

Michigan State University

Detroit Redevelopment Assessment

Dean's Assistantship

Social Science Research Committee

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I. Introduction and Context:

Detroit is a city of great potential for growth from its current situation, in both a physical and socioeconomic sense. While Detroit's population and immigration statistics from 1980 to 2000 showed a fifth less inhabitants in this time period, a loss of 20.9% in a 20-year period, those citizens that have remained and taken a vested interest in the revitalization and redevelopment of the city have proven successful where organization, coalitions, government and community support have been present. With the second highest segregation rate in a 23-city study, and a fourth lowest designation in terms of college degrees, the city faces challenges that go much deeper than bricks and mortar improvements (Thomas and Rudell, 2005). In more positive trends, however, child poverty rates have declined since the 1990's and the city claims the seventh highest homeownership rate of 23 cities of similar size. Community Development Corporations and community oriented for-profit developers have been a major component in the revival of inner-city neighborhoods, with the most successful examples being the focus of this study.

II. Purpose:

The purpose of this report is to assess the advantages, disadvantages, obstacles, incentives, physical and process factors that either hinder or help achieve successful development projects in Detroit. By outlining all these components and comparing with scholarly research and case studies on the subject across the country, this report will help to gather the resources for other developing groups in order to increase knowledge and streamline the development process in Detroit for the future.

III. Methodology and Subjects:

In the data collection phase of this project, I have worked in conjunction with a colleague, Marcia Jones, who conducted a complimentary research project as part of her completion of a graduate Plan B requirement. Together, and with the help of our advisor, Dr. June Thomas, we narrowed down a list of potential interviewees from Detroit development non-profit and for-profit entities, and created a questionnaire. We used several resources to choose our subjects, including the Community Development Advocates of Detroit website, as well as Dr. June Thomas's extensive experience with development in Detroit.

To go into more detail concerning the research methodology, I will describe the theory summarized in a paper titled *Grounded Theory: a thumbnail sketch* by Bob Dick of Southern Cross University in Australia. He sites the work of research publications by Barney G. Glaser, *Doing Grounded Theory: Issues and Discussions (1998)* and Anselm Strauss, working with Glaser, on *The Discovery of Grounded Theory: Strategies for Qualitative Theory (1967)*. In summary, the theory uses data collection (interviews and literature review) to produce coding (key word note taking that is evaluated by constant comparison, creating categories and sub-category properties). Then memoing is produced, described as "a note to yourself about some hypothesis you have about a

category or properties and ... relationships between categories” (Dick, 2006). By sorting the memos, linking core categories and properties in an explanatory manner, the researcher then writes the “thesis” based on what has emerged from interview and literature (Dick, 2006).

The purpose of our study was to discover how a company was able to successfully complete the process of real estate development in Detroit. Compared with the typical hypothesis testing methods used in many studies, we chose an adapted grounded theory approach for the emergent quality of the research gathered from a few in-depth interviews. This is not a theory-producing paper, but a comparative analysis of varying approaches to development challenges, in practice and in literature. To formulate open-ended questions for this purpose, we used topics and themes from literature reviews to probe developers for the main themes and the relationships between them. To create a broad based approach, we chose two non-profit and two for-profit developers who had created substantial, physical results for their designated areas in the past 20 years.

The interview questions, found in the appendix, as well as a letter of participation, were brought to the University Committee on Research Involving Human Subjects for review. After an expedited approval, Marcia Jones and I set up interview times on two occasions: Tuesday, February 28th and Friday, March 3rd. Each interview occurred over a time period of approximately one to two hours to give ample time for developers to discuss and elaborate on questions asked. The results and their analysis for this project are found on the following pages.

IV. Overview of Findings:

In looking at the various responses to our questions concerning development success in Detroit, there were many recurring themes as to the strengths, weaknesses, opportunities and threats inherent in the city development process. These similarities extended across non-profit and for-profit entities. For instance, some strengths of developing in Detroit were the large availability of cheap, vacant land, in conjunction with pent-up demand and federal, state and local funding initiatives, which were often what made development lucrative business and good for communities (expressed by three developers). One weakness of developing in Detroit found across the board was lengthy processing time and difficulty in turning vacant property to developed property, including: buying land, clearing title, cleaning sites, getting reimbursement through funding, outdated zoning and land assembly. This same topic, however, can prove to be an opportunity in the future, given that there is more coordination, cooperation and information between government entities and developers, creating a greater understanding of the process, a comprehensive city wide plan, and making Detroit’s development a more mainstream occurrence. A city official to organize and educate about various funding, physical and legal tools was also suggested as a possible solution to this problem. Furthermore, the opportunity of appealing to largely untapped markets in urban redevelopment was mentioned by almost all developers, citing the appeal of the city to faith-based communities, and specific socioeconomic groups (largely minority, young professionals and single mothers were mentioned). The threats to development

