

# BUILDING PROSPEROUS PLACES IN MICHIGAN



understanding the  
values of, perceptions of  
and barriers to placemaking

March 30, 2012

summary report



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



**MICHIGAN STATE**  
UNIVERSITY

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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

**M**ichigan 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 survey of developers in 2004,<sup>1</sup> 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

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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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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 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.



# 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.

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. 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. 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.

## Barriers to Placemaking

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. 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 the Full Report of this study for a more comprehensive discussion of the barriers to placemaking.



Downtown in Howell, MI.

### Alternative Incentives and Mechanisms for Placemaking

Placemaking incentives may be achievable through policy mechanisms. For instance, Safe Routes to School funding availability written into the Federal transportation bill<sup>2</sup> 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.

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

<sup>2</sup>The Safe Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users authorizes transportation-related funding.

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).

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. For instance, MSHDA currently 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. One focus of this program is to provide increased and better housing to lower-income households in

close proximity to employment centers. Another popular redevelopment tool in Michigan is the Brownfield Redevelopment Authority (PA 381 of 1996, as amended).

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.<sup>3</sup> 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.

### 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 (ULI), 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

3. See Michigan Economic Development Corporation, "Brownfield Development": <http://www.michiganadvantage.org/Brownfield-Redevelopment/>.

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.

The 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.



full report

BUILDING PROSPEROUS PLACES IN MICHIGAN

# Placemaking Survey Results

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 FINANCIERS *ARE WILLING* TO INVEST.

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. The surveys were designed to gain insights into the barriers and perceptions faced by, and the experiences of, the placemakers in Michigan.

## 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<sup>4</sup> 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

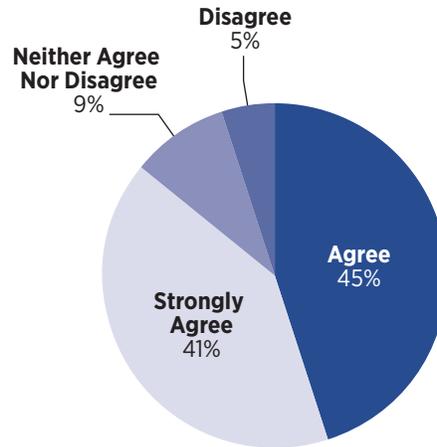
4. Survey respondents included planning commissioners, council members, managers, commissioners or trustees and zoning administrators. Twenty respondents participated in the survey.

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 (see Figure 1).

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. 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

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## Figure 1: Local Government Officials Level of Agreement/Disagreement on Placemaking Elements



**Source:** Figure created by the Land Policy Institute, Michigan State University, 2012.

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 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 financiers 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. 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

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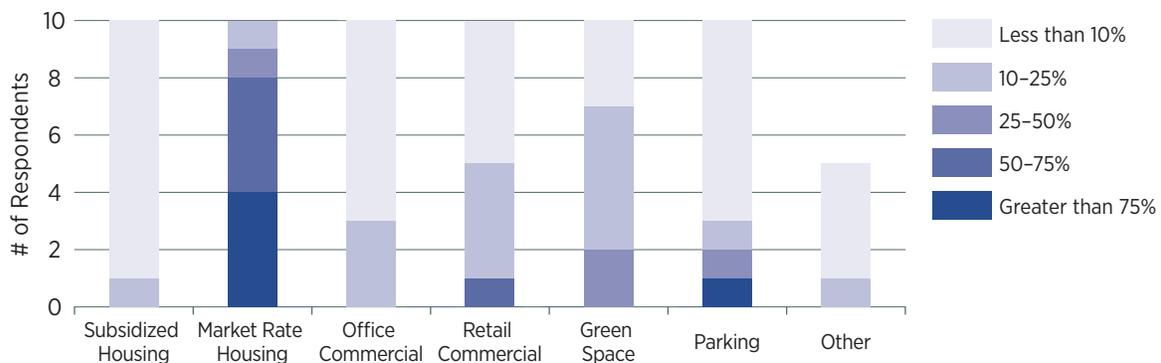
have the potential to generate higher profits for developers. This was further illustrated by the fact that 15% strongly agreed and 39% agreed that “placemaking projects tend to be more expensive to produce than traditional development, but the long-term benefits outweigh the higher upfront costs.” Only 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 (see Figure 2). 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.

Figure 2: Developers on Hypothetical Placemaking Development Project



Source: Figure created by the Land Policy Institute, Michigan State University, 2012.

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. Yet 70% of respondents agreed or strongly agreed that placemaking needs to

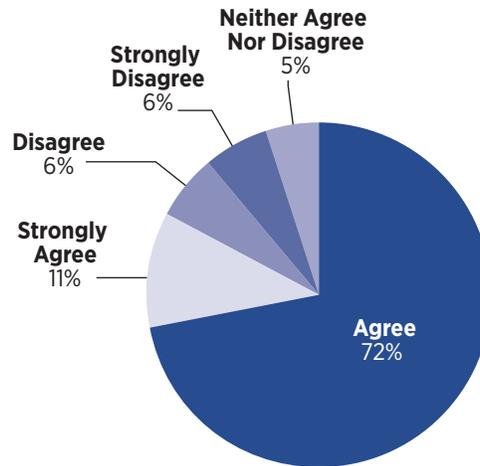
be an important part of strategies in Michigan to create high-impact economic activity attraction. Furthermore, 75% of bankers strongly agreed or agreed that placemaking developments, along with more efficient and sustainable types of development benefit the entire community. A very high majority of 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

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## Figure 3: Bankers Response on Having Access to More Tools, Data or Knowledge on Benefits of Placemaking



**Source:** Figure created by the Land Policy Institute, Michigan State University, 2012.

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 (see Figure 3). 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 financiers *are willing* to invest.

