urban areas for redevelopment, urban renewal programs sought to clear slums and provide cities with improved low-income housing, among other things (Teaford, 2000). Ultimately, as a result of the programs' ambiguity, there existed constant controversy over the application of policies, and many of the programs' housing funds were misused, as pre-existing low-income housing was removed to make way for commercial areas and higher-income housing, or poverty was concentrated into even denser areas with massive public housing projects. The 1956 Federal Aid Highway Act led to the development of numerous highways that were oftentimes routed through vibrant and culturally significant urban neighborhoods, thereby separating these areas from jobs, services and utilities, in addition to effectively removing them from the urban center (Sevilla, 1971). Many of the negative impacts of urban renewal programs are seen today, in such cities such as Boston (MA), Detroit (MI) and Philadelphia (PA), where numerous urban neighborhoods still face long-lasting economic, land use and social ills (Bennett, 2000).

In some ways, placemaking and sense of place date back to the 1960s and 1970s (Jacobs, 1961; Cullen, 1961; Alexander, 1979; Aravot, 2002), and their popularity has ebbed and flowed with various design, planning and community movements (Aravot, 2002). Yet no matter how desirable placemaking appears in theory, its practice and implementation has struggled, mostly due to politics, a shift to a post-industrialist society, the redesign of cities and regions, expanding transportation networks and persistent suburban growth (Aravot, 2002), to name a few. Citizens have also played a very strong role.

One of the most important components of placemaking is people. Placemaking has been criticized as being an architectural or planning-based solution to urban decline that ignores the people in the affected cities and tends to ignore lower-income groups (Aravot, 2002). The sense of community one feels and the overall society in which one lives, works and recreates, ultimately creates a strong sense of place and strong feelings associated with it. Therefore, it is necessary to recognize that several land development projects, whether coined as placemaking or not, have not always been welcomed by the affected communities.

Place-based investment in a low-income community may be too small to significantly lift its people out of poverty, and may instead benefit employers and inbound migrants. More importantly, such policies may make the place more attractive to outsiders, thereby increasing rental costs, while providing a greater benefit to homeowners and landlords (Glaeser and Gottlieb, 2008). On the other hand, there has been debate as to whether it makes more sense to invest in people rather than place (Crane and Manville, 2008). One focuses on improving an individual's mobility, thereby allowing him or her to improve their quality of life. Conversely, the other focuses on investing in place, which aims to improve locations and communities with deeprooted poverty or other social issues. Davidson (2009), however, argues that such a dichotomy is illusory—investing in either people or places will inherently, through geography, have an effect on one or the other. Several prescriptions for processes in placemaking call for public participation, community involvement and grassroots efforts (Hou and Rios, 2003; Alexander, 2009; Martin, 2003) that enable citizens to manifest their own sense of place in the placemaking process.[4]

While numerous barriers stand in the way of implementing various forms of placemaking, part of this report focuses on the regulatory and financial types. See Table 12 in Appendix E for a comprehensive list of barriers to placemaking. The challenges associated with funding and executing placemaking projects in communities are discussed more fully in "The 'Placemakers'" section on page 12.

Alternative Incentives and Mechanisms for Placemaking

Based on the literature and contemporary examples, there has been, and there continues to be, a strong interest in placemaking. But there are some key obstacles blocking its ability to flourish. What incentives exist? Why should developers and the community, for that matter, want placemaking?

Glaeser and Gottlieb (2008) studied the economics of placemaking. They argue that America's greatest placemaking of the past occurred through the effects of transportation projects: canals, railroads and highways. Indeed, the consequences of each of these types of transportation projects changed the landscape and local economies they passed through. Building roads may have actually incented certain (perhaps undesirable) forms of

placemaking to flourish in "low agglomeration" (low-density, sprawled out) areas, which do not produce as many positive externalities as denser, more populous areas (Glaeser and Gottlieb, 2008).

Other incentives related to placemaking developments have included tax credits to lure or retain firms and companies (Markusen and Gadwa, 2010), mixed-income options for residents (Brophy and Smith, 1997) and incentives to clusters of businesses (Porter, 2000). While such incentives may boost economic activity, they have been criticized as being ineffective at creating jobs and the other benefits they aim to provide (Hansen and Kalambokidis, 2010).

Placemaking incentives may be achievable through policy mechanisms. For instance, Safe Routes to School funding availability written into the Federal transportation bill[5] provides opportunities to improve or build infrastructure that promotes walking and biking, while making streets safer for children (TenBrink et al., 2009; Rodriguez and Vogt, 2009). A similar state-level program is Complete Streets, which aims to increase safety and accessibility for all users (Glanz and Sallis, 2006; Geraghty et al., 2009) through mandated improvements and enhancements to transportation-related infrastructure.

4. According to the Project for Public Spaces, one of the 11 principles of placemaking is that it "can't be done alone."

5. The Safe Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users authorizes transportation-related funding.

Another policy-related mechanism that can be used to encourage placemaking is the use of form-based codes: "Form-based codes are land-development regulations that emphasize the future physical form of the built environment" (Madden and Spikowski, 2006). Developers and planning officials are becoming increasingly interested in these codes, due to their ability to allow mixed-use and other types of developments that developers want to build, but are often not legally able to do, due to the often outdated and inflexible nature of zoning codes. Such cities as Denver (CO) and Miami (FL) have rewritten their zoning codes, because they found that they actually limited the opportunity for or made illegal the types of development they wanted to see (Madden and Spikowski, 2006).