improvement are very apparent, including perceptions and realities about the state of crime, deteriorating school systems, and extensive blight and brownfield contamination that will take long-term restructuring by city government to solve. These very threats can also become opportunities given increased tax base through mixed-income and mixed-use developments using tax abatements/incentives, blight and brownfield remediation money, a greater community group presence and better police and school board procedures (school and crime status were mentioned in most of the interviews).

V. Specific Question Breakdown by Topic and Developer Response:

Table 1: Top three advantages of developing in Detroit (Question 1):

	Non-profit developer A:	Non-profit developer B:	For-profit developer A:	For-profit developer B:
	Creating social and economic justice in the city	Availability of vacant, city owned land	Reverse trends, decreasing suburban base and increased redevelopment opportunities	The market has great growth potential for residential housing
Advantages	Coalitions and partnerships – for instance, Habitat for Humanity	Federal funding when started (1990)	City infrastructure is already in place	The mission for Urban redevelopment, infill and reuse
Developing	Economic advantages – higher taxes through development equals better schools, creating a diversified tax base	Pent-up market demand	Urban flavor and environment	Social impact
	City owned property with low property costs and high return on investments		Brownfield sites	

Looking at general responses to the questions concerning top advantages of developing real estate in Detroit, Table 1, three responses pointed to market demand trends that have made it economical to develop in the city. Furthermore, social impact and missions based on physical and socioeconomic urban redevelopment were common themes throughout, driving both for-profit and non-profit organizations. The benefits of vacant, city-owned land, as well as the associated infill, brownfield sites and

infrastructure opportunities, were mentioned by both for-profit developers and non-profit as positive locational factors to urban Detroit development.

Looking at the literature on the subject of advantages in vacant land redevelopment overall, the developer themes were reiterated in the research. In the article titled *Seizing City Assets: Ten Steps to Urban Land Reform*, Paul Brophy and Jennifer Vey agree with the developer interviews that creating marketable opportunities, building on natural and historic assets, and implementing neighborhood plans in partnership with community stakeholders for social impact are all essential to holistic land reform. These factors were found in case studies throughout the country, involving cities with average vacant land of 12,000 parcels, to create an approach that is centered on “new markets, community capitalism, and creation of healthy downtowns and neighborhoods”, which consequently were similar objectives of the developer mission statements (Brophy and Vey, 2002). Furthermore, in the vacant land research text, *Terra Incognita*, Bowman looks at the “The Different Contexts of Vacant Urban Land”, as the chapter is titled, through a positive resource lens, pointing to the factors of “availability, space, opportunity, and informality” inherent in vacant property. Furthermore, using successful systems like the Wayne State Law School “Emergent Policy Regarding Tax Delinquent Properties” program, which sells lots for \$1 as a homesteading initiative, is one way that the abundant, vacant, city owned land identified by developers can be more fully utilized (Thomas and Rudell, 2005).

Table 2: Top three disadvantages of developing in Detroit (Question 2):

	Non-profit developer A:	Non-profit developer B:	For-profit developer A:	For-profit developer B:
	-None – all land has value, blighted property rebuilding is a necessary purging process	Detroit bureaucracy barriers	Lacking total understanding of the development process. Requires a high level of sophistication through integration of urban planning, engineering and real estate knowledge	Redevelopment is harder than development; more time is involved in change of title ownership
Development Disadvantages		Physical and environmental condition in Detroit	Contiguous property challenges, land assembly challenges not present in rural development.	Environmental challenges
		Reputation of Detroit – 33% of 900,000 citizens want to leave the city	Multiple municipalities without master planning.	Urban redevelopment is a niche market in Detroit

There are some common themes in the answers to questions about disadvantages of developing in Detroit, Table 2. For instance, the environmental conditions in Detroit, whether that includes brownfields, blight or piecemeal land assembly, all create challenges to the government and marketing factors (also identified as disadvantages). The challenges stem from the competition and ease of development in the suburbs, or “green fields” where land assembly, simple processing and good reputation create profitable, low-risk ventures. This is compared with the numerous government regulations, legal challenges, uncooperative municipalities, information sharing barriers, and the “pioneering” development perceptions inherent in urban Detroit development. Many of the perceptions of the physical development difficulty are unfounded, as Non-Profit Developer A states, because blight, brownfields and vacant land all have value and provide opportunity for redevelopment with current policies. It is more the will and cooperation of various government, private and community entities to consolidate the process, make it attractive for development and reduce risk liability that pose the greatest challenges.