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.

# Placemaking Valuation Methods and Data

ONE OBJECTIVE OF THIS STUDY IS TO EXPLAIN PROPERTY VALUES BASED ON PLACEMAKING ATTRIBUTES. TO ACHIEVE THIS OBJECTIVE, THE SALE PRICE OF HOMES IN LANSING, TRAVERSE CITY AND ROYAL OAK FROM 2000 TO 2010 WAS COLLECTED TO DETERMINE WHAT A HOMEBUYER PAID FOR A GIVEN PROPERTY. THE SALE PRICE, COMBINED WITH ASSESSOR DATA, AS WELL AS OTHER DATA SOURCES FOR LOCATIONAL AND COMMUNITY ATTRIBUTES, WAS USED TO CONSTRUCT A HEDONIC MODEL.

For this study, the values of placemaking features were estimated using the hedonic pricing method (HPM), which prescribes that a house's value is based on its many structural and locational attributes. Structural attributes include, but are not limited to, the number of bedrooms and bathrooms, square footage, porches and decks, and number of stories. Locational attributes often include parks, schools, forests, water and views. A robust HPM model will include as many attributes as possible to accurately estimate the value of each of the features associated with the house (Luttik, 2000), and allows one to compare rents or values based on housing characteristics (Malpezzi and Vandell, 2002). Such comparisons can be made for differing units in the same place, or for the same types of units across different places. The regression coefficients that are estimated from the HPM model represent the implicit prices of housing attributes (Malpezzi and Vandell, 2002).

One objective of this study is to explain property values based on placemaking attributes. To achieve this objective, the sale price of homes in Lansing, Traverse City and Royal Oak from 2000 to 2010 was collected to determine what a homebuyer paid for a given property. The sale price, combined with assessor data, as well as other data sources for locational and community attributes, was used to construct a hedonic model. By using the sale price of homes that sold rather



The Michigan State Capitol building in Lansing.

than assessed values, we assume that this price is an accurate representation of what the market (a collection of homebuyers, in this case) valued, in terms of property features, nearby amenities, and proximity to businesses and other institutions, during the study period.

The hedonic pricing method was utilized to derive values for housing and placemaking characteristics in Lansing, Traverse City and Royal Oak. Following Geoghegan et al. (1997), and others, the hedonic pricing method utilized in this report is:  $SP_i = \alpha + ST\beta + N\gamma + P\tau + E\rho + \epsilon$ , where  $SP$  is a vector of home sale price in the  $i$ th year,  $ST$  is a vector of several structural and temporal (season and year of sale) characteristics,  $N$  is a vector of



Business area in Royal Oak.

neighborhood attributes,  $P$  is a vector of proximity (obtained using GIS) features and  $E$  is a vector of nearby business establishments (also obtained using GIS).  $\alpha$ ,  $\beta$ ,  $\gamma$ ,  $\tau$  and  $\rho$  are the parameter coefficients and  $\varepsilon$  is the error term.

For each city, an ordinary least squares (OLS) regression was performed. The dependent variable is the sale price of residential properties. Properties that sold more than once during the 10-year period were not removed or treated differently. Thus, multiple sale prices may be examined for a single property. The independent variables are the property's attributes. Using these variables, the model explains the variation in sale price based on the property's many attributes, which include placemaking features, structural features, proximity to amenities, etc. The model yields coefficients that reflect the marginal dollar contribution of a unit increase in a specific attribute. For example, it could be found that

for each additional 100 feet closer a home is to a restaurant, \$50 is added to the sale price.