Placemaking Success Stories

Even though placemaking has faced resistance, there are successful placemaking implementation stories from across the world. The Project for Public Spaces currently lists 688 "Great Public Spaces." These spaces can be further narrowed down by building, park, transportation, neighborhoods and districts, and markets, along with others. Many of the places included in this repository feature public spaces that demonstrate high levels of:

- Access and linkages;
- Comfort and image;
- Uses and activities; and
- Sociability.[6]

Other placemaking features can be explained through Smart Growth and mixed-use. There are numerous examples of successful placemaking stories to be found. And while placemaking "success" is somewhat subject to opinion, preference and personal perception, a few examples are highlighted below that have managed to incorporate workforce/affordable housing, mixed-use, in-fill development and open space or green infrastructure into their features.

National Examples

The City of Baltimore (MD) has rebounded from its reputation as a "shrinking city" to one that has effectively utilized placemaking. The Urban Land Institute highlighted the renovation of an old brick canning factory in Baltimore—a former brownfield site and listed on the National Register of Historic Places. Miller's Court was transformed into a mixed-use development with loft apartments and commercial space and has become a "neighborhood catalyst." Several incentives were utilized to fund the project, and it has been certified LEED Gold. All of its residents are teachers, and it won an award in 2010 for being a Jack Kemp Workforce Housing Model of Excellence.

New Pennley Place in Pittsburgh (PA), is a mixed-income and mixed-age infill redevelopment. Residents of several affordability categories (HOPE VI, Section 8, HUD (U.S. Department of Housing and Urban Development) Section 202) live in a redeveloped apartment building, or in newly built townhomes on a total of 7.25 acres. Out of 174 units, 32 are considered market rate—priced to be affordable to families earning 80% or less of the area median income. The previous site—Pennley Place—had fallen into disrepair in the 1990s, and this project is an example of how local programs (labor union assistance and social services) recreated a more desirable place to live in an area of the City that had not seen residential investment in more than 30 years.

6. See Project for Public Spaces: "Great Public Spaces." Available at: http://www.pps.org/great_public_spaces/.

Noji Gardens in Seattle (WA), is a mixed-income community located four miles south of downtown Seattle. Funding was primarily secured through Section 108 Community Development Block Grant float loans, sub-market rate loans from Fannie Mae and the National Community Development Initiative. This project was unique in that it utilized manufactured housing on two-thirds of the 6.5 acre site. Traditional single-family units were constructed along the periphery, as a transition to the surrounding neighborhood. Since Seattle is an expensive city to live in, many workforce families face a housing shortage or must live farther out from the downtown area. HomeSight—a nonprofit developer—works in the Greater Seattle area to provide affordable housing. The manufactured housing used in this project incorporated higher quality standards than traditional manufactured housing, while offering more affordability. The total cost of Noji Gardens was reduced by 15% by using modular construction. Thus, 51% of homes were reserved for households with incomes less than 80% of area median income. The remainder were not reserved for any particular income, but were still priced below market rate.

Michigan Examples

In Michigan, there are several success stories, too. Campus Martius in downtown Detroit was awarded the Urban Land Institute's Top U.S. Urban Park in 2010, and was named one of the Top 10 Great Public Spaces in 2010 by the American Planning Association. The park attracts around 2 million visitors each year, and is estimated to have leveraged $700 million in adjacent development, including Compuware's world headquarters.[7] Another example is the Detroit Riverfront, which is attracting recreation enthusiasts and connecting parts of downtown that were once less accessible to non-motorized modes of transportation. Detroit has also experienced some new real estate developments along with budding art, food and farming scenes.

Michigan's capital city, Lansing, has seen increasing placemaking developments take shape. In 2008, the Stadium District opened its doors to residents and businesses. Located across the street from Cooley Law School Stadium, it currently houses the Lansing Chamber of Commerce, the Lansing Visitors Bureau, the Michigan University Research Corridor, a national bank, the Lansing Economic Area Partnership, the Great Lakes Chocolate and Coffee Co., and others. Above the commercial units, one- and two-bedroom units are offered for lease or sale. The units are not, however, aimed at the workforce/affordable market. But, since the property is in a Neighborhood Enterprise Zone, tax benefits are realized by those interested in owning a unit.

Just south of downtown Grand Rapids, renovations began on two side-by-side developments in early 2011. Division Park Avenue features 30 units with one- and three-bedroom options. The other building, Serrano Lofts, features 15 units. Both developments are designed to be affordable to the workforce.

In Kalamazoo, the Metropolitan Center redevelopment is in the works. Four buildings that have sat vacant for 40 years are the focus of the redevelopment. A mix of owner equity, federal, State, historical and community funding sources made the $11.3 million project feasible. The project will feature more than 10,000 square feet of retail space, and will include 28 rental units. This redevelopment, along with the two in Grand Rapids, is seeking LEED certification.[8]

7.See Campus Martius: http://www.campusmartiuspark.org/.

8.See *MiBiz*: December 12, 2011, Volume 24, No. 6.

Great Lakes Chocolate and Coffee Co. in Lansing's Stadium District.

This list of placemaking success stories is not meant to be comprehensive, but merely illustrative of the many types of redevelopment programs, incentives and impacts out there. Since many elements of placemaking are subjective, we recognize that some elements of these examples may not be favored by some residents or businesses, but may be enjoyed by others. What makes a quality place in the eyes of many is beyond the scope of this report. Yet, we recognize that there are many other examples and types of placemaking features that exist, and we do try to understand the perception of them from different points of view.