Linking back to the literature, *Seizing City Assets* looks to developing a citywide approach to redevelopment, including: making government effective, creating a legal framework for sound redevelopment, knowing your territory and organizing for success. These all provide consistent goals for creating more development community activity in Detroit. Some solutions can be borrowed from effective systems for dealing with these challenges around the state, namely the Genesee County Land Bank program. In a study summarizing their efforts, the author pointed to the fundamentals of awareness and consolidation of government processes, including widespread information dispersion for a comprehensive land management system, to overcome barriers (Alexander 2005). Other ways to overcome these organizational disadvantages include: tax-delinquency inventory, improved tax foreclosure laws, easing the burden of overwhelming amounts of vacant land for government, and overhaul of outdated state and local zoning and permit laws (Alexander 2005). In *Recycling the City*, Chapter 8, the author identifies Community Development Corporations, such as two non-profits interviewed in this study, as also being a major part of the redevelopment challenge solution. CDC's can become the point organizations for knowledge of development processes in the city, with site identification, assessments, preliminary planning and project management as prep work– in some cases even becoming the developing agency themselves (Dewar and Deitrick, 2004). By creating more transparent and streamlined development processes, perceptions and reputations can change and the heavy burdens on city officials can be eased through direct community group actions.

Table 3: What are the top obstacles to developing in Detroit (Question 3):

	Non-profit developer A:	Non-profit developer B:	For-profit developer A:	For-profit developer B:
Obstacles	Land assembly	Time lag in funding reimbursement from the city (process)	-Little coordination between universities, HUD, MSHDA – institutional mismatch	-Detroit's zoning ordinance is not geared toward "redevelopment" – suburban oriented
Development	Title clearance	Time to get Developing contracts through the city (process)	Unclear Urban redevelopment process	-Tension between affordable housing and market rate housing – creating a balance and ending a city council bias against middle-high income for tax base reasons
	Code compliance – land protection and clean up	Lack of Code enforcement	land use, zoning, assembly, Title clearance (process)	Title clearance

The themes in the answers to the question of “top obstacles” to developing in Detroit, Table 3, were clearly title clearance, process, code compliance, and land assembly – some of which were reiterated from the disadvantages section of the interview. What’s interesting is the emphasis on government perceptions and unconsolidated agencies by the for-profit developer – as well as how these affected the choice in types of housing allowed and the zoning mismatch, as well as the institutional lack of coordination for a common goal of redevelopment. Excessive bureaucracy was a constant source of frustration when the actual development details occurred. The development process involves a series of steps, starting with inception, refinement of ideas, feasibility studies, contract negotiation, formal commitment, construction, completion/formal opening, and finally property, asset and portfolio management. Adding to this complex process are overcoming the legal transfer of property and any conflict involved, lengthy funding/contract approval process, as well as delay in bringing property up to code and creating contiguous parcels attractive for large scale development. All of these factors add to feelings of an unclear and obstacle ridden development process in Detroit by the development community.

In Elise Bright’s book, *Reviving America’s Forgotten Neighborhoods*, she points to a need for eliminating stagnating requirements for land development. Cleveland’s policies were used as an example of this plan in action, where Temporary Obsolete, Abandoned or Derelict Sites (TOADS) were given “quick-take” laws, changing the 5-9 year foreclosure on TOADS to 9-12 months, as well as categorizing property based on desirability of land for development (Bright, 2000). Furthermore, in *Recycling the City*, chapter 6, “Survey of State Level Policies to Address Urban Vacant Land and Property Reuse”, the author concludes that property specific approaches to redevelopment such as streamlined tax lien foreclosure and right of redemption procedures (public sale or transfer of property to government) combined with judicial oversight help to assure due process and a strong foundation for clear title. Also mentioned in this article was the excessive length of time due to a multiplicity of agencies that make the process stagnant.