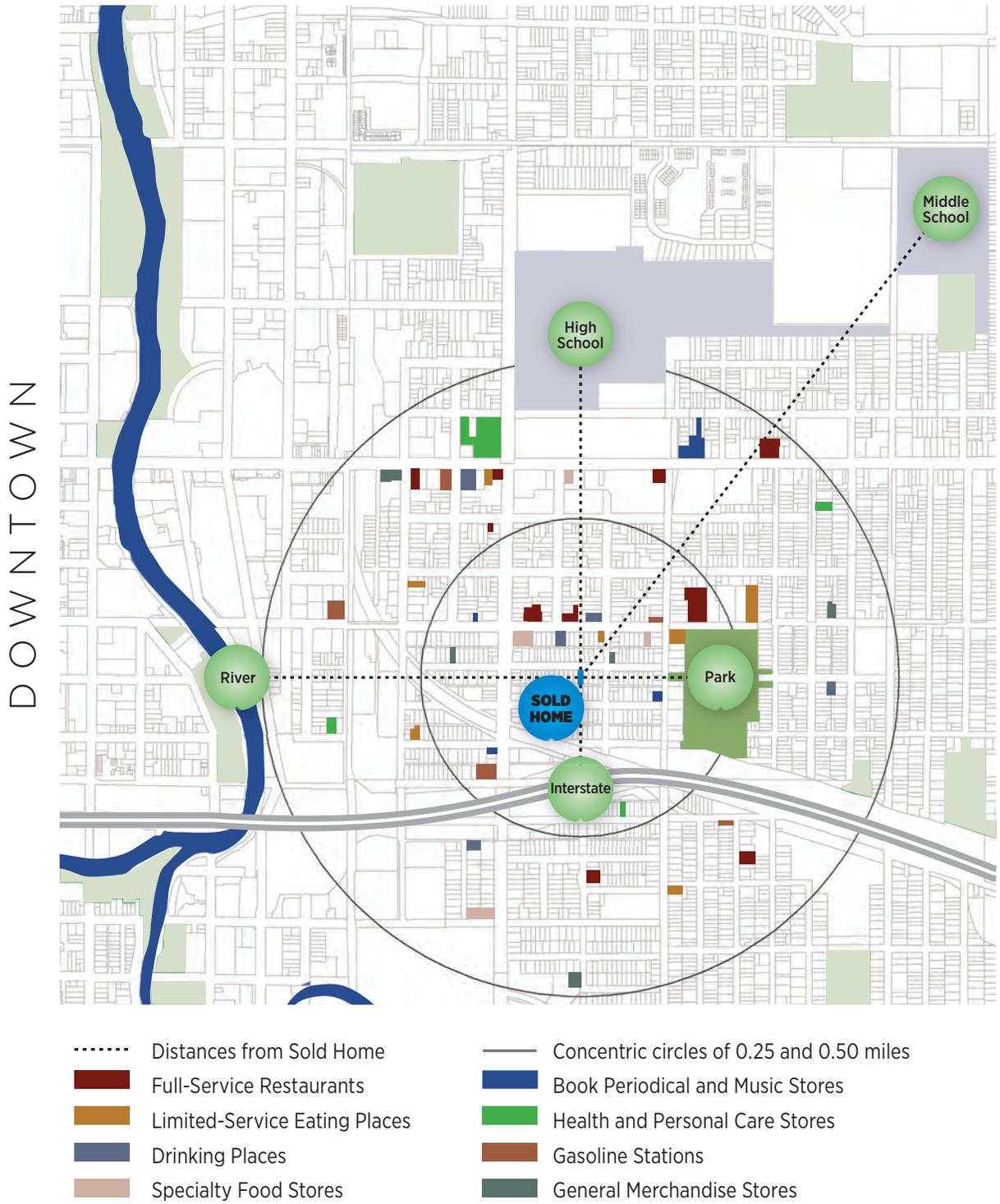
The distances from sold homes to such features as parks, schools, rivers, lakes and establishments were obtained using GIS. Several distances that could be considered "walkable" were calculated for specified business establishments. The walkable intervals that were used to calculate proximity are: Within a quarter-mile, a quarter-mile to a half-mile; a half-mile to a mile; and a mile to one-and-a-half miles. These intervals, and the businesses included in this calculation, were generally informed by methods used by Walkscore.<sup>5</sup> Figure 4 illustrates some of the distances and features included in the HPM model used in this study.

To obtain hedonic estimates for these features, we controlled for several structural attributes that also affect a home's value. These control variables were included to allow for full specification of the models. Without including these factors, the parameter estimates for placemaking and place-based features would be biased. The control variables include such things as number of bedrooms and bathrooms, presence or absence of a front porch, exterior siding material, home heating method, and many more. Please see the full report for a detailed list of all variables included in the model.

In general, a positive coefficient for a variable indicates that it adds value to a home's sale price, which implies that it improves the municipality's tax base and indirectly provides other community benefits. A negative coefficient indicates the opposite, meaning that that attribute detracts

5. See Walkscore: <http://www.walkscore.com/methodology.shtml>. Walkscore assigns the highest possible points when amenities (stores, schools, restaurants, etc.) are within a quarter-mile of a home address.

# Figure 4: Concept Map of Hedonic Pricing Method



**Source:** Figure created by the Land Policy Institute, Michigan State University, 2012.

**Note:** This map is for illustrative purposes only. The features and establishments shown are not meant to represent any specific community or city.

from the price, and implicitly, the tax base. Variables (or factors) found to be statistically insignificant indicate that such attributes are statistically no different from zero.

### Accounting for Workforce and Affordable Housing in Hedonic Pricing

Contrasting workforce housing and market rate housing, particularly through placemaking attributes, is another objective of this study. Workforce housing is an important factor in the economic sustainability of regions. By definition, workforce housing is housing between 60%–120% of area median income which, itself, varies across the reference communities.<sup>6</sup> More importantly, the definition of affordable housing, which is used in this study, is subject to interest rates, since they are based on what a person or household at a certain income level can afford when applying for a mortgage.

For the purpose of this report, Category 1 represents all homes sold that data sources

6. See United States Department of Housing and Urban Development, Income Limits: <http://www.huduser.org/portal/datasets/il.html>.