The Value of Placemaking

Placemaking and its components are commonly said to have value. Who does this value accrue to? What are those elements? The literature abounds with examples of how amenities, such as parks, lakes, rivers and forests, affect land and real estate values. Examples underscoring their benefits to cities and regions are also abundant.

From the regional science research, such things as beaches, lakes, rivers, forests and parks (i.e., amenities) have been analyzed in attempts to understand their effects on population, income and employment changes (Deller et al., 2001; Benson et al., 1998; Green, 2001; Dissart, 2007, and others). At the local scale, the same features of place have been examined so as to determine their impact on residential and commercial real estate prices (Luttik, 2000; Tyrväinen, 1997; Thorsnes, 2002). In many studies, the hedonic pricing method is the most commonly utilized method, which is described later in this report. The essential findings from these research studies has been that such things as a beach, a forest or a park equate to higher home values or succeed in attracting firms and/or people, and as a result elevate incomes. Taken together, these separate components of place, in some way or another, compose the features of placemaking, which is to say that placemaking—while nebulous as a researchable question—ultimately has value.

For instance, Pivo and Fisher (2010) found that a 10-point increase in walkability (measured using WalkScore) equated to a price premium of 1% to 9% for office, retail and industrial properties. Cortright (2009) found that a one-point increase in walkability was associated with an increase of $500 to $3,000 in home values in most markets

What is important is to recognize the growing need to document the contributions of placemaking attributes, and for that information to contribute to placemaking efforts in communities.

examined. A Co-Star study found that LEED-certified buildings sold for $171 more per square foot than non-LEED buildings. Such findings indicate that elements of placemaking have value, even though there has been doubt as to their efficacy among communities and regions.

Cervero (2009) argued that the goals of placemaking and economic productivity seem to be in conflict—although they do not have to be. Examples from San Francisco (CA), Seoul (South Korea) and Hong Kong (China) highlight that placemaking enhancements add value to real estate, as long as viable public transportation and walking options are available (Cervero, 2009). Recall from a previous section, Glaeser and Gottlieb (2008) outlined transportation's role in placemaking and argued that it had far-reaching consequences for placemaking.

Moving away from transportation, Gibson (2010) studied art and culture's role, and its ability to create or sustain vibrant places. In Grand Rapids (MI), ArtPrize describes itself as a "radically open competition." It's open to any artist in the world who can find space, and it is up to the people of the City to provide the venues. Grand Valley State University estimated the total economic impact of the event in 2010 to be upwards of $7 million.[9] It is one thing to understand that various cultural assets, including buildings add value to real estate prices and the property tax base. It is another to more precisely be able to explain the dollar enhancement in property values and the local tax base from specific cultural features associated with real estate. What is important is to recognize the growing need to document the contributions of placemaking attributes, and for that information to contribute to placemaking efforts in communities.

The "Placemakers"

The many possible combinations of stakeholder interactions and outcomes, combined with various design elements and funding strategies, make placemaking a complex activity. The process involves developers, lenders, local planning officials and, in some cases, consumers of housing products. Thus, a "placemaker" is any stakeholder involved in the placemaking process. This section focuses on three important stakeholder groups: financial institutions; local units of government and developers.

Financial Institutions

Financial institutions use established investment models to analyze real estate development project proposals. Unfortunately, these models do not always realize the economic benefits of placemaking projects, which make financial institutions leery of investing in them (Leinberger and Kozloff, 2003). Instead, banks are more likely to fund conventional real estate projects.[10] The 19 standard product types evolved

9. *Business Review West Michigan*, "ArtPrize 2010 Generated $7 Million Economic Impact, Grand Valley State University Estimates": http://www.mlive.com/business/west-michigan/index.ssf/2011/03/artprize_2010_generated_7_mill.html.

10. Real estate development is codified into 19 standard product types, including: 1) Office build-to-suit; 2) Office speculative suburban low-rise; 3) Industrial build-to-suit; 4) Industrial speculative warehouse; 5) Industrial research and development/flex; 6) Retail neighborhood; 7) Retail power; 8) Retail urban entertainment; 9) Hotel limited service; 10) Hotel full-service business; 11) Apartment low-density suburban; 12) Apartment high-density suburban; 13) Miscellaneous self storage; 14) Miscellaneous assisted living; 15) Residential entry level attached; 16) Residential entry level detached; 17) Residential move-up attached; 18) Residential move-up detached; and 19) Residential executive detached. Types 1–14 are Income Products, and types 15–19 are For Sale Products (Robert Charles Lesser & Co., from Leinberger, 2001). For a complete breakdown of the real estate types, see Leinberger (2001).

out of a desire from Real Estate Investment bankers on Wall Street to trade (buy and sell) similar products like commodities. Real Estate Investment Trusts (REITs) perpetuate conventional investment practices that can deter investment interests away from progressive projects, such as placemaking. In other words, traders are, thus, able to buy and sell large quantities of similar real estate products without having intimate knowledge of those products (Leinberger, 2001). A trader is much less likely to buy and sell a product for which there is no standard definition. To illustrate, Leinberger (2001) describes a "neighborhood center as a retail product that occupies 12 to 15 acres, anchored by a supermarket/drug store of between 50,000 and 70,000 square feet. It also includes in-line stores of national chains and franchises. The buildings occupy 20% of the site and are set back from the street; the balance of the land is surface parking. The location has a minimum of 20,000 people living within a three-mile radius, and will have demographic characteristics appropriate for the particular supermarket chain. The center will be sited on a street with at least 20,000 cars per day passing by. It will preferably be on the 'going-home' side of the street."