Some good examples of city policy addressing this were seen in Chicago, Philadelphia, and Baltimore. Chicago’s Abandoned Property Program (for one to four unit brick, unoccupied buildings with unpaid taxes turned over to the city), Philadelphia’s Neighborhood Transformation Program (involving demolitions and rehabs of \$295 million) and Baltimore’s use of quick-take city laws and private sector help have all shown successful initiatives. Tax defaults, donations and barter systems in land banking programs have also streamlined title transfer and clearing, along with split rate taxation (separating taxes for land and other improvements) and building code reform (using the standardized National Applicable Recommended Rehabilitation Provisions). Michigan’s Urban Homesteading on Vacant Land Act was also mentioned in this article as a model program (Greenleigh, 2004). Finally in *Recycling the City*, the Model Property Redevelopment Process was outlined as a property assessment strategy including streamlined liens, mortgages, title search, sheriff’s sale, public notices, notification of prior owners as well as environmental assessment of Phase I and Phase II CERCLA assessments. A successful example of this process is the Great Lakes Redevelopment Initiative (Brachman, 2004).

Table 4: Site Specific Incentives With Developer Responses (Questions 5, 6, and 9):

Incentives Types	Non-profit A	Non-profit B	For-profit B	For-profit B
Brownfields	Corporate-owner cleanup money plus government brownfield money	City partnered on a grant, \$2 million before brownfields legislation, on 10 acre mixed industrial to residential development. Brownfield cleanup legislation is important for commercial development.	Brownfield Redevelopment Authority plus government office-raised equity on high value property (I.e. riverfront) for phased in development. BRA also deals with blight/obsolescence property.	Few non-brownfield properties, not necessarily contaminated. Tax credit property considered brownfield property. The brownfield act and incentives below are most important.
Residential	MSHDA tax credits, Neighborhood Enterprise Zone tax abatements, Community Housing Development Organization (CHDO-boundary based) Home dollars	Neighborhood Enterprise Zones for market rate, mixed income developments help to overcome disincentives of living in Detroit. We receive Empowerment Zone money. Community Development Block Grants, administration use and development.	Neighborhood Enterprise Zone, Tax Increment Financing, Home Funds, Low-Income Housing Tax Credits	Neighborhood Enterprise Zone - makes property more marketable
Commercial	New Market Tax Credits - Great Lakes Capital Fund	Renaissance zones important	Downtown Development Authority	Single Business Tax Credit-primary tool, 10% of costs
Rehabilitation	City grant, \$500,000 infrastructure developments	Neighborhood Preservation Program, private foundation grants, some Neighborhood Enterprise Zone certificates for rehabilitation.	None	Obsolete Property Rehabilitation Act-freezes property taxes on existing building, both commercial and residential, a hybrid policy between brownfields and NEZ's

Table 4 summarizes brownfield funding, tax abatement and special funding zones important for redevelopment in Detroit. Community Housing Development Organization (CHDO) home dollars were especially important for non-profits, and this included expanding boundaries and resources through collaborations with surrounding non-profit entities (Southwest Housing and Habitat for Humanity were examples used by the developers). All found that brownfield or TOADS properties were abundant sources of vacant land, and therefore they were a core source of funding resources, whether through Brownfield Redevelopment Authorities, the Obsolete Property Rehabilitation Act, or additional city/private lending. Neighborhood Enterprise Zones were successful and effective incentives for developers and homebuyers, using 12-year, half-tax break incentives that also contribute to the tax base through including higher income/mixed income developments in low-income neighborhoods. Commercial and structure rehabilitation funding varied across all developers due to the nature of their developing objectives (residential driven or commercial driven) and location within Central Business Districts or neighborhoods.

All of the developers identified vacant land with or without property, contamination and title issues as the main source of redevelopment land. *Recycling the City* defines vacant land as “underutilized land”, “derelict sites” and “brownfield sites”. In a more detailed account of the process for receiving funding for brownfield and blighted sites (which was Sited as a ubiquitous occurrence throughout the developers interviews) the article titled “The organizational contexts of decisions to invest in environmentally risky urban properties,” by Kristin Yount, gives a thorough description of the process, funding and legislation involved in redeveloping brownfields. The 1995 Brownfields Economic Redevelopment Initiative, according to Yount, identified important stakeholders in processing brownfields as the loan officers, division supervisors, environmental risk management officers and environmental lawyers. While direct liability for cleanup is a major deterrent to this type of property, the recent Asset Conservation, Lender Liability and Deposit Insurance Protection Act has clarified the management of brownfields and prevented liability issues. The stipulations of the act involve an Environmental Review Document including a statement of cleanliness and state environmental agency approval, which eases the process of funding (Yount 1997).