Downtown Traverse City.

report as having one or more bedrooms. Category 2 represents all properties (with reported bedrooms) that are affordable by members of the workforce in the city, according to HUD definitions. Category 3, which includes homes affordable to households and individuals at lower incomes, is included to explore whether or not less expensive housing was subject to unique market structure during the study period. Our analysis centers primarily on comparing Category 1 results to Category 2 results (that is, all housing versus workforce housing), while noting comparisons between Categories 2 and 3, where applicable. The maximum home price of these categories varies from city to city (see Table 1).

Table 1: Category Classifications

City	Category	Housing Type	Range of Housing Prices for Sold Properties	Properties (with # of Bedrooms Listed) in Category
Lansing	1	All Sold Properties with Bedrooms	\$500 - \$1,188,250	3,334
	2	Workforce	<\$179,000	3,234
	3	Affordable	<\$89,000	1,808
Traverse City	1	All Sold Properties with Bedrooms	\$25,000 - \$2,900,000	1,212
	2	Workforce	<\$210,000	915
	3	Affordable	<\$105,000	204
Royal Oak	1	All Sold Properties with Bedrooms	\$20,000 - \$844,120	7,112
	2	Workforce	<\$295,000	6,649
	3	Affordable	<\$147,000	1,572

# Discussion

GIVEN THE DATA AVAILABILITY AND RIGOR OF THE ANALYSIS, WE ARE VERY SATISFIED WITH THE RESULTS. NOT ONLY DID THE MODELS EXHIBIT WHAT REALTORS SAID THEY WOULD EXPECT, BUT THE MODELS ALSO FURTHER PROVIDED ESTIMATES FOR FEATURES THAT OTHER MODELS HAD NOT TAKEN INTO CONSIDERATION. WE CONSIDER THIS BOTH AN ACHIEVEMENT AND AN OPPORTUNITY FOR MODEL SPECIFICATION IMPROVEMENT, INCORPORATING OTHER FEATURES, AND EXECUTING OTHER TYPES OF ANALYSES TO UNCOVER OTHER PLACEMAKING VALUE PREMIUMS.

## Placemaking Features that Added Value

Since placemaking and real estate-related placemaking attributes are the focus of this study, the discussion of the results focuses on those factors. That being said, several other interesting findings were observed. Home prices tended to peak (relative to year 2000) sometime between 2001 and 2010, although that peak occurred in different years for each city, based on the national recession and slow-down of the real estate market. Overall, the basic—or control—features of a property conformed to what was found in previous hedonic pricing studies. That is, bedrooms, bathrooms, fireplaces and garages add value to a home. Where the cities differed, however, was in how placemaking features added, or in some cases detracted, from property values.

In Lansing, property crimes did not significantly affect home prices, but violent crimes did for Category 2 and 3 properties. When and where a property crime occurred may be less predictable than where areas of violent crimes commonly occur. The after-effects of violent crime tend to linger in communities after they are committed and this could be reflected in home prices. These findings emphasize the importance of safety. The surrounding median household income of properties in Lansing and Traverse City was found to positively influence sale prices, while it was insignificant in Royal Oak. Racially diverse areas

tended to have lower property values in Lansing and Royal Oak, wherein Traverse City, only Category 3 properties were affected. Similarly, nearby poverty also negatively affected home values, which might have something to do with higher proportions of minority populations in the two cities where it was significant. There is often a significant link between poverty and high concentrations of minority populations (Anderson, 1964). In summary, safety, affluence and diversity were important factors that had some bearing on home sale prices.

As can be seen in the Results, properties in each city were affected differently by nearby amenities and business establishments. We cannot say with certainty that there were significant differences in placemaking attribute impacts across cities, because each model was specified differently. Therefore, there might be unexamined placemaking—or other—features that explain such findings. On the other hand, there are considerable differences in the types of cities we examined. Each city is different from another in terms of geography, economy, neighborhoods, etc. Thus, the differences in placemaking attributes are still worth discussing.

Properties that sold in Lansing situated close to rivers tended to be worth more than those that were not. Yet, rivers had no significant effect on



Old Town in Lansing.

homes that sold in Traverse City and Royal Oak. One reason for this difference might be due to both the size and prevalence of rivers in these communities. In Lansing, the Red Cedar and Grand Rivers are both large and offer several recreational opportunities via open space and trails. In Traverse City, the Boardman River runs a relatively short distance from Boardman Lake to Lake Michigan and the nature of the land during its course is a mix of some industrial, residential and commercial. Royal Oak does not have a river.

Traverse City is the only case study city that has a considerable inland lake within its city limits and, statistically, it had no effect on home sale prices from 2000 to 2010. Access to the lake is limited. However, properties closer to Lake Michigan tended to sell for more than those located farther away. There is clearly a price premium for living close to Lake Michigan. In Lansing, homes tended to sell for more when located next to a lake.

Concerning parks, the differences between cities were varied. Proximity to parks had no significant impact on home prices in Royal Oak. There were

generally negative effects for Category 2 and 3 properties in Traverse City and Lansing, respectively. However, there appeared to be a non-linear relationship between sale price and distance to parks. Being within or beyond 530 feet for Lansing and 1,500 feet for Traverse City equated to lower marginal values than at those distances. In other words, homes located within walking distance of a park tended to be valued more than those farther away. At the same time however, being too close to a park was also associated with a lower marginal value, which may relate to noise, crowds or crime.