Financial institutions also use a relatively short time horizon when analyzing investments in real estate. The short-term bias of conventional financing stems from the theoretical assumptions grounded in direct cash flow (DCF) and internal rate of return (IRR) methods for comparing alternative investments (Leinberger, 2007). Conventional project types, which have well-documented track-records based on their standard product types, are almost always expected to have lower probable risks and lower discount rates than progressive projects, which are not well-documented or understood and tend to be considered risky projects and need higher discount rates[11] to obtain financing. Higher discount rates make progressive projects less attractive than conventional developments that have lower discount rates, because developers and financial institutions face greater financial burdens (Leinberger, 2007). It is important to understand the role that financial institutions play in placemaking, and how progressive behavior that would support placemaking might be enabled through public policy, education and training. Public/private partnerships with a mix of public and private investment may help de-risk placemaking developments for financial institutions (see Hamlin, 2002; Hamlin and Lyons, 2003).

Local Units of Government

Just as securing lending from a financial institution presents challenges for placemaking developments, so too do some zoning ordinances. Despite strong suggestions from developers for local governments to improve the efficiency of the regulatory process, developers continue to regard government regulations as the most significant problems in doing business (Ben-Joseph, 2003). The adding of new requirements and delays to regulatory review processes are not only evidence that subdivision approval processes have not been streamlined, but that the process has actually become more complicated, longer and burdensome. According to local officials, developers' plans must often be reviewed and approved by multiple agencies, which can cause approval delays. Approval delays also occur when officials find that developers did not provide them with required or sufficient information to approve their plans.

11. The discount rate is used by financial institutions to measure the "risk" of an investment. A higher discount rate signifies a higher probable risk.

A survey by Warbach et al. (2004) examined the regulatory nature of Michigan specifically. Aside from their survey, little information has been compiled for evaluating Michigan's local regulatory environments. In accordance with the 'home-rule' tradition in Michigan, planning and zoning is administered at the local level, "where decisions of local concern can be made by government units closest to the areas affected" (Ben-Joseph, 2003). There are a number of local units in charge of planning and zoning procedures in Michigan and, thus, many different regulatory environments.

The National Survey of Experience with Alternative Development lists zoning ordinances, subdivision regulations, parking standards and street width requirements as common types of local regulations that make it difficult for developers to obtain approval for alternative placemaking development project plans. Project timelines are often altered by the planning, public comment and approval processes. Furthermore, *Density through Design* found that disagreements between citizens and officials over higher-density development implementation are normally based on perceptions rather than technical issues. Most communities prefer to maintain the existing visual aesthetics and policies regarding housing development. Arguments against denser developments included: Traffic and congestion, reduced property values, adverse impacts on local aesthetics and increased costs for community services (schools and sewer infrastructures). These concerns may be unfounded, or they may be allayed through proper planning to alleviate these potential problems.

According to a 2009 Michigan Public Policy Survey conducted by the University of Michigan's Center for Local, State, and Urban Policy, 69% of local units of government were not engaged in placemaking for economic development, 21% were and 10% did not know. Local units that are designated as cities, have higher populations or are located in the southernmost regions of the state tended to be more engaged in placemaking. When asked about their confidence in placemaking as an economic development strategy, the plurality of respondents (29%) were neither "confident" nor "unconfident" that it can be effective. Again, cities were more likely to answer "completely confident" than other types of units. The population of the jurisdiction and its region follow the same trends as the question addressed directly above.[12]

It is important for local officials to understand the potential of placemaking projects to enhance their tax revenue bottom lines by enhancing ratables in the community. In the cases where certain real estate adds more to tax ratability than others, perhaps the community might consider subsidizing such real estate if such investments can yield better long-term tax revenues. With respect to local officials, better understanding of costs and benefits could lead

12.See the University of Michigan's Center for Local, State, and Urban Policy's Michigan Public Policy Survey (MPPS), Spring 2009 Data Tables: http://closup.umich.edu/michigan-public-policy-survey/spring-2009-data/.

to more beneficial development patterns for residents and local governments.

Developers

Developers are, ultimately, the ones who design, plan and build real estate projects, and are subject to abiding by zoning codes and securing financing before building a project. In 2002, the Urban Land Institute administered a national survey of 693 developers to better understand the barriers private developers face when pushing alternative development projects, such as placemaking. A sizable disconnect seems to exist between development interests and development implementation. More than one-third of the surveyed developers had never proposed an alternative development project. Of those who had, nearly half of them had experienced project rejections, and more than two-thirds had some aspect of their projects altered. Alterations included a reduction in proposed density levels, a lessening of the mix of land uses, fewer housing types or a cutback in the pedestrian- or transit-oriented amenities of the development.

A majority of the developers surveyed perceived a greater demand for alternative development than is locally permitted, but also perceive "neighborhood opposition" and "local regulations" as the most significant obstacles to meeting demand. These alternatives cost more, but financial institutions and local officials are not always ready to recognize the benefits that the added costs could yield. Therefore, developers face the challenge of having to fully internalize the cost of placemaking projects, even when there are public tax revenue benefits and community economic development benefits. Uncovering the value contributions of placemaking projects is one of the goals in this project.