In a case study report of successful incentives, author Elise Bright outlines development fee rebates, Tax Increment Financing districts, Public Improvement Districts, section 108 loans, Enterprise Zones, Historical Landmark Tax Credits, brownfields cleanup programs and general tax base (in higher income developments) as the major incentives for development of abandoned property. She points to Detroit, Cleveland, Boston and the South Bronx as having the government incentives to create more marketable TOADS reuse, citing that ignoring such property results in more tax loss than financial risks involved in redevelopment (Bright 2003). Another article based on a survey of developers finds funding avenues are opened through 1) liability relief 2) direct financial incentives and 3) regulatory relief, forming comprehensive guidelines for overcoming barriers through incentives (Alberini and Trombetta, 2005).

Partnerships with Lending Institutions, Government and Community (Question 7, 12, and 13):

Some questions asked about partnerships with lending institutions, governments, and the community. A special note should be made about the value of communications and relationships with private, public and community based organizations in the development process. A recurring theme in the interviews was the importance of coalitions and partnerships for more effective, widespread redevelopment. When it comes to private funding, relationships with larger lending institutions proved the most helpful, and many have become involved since the Community Reinvestment Act prompted more active redevelopment funding (non-profit developer a response). From a more locally based standpoint, credit unions provide more individual access to credit and help prevent exploitation. Some important relationships were noted with Comerica Bank, Bank One, and LaSalle Bank (the local Federal Home Loan bank connection). For-profit developers mentioned a combination of both local and large institutions (either national or global networks) for their large lending needs.

On the governmental side, relationships with Detroit City Council and having advocates in decision making were cited as overall pluses. There is a sentiment that the overall city government, in this case ranging from Mayor Archer's to Mayor Kilpatrick's administrations, has been friendly and helpful, but that cutbacks in staff have overburdened city bureaucracy and made the process more difficult. Furthermore, working with city engineers has been efficient, according to Non-Profit Developer B, but funding reimbursement is slow. A call for a central coordinator position as go-between private, non-profit and public entities for information sharing purposes was one opportunity in partnership building identified by For-Profit Developer A. Beyond some complaints of processing times, low-income housing biases in city council, and excessive regulation, most developers felt relationships with the city were positive. On a scale of one to five, with one being very dissatisfied and five very satisfied, two developers (one non-profit, one for-profit) gave government a five, one non-profit gave a four, and the remaining for-profit gave between a five and four. Michigan State Housing Development Authority relationships were also identified as especially important to funding.

Finally, community and non-profit relationships were seen as key in getting neighborhood support for projects and sharing precious resources. Non-profit Developer A cited Habitat for Humanity as a major positive relationship, using this national organization for technical assistance with clearing title, as well as receiving grants and stretching infrastructure improvement money with "sweat equity". Non-profit developer a noted nearby CDC's and collaboration with for-profit developers as effective in creating co-op development and providing architects and design assistance. Non-profit developer B also noted this trend, using instead the faith-based community of a historic church, a neighboring non-profit housing association and an ethnic business association to prop up efforts through a collaborative front. This developer also held community input meetings for Neighborhood Preservation Program funding, which both helped and hindered the process by giving the community a voice, but sometimes a one-sided opinion. Overall, developers found that a solid, three-pronged approach to relationship

building between private banks/lenders and developing teams, public officials, and community groups were all important to a successful project.

Several articles reflect the nature of relationships to development success and efficiency. In the realm of private lending institution relationships, Kristin Yount (1992) provided a summarized outline of the most viable connections for differing scaled projects. This article interviewed mega lenders (regional, national or international institutions with assets exceeding \$10 billion) and micro lenders (local institutions worth less than \$100 million) to identify the types of projects they were most willing to finance. Mega lenders were willing to take risks, for instance, lending before cleanup took place, but usually only with projects of \$1 million or more with a Phase I contamination assessment. Micro lenders, while more familiar with the nature of the community and local development environment, did not often have the resources or expertise, such as certified Environmental Merchant Bankers, to lend for brownfield cleanup (Yount 1997).