In Lansing, properties located closer to the airport tended to sell for a higher price. Yet in Traverse City, the opposite was true. There might be unobserved neighborhood factors that contributed to these differences. Royal Oak does not have an airport.

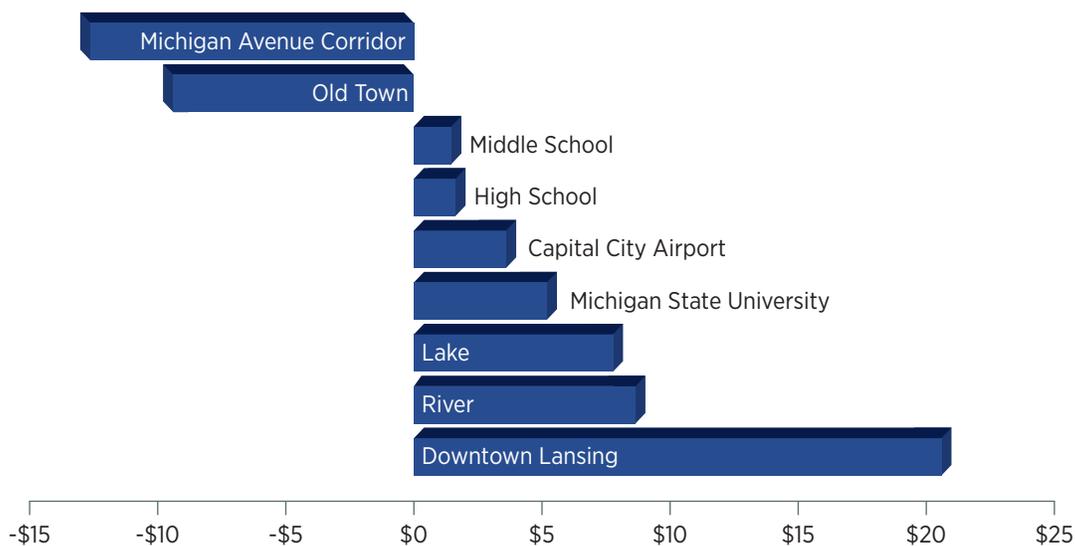
Being closer to downtown, or the central business district, had positive price effects in Lansing, but not in Royal Oak. This measure was not computed for Traverse City. This finding indicates that the downtown had a significant impact on Lansing properties, but that it had no distinguishable effects on Royal Oak properties, perhaps because of the small area of the City. In Lansing, properties that were located closer to Michigan State University sold for more than those located farther away. Furthermore, Category 2 properties benefited more from this close proximity. Homes affordable to the workforce tended to value their closeness to the university. The same can be said about this category and the airport. In Traverse City, there was no significant effect to being closer to Northwestern Michigan College.

In Lansing, properties that were located closer to Michigan State University sold for more than those located farther away.

The effects of nearby public schools were not consistent across the three cities. In Lansing, there was no price premium for homes that sold close to elementary schools. But for middle and high schools, there was a small increase in home prices when located closer to these types of schools. This was true for Category 1 properties in Lansing. For Category 2, there was only a premium for middle schools. Finally, a home being closer to a high school tended to detract value from Category 3 properties. In Royal Oak, being closer to an elementary school was associated with lower home sale prices for Categories 1 and 2. Category 3 properties, however, tended to sell for higher prices when located near a high school. These findings were difficult to explain. There could be several neighborhood factors and school conditions that affected these differences. It should also be noted that in many instances, “neighborhood” schools might not actually serve those, or all of those, who live nearby. For an example of the impacts of proximity features in Lansing, see Figure 5.

The number of nearby grocery stores tended to affect properties in each city differently. In Lansing, not a single property category’s value was positively influenced by the number of nearby grocery stores, at varying distances. In Traverse City, the number of nearby grocery stores only negatively affected Category 3 properties when located closer than a quarter-mile. Conversely, their prevalence tended to positively affect prices for Category 1 properties when they were found between a quarter-mile and a mile. In Royal Oak, the number of grocery stores located closer than a quarter-mile to a home had a negative price impact for Category 1 properties. However, home prices were more positive when there was a greater number between a quarter-mile and a half-mile. Category 2 property values benefitted from having a greater number of grocery stores nearby, whereas Category 3 properties were negatively affected by a greater number of stores at the half-mile distance and greater.

Figure 5: Marginal Value of Living Closer to Various Placemaking Attributes in Lansing



Source: Figure created by the Land Policy Institute, Michigan State University, 2012.

Similar results were found for specialty food stores. In Lansing, the number of these stores within a quarter-mile of Category 1 properties added significantly to home sale prices. Yet, in Traverse City the number of stores within a quarter-mile greatly detracted from prices (for Category 1), while in Royal Oak, Category 1 properties were negatively affected at the mile to 1.5 miles range, and Category 2 properties were positively influenced at the quarter-mile to half-mile range. Similar to grocery stores, the size, location and condition of the store probably had effects on home prices that were not observed through this analysis. Distance was an important factor. While homebuyers might want to live within a walkable distance of grocery or specialty food stores, if there were negative perceptions of the store or if the store itself was in “bad shape,” then properties might sell for higher when they were a bit farther away—perhaps still walkable, but “not in my backyard,” per se.