Placemaking and Affordability

Before the Great Recession of 2008, more Americans than ever owned a home and prices were increasing in all of America's metros. Appreciation in housing had made it more difficult for low to middle income earners to afford owning or renting a home (Urban Land Institute, 2006). In 2001, roughly one in seven households was paying more than half their income on housing, or living in sub-standard conditions (Center for Housing Policy, 2002, cited in ULI, 2006). Furthermore, the National Housing Conference reported that school teachers, police officers, nurses, retail salespersons and janitors could not qualify to purchase a median-priced home earning a median income in most U.S. cities (Center for Housing Policy, 2002, cited in ULI, 2006). As a result, much of the workforce must live farther from their jobs, thus paying higher transportation costs. While the economic downturn may have alleviated high home prices, buyers now face restricted credit and inadequate employment scenarios. Yet even with severely slashed home values nationwide, there is a high demand for walkable urban places. These are places that have achieved a critical mass of walkability, entertainment, transportation options, employment concentration, grocery stores and safe streets (Leinberger, 2001). Affordability also remains untenable in these places for much of the workforce—especially renters. Therefore, the concern that placemaking real estate developments may be priced out of the reach of the workforce is warranted.

In Michigan, however, things are different. As of October 2011, the average listing price for a home in the Great Lakes State was $192,335, which placed it at 45th out of all 50 states, plus the District of

Columbia.[13] As of the 2009 American Community Survey, Michigan ranked 38th in the nation, with a median home value of owner-occupied homes at $132,200. The U.S. median owner-occupied home value was $197,600.[14] Based on these figures, it is clear to see that Michigan, as a state, does not suffer an affordability problem. This affordability is not necessarily consistent across communities, however. In reality, it faces an over-supply problem. On the other hand, Michigan has an abundance of vacant housing. As of the 2010 Census, Michigan had 724,610 vacant housing units, up 300,000 homes in a decade. At roughly 16% (national vacancies were approximately 11%) of the state's total number of housing units, many of these homes are bank- or government-owned—essentially removed from the market and subject to wear and tear not found in owner-occupied units. The economic downturn, lack of access to home financing, five consecutive years of population loss and job loss have seriously contributed to the state's abundance of vacant housing and declining home values. In response, it is no accident that cities, regions and the state are motivated to seek incentives to correct these crumbling economic underpinnings and address the abundance of what now is termed "uninhabitable" vacant housing.

As discussed at the beginning of this part, Michigan has developed several tools (aside from State and County Land Banks) for redeveloping abandoned property and providing incentives for development. One of the indirect goals of these incentives is to attract people and jobs back to cities and the state that, in turn, would reduce the number of vacant properties, fill in the holes of population loss and incent further business development. Furthermore, the redevelopment toolbox used by the Michigan State Housing Development Authority (MSHDA) and the Michigan Economic Development Corporation (MEDC) has been increasingly shaped by placemaking principles. Such principles as placemaking, Smart Growth, New Urbanism and Transit-oriented Development have become increasingly popular in economic development and redevelopment circles.

Critics have charged that Smart Growth and other placemaking design elements have actually elevated home and land prices, thus making housing unaffordable to many household segments. This criticism is most often directed at Portland (OR) and its urban growth boundary (Staley et al., 1999; Cox and Utt, 2000; Arigoni, 2001). Aside from these charges, though, home prices have already ballooned to a point where many households cannot afford housing close to where they work.[15] Smart Growth advocates argue that Smart Growth principles do not intend to restrict growth, but rather direct it more smartly (Arigoni, 2001) through denser development in urban areas, protection of farmland, providing a variety of transportation options, encouraging community collaboration, creating walkable neighborhoods, among several others.[16] To better understand placemaking and its connection to workforce housing, we surveyed several "placemakers" in Michigan in an attempt to answer questions on perceptions, barriers and associating workforce housing with placemaking.

13. See Trulia, "U.S. Home Prices and Heat Map": http://www.trulia.com/home_prices/.
14. U.S. Census Bureau, 2009 American Community Survey One-Year Estimates, Table R2510 Median Housing Value of Owner-Occupied Housing Units (Dollars): http://fastfacts.census.gov/servlet/GRTTableSS?_bm=y&-_box_head_nbr=R2510&-ds_name=ACS_2009_1YR_G00_&-format=US-30&-_useSS=Y.

15. The national recession may have changed this somewhat, but many U.S. metros still have exorbitant rents for numerous segments of the workforce.
16. See Smart Growth Online, "Smart Growth Principles": http://www.smartgrowth.org/engine/index.php/principles/.

Part 2: Placemaking in Michigan

IN GENERAL, SURVEY RESPONDENTS PERCEIVED AN ADDED VALUE ASSOCIATED WITH PLACEMAKING. IF THE DEVELOPER COULD FIND THE FUNDING AND OTHER COMMITMENTS NECESSARY TO BUILD IT, IN MANY CASES, HE/SHE COULD CAPTURE A BETTER RETURN. HOWEVER, NOT RECOGNIZING SUCH VALUE, BANKERS COULD EASILY BE UNIMPRESSED, THEREBY CONTINUING TO FUND ONLY THOSE PROJECTS THAT MEET SIMPLE FINANCIAL LITMUS TESTS THAT ARE BASED ON STANDARD QUANTIFIABLE ATTRIBUTES INHERENT TO A PROPERTY. SIMILARLY, WHILE LOCAL COMMUNITIES MIGHT POTENTIALLY BENEFIT, ELECTED AND APPOINTED OFFICIALS MAY NOT FULLY UNDERSTAND PLACEMAKING, LET ALONE ENCOURAGE, SUBSIDIZE OR ALTER ORDINANCES FOR THEM. THEREFORE, A MORE FAVORABLE POLICY ENVIRONMENT FOR PLACEMAKING WOULD INVOLVE INCORPORATING KNOWLEDGE OF THE VALUE OF SPECIFIC PLACE ATTRIBUTES INTO THE ACTIVITIES OF THE ABOVE MENTIONED PLACEMAKERS.