The number of nearby book, periodical and music stores negatively affected home prices for all three property categories in Lansing when located more than a mile from the property. However, the prevalence of such stores between a half-mile and a mile had a positive effect on Category 1 properties. In Traverse City, the only affected housing category was Category 3 and it was negatively affected when such establishments were located closer than a quarter-mile. In Royal Oak, Category 2 home prices were not affected by these types of establishments. Category 1 property prices were positively influenced when a greater number of such businesses were located more than a quarter-mile away. Category 3 properties in Royal Oak were negatively affected when located between a quarter-mile and a half-mile away. It was difficult to explain why these results were found due to a lack of qualitative data on business establishments.

Finally, we turn our attention to eating and drinking establishments. Bars and restaurants are commonly cited as being essential placemaking elements, especially for attracting and retaining talent workers who are interested in a vibrant nightlife, good food and all-around opportunities to have fun and socialize. There exists a potent relationship between these establishments and housing—walkability. Being able to walk or bike to these places, or easily access them via transit, is another oft-cited component of placemaking.

Bars and restaurants are commonly cited as being essential placemaking elements, especially for attracting and retaining talent workers who are interested in a vibrant nightlife, good food and all-around opportunities to have fun and socialize.

Full-service restaurants positively affected home sale prices of Category 1 properties in Lansing. Category 2 properties were not affected and Category 3 properties generally saw home prices decrease the closer the concentration of these businesses were to the property. In Traverse City, only Category 3 properties were affected by the number of nearby full-service restaurants, but only when located closer than a quarter-mile. In Royal Oak, the impact of the number of nearby restaurants was positive. Category 1 and 2 property prices were positively affected by the number of nearby restaurants when located anywhere between a quarter-mile to a half-mile (Category 1) or anywhere between a quarter-mile and a mile (Category 2). For Category 1 properties, negative effects were observed with a greater number of such businesses more than a mile away. For limited-service restaurants, in no property category at no distance was a negative effect observed. In other words, a greater number of these establishments nearby tended to contribute positively to the home’s sale price.

In Traverse City, the opposite was true—but only for Category 2 properties, whereby greater numbers of these businesses nearby tended to detract from home value. In Royal Oak, all three property categories were positively affected, but only at a distance interval of a half-mile or greater. Finally, the number of bars within a quarter-mile of Category 1 and Category 3 properties in Lansing tended to detract from home prices. No other distances were significant. In Traverse City, the prevalence of nearby bars had gravely negative effects on all three property types. In Royal Oak, the same was true except that Category 3 properties were not affected. Based on these findings, bars located close to homes could be more of a liability than an asset.

### Differences between Property Categories

One of the stated purposes of this report is to better understand the relationship between placemaking and non-market rate housing. Since the data utilized in this study do not indicate whether a sold property was purchased by a workforce household or one that qualifies for affordable housing credits, it was necessary to analyze homes based on affordability categories. There are many instances when, for example, a Category 1 home price is significantly affected by a placemaking attribute and a Category 2 or 3 home is not. There could be several explanations for this. One has to do with neighborhood effects. There is a possibility (and in many times) the reality that nearby homes are similar. A pattern of similar housing in a neighborhood, which is close to stores and parks and other features, will likely experience positive or negative effects compared to homes in dissimilar areas. For example, Category 1 homes, which may be clustered in a neighborhood, have positive benefits associated with a public park. Yet, a cluster of Category 3 homes may not realize the same value of having that park nearby.



Restaurant in downtown Royal Oak.

Another reason why placemaking effects vary across Categories could be due to the models themselves. A smaller number of properties are analyzed in Categories 2 and 3 and could, therefore, be affected by statistical issues, such as degrees of freedom and model inefficiencies. Finally, it is possible that there are external things (not modeled) that influence housing prices across categories. These are captured in the error term.

### Limitations and Explanations

Even though some community features that are commonly referred to as a component of placemaking, such as a walkable distance to a park or grocery store were found to negatively affect property value, that does not necessarily mean that there was a causal relationship occurring. It could be that, while parks added to sale prices, there were some parks—or a concentration of parks—that tended to detract from sale prices, whether due to crime, condition or noise.

Furthermore, considering that Michigan has been lagging a bit behind in adopting placemaking and other planning and design practices, such features might not yet positively affect home values. This conclusion, therefore, would lead us to recommend that further research attempt to understand why certain features add value to properties.

Since this study utilizes parcel-level data, there were some limitations introduced by having to rely on

aggregated data sources for certain characteristics. Census tract and block group data provided community and neighborhood characteristics, but they might also be too large, geographically, in that they did not provide enough local information. For example, the percentage of population in poverty in a census tract typically detracted from home values in our case study cities. There could, however, be a considerable difference in poverty rates from one block to the next that could affect home values that could not be accounted for in this model. The same could be true for the measure of median household income in a block group.

Some of the home price breaks used to define workforce and affordable housing might seem high. For instance, the maximum home sale price for workforce properties in Royal Oak was \$295,000, which was high compared to the other cities and places throughout the state. Since we were only examining sold properties within the city limits of the three case study cities, we were not able to capture where some segments of the workforce might actually live—outside of the city. It was plausible that the workforce could not afford property within the city limits of the examined cities. We recognize this limitation and recommend that future studies examine regional home sales and control for homes that sold in cities, villages and townships.

Placemaking is an imprecise concept to many audiences. It has to do with sense of place, the physical and built environment, buildings, parks, a mix of land uses, smart growth and other concepts. While this study focuses on the real estate components of placemaking, there are still other factors that need to be modeled, but are not available in a usable data format. For instance, quality of place is important information, but is difficult—if not impossible—to gauge using the methods presented

in this report. Sense of place among residents would provide much-needed information about neighborhoods and the homes in them, but again, is difficult to model given the chosen framework.

Finally, as with any statistical model, there are limitations regarding the accuracy and predictive power of home values. First and foremost, is the matter of causation versus correlation. Recalling that our model's chief aim was to estimate values of placemaking features, it was important to identify those elements on top of the other features that affect home value. While there is a degree of certainty in the results, it cannot be said that, for example, a home's proximity to a school caused its value to increase or decrease. There was merely a strong correlation between a property's sale price and that feature. That is why when examining each coefficient, it is necessary to realize that it is in the context of "all else being equal," or "all else held constant," meaning that we are examining these factors amongst many other factors. Also, analysis at such a small scale—the parcel level—can be hampered by data availability limitations. For each case city, we did our best to obtain comprehensive data that would further aid in model development.

Given the data availability and rigor of the analysis, we are very satisfied with the results. Not only did the models exhibit what Realtors said they would expect, but the models also further provided estimates for features that other models had not taken into consideration. We consider this both an achievement and an opportunity for model specification improvement, incorporating other features, and executing other types of analyses to uncover other placemaking value premiums.

Placemaking is an imprecise concept to many audiences. It has to do with sense of place, the physical and built environment, buildings, parks, a mix of land uses, smart growth and other concepts.

# Recommendations

BASED ON THE RESULTS PART PRESENTED PREVIOUSLY, THIS PART MAKES RECOMMENDATIONS FOR FURTHER RESEARCH, IMPROVED DATA COLLECTION AND APPLYING FINDINGS TO COMMUNITIES.

1. **S**ome land uses mix well with residential neighborhoods, and some do not—it seemed to be different for different cities. For example, specialty stores had no property value impacts in Lansing; had negative effects in Traverse City; and had positive impacts in Royal Oak. Therefore, a community’s vision and goals should really be considered in master plans, zoning and placemaking. On the other hand, the values of the people that cities want to attract to their communities should also be considered.
2. Further research about the type and quality of grocery stores (and other establishments) within close proximity is needed, because there could be different impacts. Recall that we did not consider chain, size or “quality” of nearby grocery stores. National chains could have different property value impacts than locally owned grocery stores. Similarly, size (floor space), parking lot size and traffic congestion could have effects as well.
3. Further research is also needed on specific building characteristics and households. Green building characteristics, energy efficiency improvements, commute types, race, educational attainment and other data would greatly inform future analysis. Much of these data are either not available or aggregated at higher geographic levels, such as block group and census tract. Further research is also needed on why different impacts were observed at some distances and not others and at various price points in the categories of properties. Additionally, other placemaking elements should be included, such as public spaces, arts and culture and non-motorized transportation enhancements.
4. Only examining Michigan cities did not paint the full picture of placemaking and its value contributions, because a) Placemaking was, and still is, not prevalent in Michigan cities; b) New placemaking activities may not yet show a positive impact if implemented recently; and c) Placemaking was examined from a strictly local sense. Having an understanding of how placemaking contributes across a region would be beneficial information.
5. Conducting analysis that translates positive placemaking effects into community economic impacts and property tax revenue impacts would illustrate the community-based benefits of placemaking. These results would help local and regional governments better understand the effects of placemaking at a larger scale.



6. Based on survey results, an education or training program detailing the nuances and benefits of placemaking would be beneficial for bankers, developers and local officials.
7. Recall, 88% of surveyed bankers said that loan assistance programs, public financing, tax credits, grants or other supplemental funding that reduce development costs factor into 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. All parties need to seriously take into account the many incentives and time-prolonging factors that affect placemaking developments. In fact, there is currently research underway that attempts to identify programs or mechanisms that can “de-risk” development projects. The idea that when placemaking projects (or progressive developments, as coined by Chris Leinberger) are less risky to the many placemakers, they are viewed more favorably and can, thus, have a positive impact sooner, rather than later.

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# Conclusion

BASED ON THE RESULTS FROM THE HEDONIC PRICING ANALYSES OF THREE MICHIGAN CITIES, PLACEMAKING FEATURES AFFECT PROPERTIES IN VARIOUS WAYS. THE RESULTS BORNE FROM THESE ANALYSES OUGHT TO BE HELPFUL IN UNDERSTANDING WAYS TO INCREASE HOUSING VALUES THAT, IN TURN, CAN BENEFIT THE COMMUNITY THROUGH AN INCREASED DESIRE TO LIVE AND WORK IN THOSE COMMUNITIES, ALONGSIDE INCREASED TAX REVENUES. HOWEVER, THIS SHOULD REMAIN IN THE CONTEXT OF KEEPING AFFORDABLE WORKFORCE HOUSING SUPPLIES AT LEVELS SOUGHT BY THE LOCAL WORKFORCE.