Many Michigan land development professionals, development firms, local officials and the public may support placemaking, but barriers and misconceptions continue to impede its implementation. Traditional sprawling patterns of land use in Michigan have threatened its land-based industries and the social and economic health of the state (Michigan Land Use Leadership study, 2003; Warbach et al., 2004). As regions in the state sprawled outward, the downtowns and neighborhoods in many cities began to hollow out. This hollowing-out effect coincided with population and employment loss in these places. The result has been blight, low-performing schools, abandonment, infrastructure decay and other ills. Many programs and incentives have been developed to battle these problems.

Development Incentives

Developers and local economic development officials have several options in the form of incentives and subsidies (although as of 2010, many of these programs have changed in Michigan). Currently, MSHDA manages the federal Neighborhood Stabilization Program (NSP), which is a U.S. Department of Housing and Urban Development (HUD) program designed to

buy, sell, fix, demolish or redevelop foreclosed and abandoned properties, particularly in distressed communities. Under the first phase of NSP (NSP1), Michigan received $98.6 million to address areas of greatest need in the state. Eligible activities include: 1) Acquisition and rehabilitation of foreclosed properties; 2) Demolition of blighted structures for future redevelopment; 3) Demolition of blighted structures for green space or immediate redevelopment; and 4) Redevelopment of vacant or demolished lots for either single-family owner-occupied housing or public facilities or land banks. Under NSP2, MSHDA was awarded $223.9 million to administer similar programs as NSP1, to increase its focus on particularly urban regions. Additionally, MSHDA hopes to expand land banks' ability to purchase and hold properties. One focus of this program is to provide increased and better housing to lower-income households in close proximity to employment centers. The MSHDA's main partners in this effort include municipalities and land bank authorities.[17]

Another popular redevelopment tool in Michigan is the Brownfield Redevelopment Authority (PA 381 of 1996, as amended). This program functions to provide credits to developers wanting to redevelop a property that is contaminated, blighted or functionally obsolete. These credits have been vital for providing a large enough incentive for developers interested in developing otherwise unattractive parcels. Once a property is rehabilitated, tax increment financing allows a portion of the tax revenue captured by the local unit of government to be returned to the developer, which offsets the costs of various clean-up activities. Since 2010, the incentives available to redevelop brownfields has shifted toward an evaluation process that requires local units of government to provide additional assistance through such mechanisms as tax increment financing (TIF), property tax abatements, NEZ or local revolving funds. The MEDC manages an annually apportioned pool for brownfield redevelopment incentives and works in conjunction with the Michigan Department of Environmental Quality, MSHDA and the U.S. Environmental Protection Agency.[18]

The Michigan Strategic Fund (MSF), in conjunction with the MEDC, administers Michigan's Community Development Block Grants (CDBG). This program, which is federally administered by HUD, is available for community and economic development (infrastructure and direct assistance to businesses), downtown development (infrastructure, façade improvements, signature building), blight elimination and planning. The housing components of CDBG are managed by MSHDA. Each year, Michigan receives approximately $36 million to carry out close to 150 projects throughout the state. The CDBGs can be used as placemaking-enhancing tools. For instance, infrastructure funding can provide the additional boost necessary for making a project feasible or connect it to other core areas in a city. Façade improvements can prevent buildings from further deteriorating or can provide the necessary upgrades needed for a building to maintain its historical charm. The Downtown Signature Building Program allows a community to secure a building or property that a developer would not typically purchase, with the intent of transforming the parcel into a downtown focal point.[19]

Finally, MSHDA offers several additional programs to nonprofits and local units of government for the purpose of providing more affordable housing, helping homebuyers, preserving neighborhoods and providing technical assistance. The Neighborhood Preservation Program aims to fund local units of government and/or nonprofits that desire to create positive neighborhood changes, such as attitudes, health and behaviors. Activities focus on beautification, demolition, public improvements and marketing. The MSHDA also considers, on a case-by-case basis, providing funding to community-based nonprofits for providing affordable multi-family housing.

17. See MSHDA, "Neighborhood Stabilization Program": http://www.michigan.gov/mshda/0,1607,7-141-5564-249111--,00.html.
18. See Michigan Economic Development Corporation, "Brownfield Development": http://www.michiganadvantage.org/Brownfield-Redevelopment/.

19. See Michigan Economic Development Corporation, "Community Development Block Grants": http://www.michiganadvantage.org/Community-Development-Block-Grants/.

In short, there are several programs available to developers, local units of government and nonprofit organizations for making places more affordable, livable, walkable and desirable. Furthermore, some grant guidelines require that these various units work together to achieve their desired outcomes. However, even with these incentives, many placemaking projects tend to suffer or fail from a lack of understanding on what benefits placemaking can actually provide. The next part addresses this issue.

Placemaking Survey Results

There are four major categories of actors and players in placemaking.

1. The potential property buyer may or may not prefer certain property attributes in making his/her property purchase decision.
2. The developer must consider how many and which types of placemaking elements to build into a project, and how much they can leverage from existing community assets through the site selection process.
3. Local officials not only regulate building structures and other infrastructure, but must also decide whether a placemaking project is of significant enough public value that it needs to be subsidized by the government.
4. Real estate finance organizations, which may recognize the value of placemaking projects and incorporate these into loan terms, or alternatively, use existing "straight" formulas that value properties without accounting for their uniqueness.

In order to better understand the interest and motivations of these groups, we conducted several surveys in collaboration with our partners. Three categories of "placemakers" were surveyed for the purpose of better understanding their experience with placemaking in their respective industries. Consumers or buyers were the only group excluded from the survey, due to the fact that their reaction to placemaking attributes can be captured, to a certain extent, through the hedonic pricing study, described in the next part. The surveys were designed to gain insights into the barriers and perceptions faced by, and the experiences of, the placemakers in Michigan. The surveys were not intended to be representative of these stakeholder groups; they were designed to provide exculpatory information, and were intended to gain preliminary insights into barriers of and perceptions to placemaking in Michigan, to compare and contrast findings from previous studies, and to provide a practical context for advancing the placemaking dialogue between these three placemakers in Michigan, and beyond.

This section highlights the survey findings. The most relevant findings from the surveys are discussed here, broken down by the type of placemaker.

Local Government Officials

The central questions asked of local government officials included the following: 1) Do you perceive placemaking to be vital people and job attractors?; 2) Does your community allow for such concepts?; 3) What barriers or challenges do placemaking projects confront?; 4) What planning and zoning-related placemaking impediments exist in your community?; and 5) Does financing have an impact on placemaking project proposals? Our survey results have shed some light on these questions.

The majority of respondents from local units of government agreed that, generally, placemaking is important for increasing economic development, enhancing property values, increasing tax revenues and enhancing community belonging.

The majority of respondents[20] from local units of government agreed that, generally, placemaking is important for increasing economic development, enhancing property values, increasing tax revenues and enhancing community belonging. Roughly 80% of respondents answered that their community had been involved in a placemaking project. Interestingly, respondents indicated that placemaking was desirable and necessary for attracting and attaining growth, but also felt that there were significant barriers to its implementation. For instance, more than 85% of respondents answered that placemaking was necessary for attracting people and jobs. However, 82% felt that placemaking efforts were often challenged by complicated permitting, environmental clean-up and developers' concerns. Equally, some 86% also agreed that placemaking was hindered by a lack of financing.

The perceived influence of zoning ordinances on placemaking was mixed. Several respondents answered that there were no restrictive ordinances in their community pertaining to mixed-use developments, while others said zoning restricted the number of businesses allowed on one parcel. Another said zoning laws were a problem, and yet another said there was simply a lack of knowledge about how zoning influences placemaking. Clearly, zoning ordinances differ significantly from community to community.

20.Survey respondents included planning commissioners, council members, managers, commissioners or trustees and zoning administrators. Twenty respondents participated in the survey.

Regardless, 82% of the respondents said their zoning ordinances allowed for mechanisms that would permit the inclusion of placemaking elements—on a case-by-case basis or within certain zones. Furthermore, 79% of respondents said that it was likely or very likely that a placemaking development would receive a favorable review for such flexible measures. Roughly half of the respondents said that most non-traditional commercial or residential development types would receive approval within two to six months. About a quarter said it would take six to 12 months. Interestingly, more than half of the respondents felt there was a lot of public participation on development projects only when they were controversial. A quarter of respondents answered there was typically no public participation.

On the issue of workforce/affordable housing, more than three-quarters of respondents agreed that it was important or very important in placemaking projects, as a mechanism to attract knowledge workers and encourage economic development. However, about half of the respondents said their master plan did not provide details for workforce/affordable housing. Again, about half of the respondents said there were zoning ordinances in place hindering the development of workforce/affordable housing, such as restrictions on the minimum lot size, square footage or not allowing apartments. Lastly, close to 90% of respondents answered that workforce/affordable housing had either very rarely or never been incorporated in placemaking developments in their respective communities.

Overall, respondents from this group tended to agree that placemaking was important, but that it, or specific elements of it, could be hard to implement in their communities, due to zoning

Downtown in Howell, MI.

restrictions or public distaste. Curiously, some elements of placemaking were more prevalent than others. For example, nearly all respondents felt entrepreneurial start-up space had some level of importance in placemaking. Yet, 63% said that their master plan did not account for it, and 44% said zoning ordinances impeded it. As a result, it was no surprise that 61% said it was incorporated into almost none of the development projects in their communities. Similar trends prevail for mixed-use, paths and trails, bike lanes, transit stops, green and open spaces, LEED certification, form-based code, public space, arts and culture and local food opportunities.

Such findings indicate that there is an appreciation of placemaking—a positive perception—but that there are other forces holding it back. It may be that zoning ordinances and master plans are focused more on the fundamentals, as opposed to placemaking-type developments, which tend to be larger, more complex and involve many partners. It must also be noted that the survey participation rate was low. No respondents answered from a large city—only rural areas and communities identified as small city/village/township/charter township. This is problematic and does not help clarify the overall perception of placemaking among this group of "placemakers." Regardless, the support for placemaking among this subset of respondents appears to be sound, while their master plans may not reflect this support and zoning may impede its implementation.

Developers

The questions for developers with respect to placemaking included the following: 1) Do you see value in placemaking projects?; 2) Do you perceive that these projects yield better profitability or return?; 3) What are the barriers to implementing such projects?; 4) Is workforce housing commonly a component of your placemaking development projects?; 5) Do you have difficulty selling these development ideas to banks?; and 6) Do you see banks as potentially being better informed on this issue? Our survey results reveal answers to these questions. Eleven developers responded to the survey.

Commercial and residential real estate developers are another set of placemakers. Developers are the people most deeply involved in the planning, design and construction aspects of developments. Their relationships with financers and representatives from local units of government are important, since they must typically seek outside financing, while being able to effectively present development proposals to planning commissions.