Placemaking is not a new concept. However, in recent years, several cities and regions have become increasingly engaged in using it as an economic development tool, a population attraction mechanism, and more simply, a brand. Recognizing that people like nice, vibrant places with a variety of things to do, many cities, townships and regions have come to terms with the fact that economic growth is not automatic and that place matters. In the case of Michigan, whose many cities and regions have been built to efficiently move automobile traffic, it is necessary to ask if redevelopment and placemaking in the future will be based on subsidies and incentives;

or will they be based on a cadre of “placemakers” who care deeply about, and are committed to providing, a high quality of life and creating a strong sense of place? Will they have the support, data and information needed to make it happen?

The real estate development aspect of placemaking has the ability to attract people and jobs, but tends to be more expensive to build and, as a result, more risky to fund. The literature and a review of some case studies highlight regulatory barriers (mostly zoning), public perception problems and avoidance of density, which has promoted an automobile-friendly built environment, and past



Michigan State University campus, East Lansing.

While placemaking has been recognized as being a desirable development and redevelopment platform for leveraging economic development and attracting knowledge and talented workers, there are challenges associated with providing affordable housing to segments of the workforce due to the more expensive elements of some of these developments.

failed public programs (urban renewal and public housing programs) that have typically prevented placemaking from blossoming. As the contemporary form of placemaking has emerged—one that encourages public space surrounded by increased density, promotes sense of place and vibrancy and encourages progressive real estate development—it has been criticized as being more expensive to build. Thus, developers sometimes struggle to get banks and other funding sources to finance them. Consequently, they seek incentives and subsidies, often in the form of brownfield tax credits for redevelopment and other state or locally based credits for new or other forms of redevelopment.

While placemaking has been elevated to a position of being a desirable development and redevelopment platform for leveraging economic development and attracting knowledge and talented workers, there are challenges associated with providing affordable housing to segments of the workforce that cannot afford some of the more expensive elements of these developments. A body of literature exists on the affordability problems in many of America's largest

cities. The result is that many workforce population segments cannot afford to live where they work. Thus, they live outside of the city where they can afford housing, but then spend more on private transportation. Regionally, this impacts both the quality of life of residents and the overall congestion and infrastructure stress placed on local services. However, there are model programs out there that have been able to balance placemaking with affordable and workforce housing. In Appendix E, there is a list of resources available that detail success stories. Publications by Smart Growth America and the Urban Land Institute have led the way in illustrating the balance between these two seemingly contrasting objectives.

In some communities developers are able to incorporate workforce and/or affordable housing through credits (incentives), or are required to do so through regulations. Developers can receive tax credits or other benefits if they designate a certain percentage of a residential development as affordable. On the other hand, some local governments require that multi-family or other mixed-use developments include a pre-designated proportion of affordable housing. Based on our survey results, affordable and/or workforce housing seems to be important to developers and local officials, but in practice, it is seldom utilized.

Based on the results from the hedonic pricing analyses of three Michigan cities, placemaking features affect properties in various ways. The results borne from these analyses ought to





Traverse City Film Festival in Traverse City.

be helpful in understanding ways to increase housing values that, in turn, can benefit the community through an increased desire to live and work in those communities, alongside increased tax revenues. However, this should remain in the context of keeping affordable workforce housing supplies at levels sought by the local workforce. As mentioned in the Part detailing Recommendations, it would be beneficial to understand the value accrual of placemaking features, as measured by property values or home sale prices.

More importantly, the hedonic pricing method furnished numerous estimates for the value of placemaking elements. Schools, parks, stores, green infrastructure and other important placemaking features were often found to significantly and positively affect sale prices in the three case study cities of Lansing, Traverse City and Royal Oak. Since each city is different in terms of its economy, socio-economic indicators, size and other factors, the results highlight differences between cities and come close to explaining why these differences occur. The findings present information that has not been seen before for these cities. Policy makers, bankers, residents, academics, real estate professionals and planners can benefit from the information garnered in this report.

Finally, it will be possible to explore results for more cities in the future. Through another grant made possible by the Michigan State Housing Development Authority and the Michigan Association of Realtors, we are extending this analysis to include three additional Michigan cities and six Midwest cities outside of the state. One objective will be to see how the added Michigan cities fare compared to the in-state cities presented in this report, as well as similarly sized cities in other Midwest states. The data made available by several cities, and the processing of spatial information using GIS make this both an interesting exercise in research, as well as practice. Knowing precisely *how* placemaking affects property values and to *what* extent, is valuable information. Refining the methods, collecting additional data and continuing the research on placemaking value contributions will help communities, developers, bankers, citizens and others better understand the value of placemaking features. Furthermore, assigning a price of neighborhood, community and other housing features on property value can pave the way for future research and, as a result, could provide exceptional tools that help communities leverage their placemaking plans and, thus, continue to build on their sense of place and placemaking goals well into the 21st Century.

We are extending this analysis to include three additional Michigan cities and six Midwest cities outside of the state. One objective will be to see how the added Michigan cities fare compared to the in-state cities presented in this report, as well as similarly sized cities in other Midwest states.

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