Close to 70% of developers that responded to the survey said that they have been involved in or led developments that incorporated placemaking features.

Close to 70% of developers that responded to the survey said that they have been involved in or led developments that incorporated placemaking features. Nearly two-thirds agreed or strongly agreed that "supporting placemaking needs to be an important part of Michigan strategies to enhance property values and create high-impact economic activity attraction." Sixty-one percent of respondents said that placemaking projects have the potential to generate higher profits for developers. This was further illustrated by the fact that 15% strongly agreed and 39% agreed that "placemaking projects tend to be more expensive to produce than traditional development, but the long-term benefits outweigh the higher upfront costs." Only 15% of respondents disagreed, while 31% were not sure with this statement. Furthermore, 70% of the respondents said that they agreed or strongly agreed that financial institutions do not fund placemaking projects, due to higher risks, longer return timeframes and lack of information. Half of the respondents said having access to a placemaking toolkit or checklist would enable better communication, valuation and understanding of the benefits of placemaking between developers and financial institutions. Additionally, when asked what would create a development environment in Michigan that was more conducive to placemaking, 90%—the highest among all response choices—felt it very important or important that better information about placemaking's economic and quality-of-life benefits be made available for local governments, financial institutions, developers, realtors and citizens.

When developers were asked to consider a hypothetical placemaking development project, 80% of the respondents indicated that in order to maximize profits and meet local/state regulations, 50–100% of the project would be devoted to market-rate housing, whereas nine out of 10 respondents said less than 10% would be devoted to subsidized housing. These responses confirmed the idea that placemaking and workforce housing may not be considered as simultaneous goals. Indeed, 70% of respondents said they did not access state or federal resources for subsidy programs that would allow them to add placemaking elements, such as affordable housing, to their developments.

Clearly, developers understand the importance of placemaking developments. Aside from challenges brought on by tighter lending restrictions, a lagging economy and local regulations, developers are also troubled by NIMBYism and skepticism regarding placemaking-type developments. That developers agreed or strongly agreed that an education or information package be made available to the entities involved in placemaking is an encouraging finding.

Bankers

Some of the questions that were asked of bankers included: 1) Do you value placemaking as a strategy to enhance or create prosperity in Michigan?; 2) Does the valuation system recognize the value added from placemaking attributes?; 3) What aspects of properties add value to the overall market value of the property?; 4) Do you view placemaking projects as being more risky than traditional developments?; and 5) What incentives might be most appropriate to encourage you to help finance these complicated projects? Sixteen bankers responded to the survey.

Bankers, investors and lenders are an important cohort of the placemakers. They are the ones who decide to fund or invest in development projects when a developer or development group requires financing. Since the onset of the most recent recession, lending—particularly in real estate—has become increasingly scrutinized by regulators. Every banker that completed a survey said that the recession has, to some degree, affected their institution's lending terms and practices. Therefore, lenders have tended to be extremely risk-averse, meaning they finance only the soundest of development proposals. Since placemaking projects often command a higher premium, making the "sell" on why more financing is needed has become even more difficult for developers in this recessed economy.

Approximately 53% of surveyed bankers said that, compared to more traditional developments, placemaking developments range from somewhat risky to very risky to finance.

Approximately 53% of surveyed bankers said that, compared to more traditional developments, placemaking developments range from somewhat risky to very risky to finance. Yet 70% of respondents agreed or strongly agreed that placemaking needs to be an important part of strategies in Michigan to create high-impact economic activity attraction. Furthermore, 75% of bankers strongly agreed or agreed that placemaking developments, along with more efficient and sustainable types of development benefit the entire community. A very high majority of those surveyed also said a developer's experience and/or past success factors into their eligibility of receiving financing.

While placemaking projects appear to be risky in the eyes of bankers, they also appear to be beneficial to the state and local communities. Fortunately, there are ways of de-risking. For instance, 84% of bankers said that tax credits and other abatements were very important or somewhat important for easing placemaking financial challenges. More specifically, 88% said loan assistance programs, public financing, tax credits, grants or other supplemental funding sources that reduce development costs factor

into crafting more favorable lending terms. To the same degree, things like expedited permitting or development fast-track approval that reduces a project's timeline would make lending decisions easier.

Even though there appears to be support for placemaking among bankers, 69% agreed or strongly agreed that they would be much more likely to fund a development that adhered to the standard real estate types. Seventy-five percent said that they had not changed their lending procedures and/or requirements in an effort to more readily respond to placemaking development types. But, most bankers (83%) felt having access to more tools, data and knowledge that showed the benefits of placemaking would influence their decision to finance such projects. Also, most agreed or strongly agreed (72%) that having access to a placemaking checklist or toolkit would enable better communication, valuation and understanding of the benefits of placemaking between bankers and developers.

What We Learned from the Surveys

In general, survey respondents perceived an added value associated with placemaking. If the developer could find the funding and other commitments necessary to build it, in many cases, he/she could capture a better return. However, not recognizing such value, bankers could easily be unimpressed, thereby continuing to fund only those projects that meet simple financial litmus tests that are based on standard quantifiable attributes inherent to a property. Similarly, while local communities might potentially benefit, elected and appointed officials may not fully understand placemaking, let alone encourage, subsidize or alter ordinances for them. Therefore, a more favorable policy environment for placemaking would involve incorporating knowledge of the value of specific place attributes into the activities of the above mentioned placemakers. It might also involve programs that fill the gaps in financing between what developers *can* invest, and what financers *are willing* to invest.

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