Government relationships, as defined by Elise Bright in *Reviving America's Forgotten Neighborhoods*, involve creating wide voter support for mixed income housing in cities, fully supporting resident led initiatives, providing adequate services, having a supportive mayor, providing technical assistance, building trust and creating public interest in redevelopment. Finally, the community relationship link is important for creating long-term sustainable developments, targeted in Elise Bright's five components of successful programs: safety, service, shelter and social capital. Many of these can be fostered through resident led initiatives to the fullest extent, facilitating strong leadership, capacity building and micro planning advocacy (Bright, 2000). For further reference of successful models in partnership based developments, the literature outlined Portland's Affordable Housing Strategy, Seattle's "urban village" approach to mixed-income, compact micro planning (example: Pike's Place), the Twin Cities supportive city program for home ownership (Joint Housing Assistance Program) and Pittsburgh public-private partnerships (Bright, 2000; Brophy, Vey, 2002).

Table 5: Locational Factors (Questions 10 and 11), For Profit Firms:

	Outside of Detroit		In Detroit	
	For Profit A	For Profit B	For Profit A	For Profit B
Nearness to a downtown	5	4	5	4
Nearness to a university or college	5	3	5	4.5
Nearness to a grade school	5	4	5	2
Nearness to a retail district	5	4	5	4
Nearness to an industrial district	3	1	3	1
Nearness to public transportation	4	4	4	4.5
Nearness to public infrastructure	3	5	3	5
Nearness to a commercial district	5	4	5	4
High-value location	3	3.5	5	4.5
Nearness to medical facilities	5	3	5	3

Key: Scale ranges from 1 to 5; 5 is of highest importance.

Table 6: Locational Factors, Non-profit Firms

	In Detroit	
	Non Profit A	Non Profit B
Nearness to a downtown	5	5
Nearness to a university or college	5	5
Nearness to a grade school	5	5
Nearness to a retail district	5	5
Nearness to an industrial district	5	5
Nearness to public transportation	5	5
Nearness to public infrastructure	5	5
Nearness to a commercial district	5	5
High-value location	5	1
Nearness to medical facilities	5	5

Key: 5 is of highest importance.

Looking at the tables regarding various locational factors, Tables 5 and 6, nearness to a downtown, whether in Detroit for both non-profit and for-profit developers, or outside Detroit in the case of the for-profit developers, was a consistently important asset. In the case of nearness to universities or colleges, the importance in Detroit was more of a factor than outside, but clearly Wayne State and other educational institutions provide a market source through students and technical resources in the planning process. Nearness to a grade school was considered important to almost all developers in and out of Detroit, but one for-profit developer gave this category a two, and this is perhaps due to the nature of developing in Detroit, which one interviewee claimed did not currently appeal to families due to the poor condition of Detroit public schools. Nearness to a retail district was again considered a high priority, for tax base and disposable income purposes that could complement higher-income developments. Nearness to an industrial district was considered very low priority by for-profit developers, receiving threes and ones for both developments inside and outside Detroit. This was explained due to the declining number of industrial jobs that would not provide a draw to upper income groups relocating to the city. Contrary to this, professional districts were indicated by for-profit developers as a more appealing factor in downtown development decisions. The non-profit developers still regarded the industrial district as very important, with both interviewed organizations being located near industrial areas in Detroit. Nearness to public transportation was considered moderately important by for-profit developers, but again very important to non-profit developers (perhaps, again, a result of the markets these types of developers are gearing their projects to – low-income or high-income). Nearness to public infrastructure, interestingly, was not considered vital to developing in the city by one for-profit developer, and the most important factor to the other for-profit developer, indicating that the need for services in the city varies from site to site and project to project. High value location was indicated as not very important outside of Detroit, and relatively important in the city, though one non-profit cited that fact that having low-value property pre-development only added to the profitability of projects in the final outcome. Finally, nearness to medical facilities was indicated as extremely

important for all developers, except for-profit developer B, who was indifferent to this factor.

One tool for developers to use when assessing the locational attractors of an area is the system developed by Richard Florida (2002). Metro Detroit scored a 113 in the rating system used by Florida, which indicates a good standing among similar metro areas such as Cleveland, Indianapolis, and Pittsburgh. What's most important to this study particularly is the environmental factor, in the context of how amenities attract talent, innovation and diversity for economic development. The east riverfront is a good example in Detroit where "synergy and proximity" have made for promising developments in downtown for its environmental and locational assets (Thomas and Rudell, 2005). An advisory body for coordinating such amenities and development concentration was suggested in the *Seven Cities Report*, by Dr. June Thomas and Jamie Rudell, which reiterates a desired service expressed by For-Profit developer A's interview. A more detailed description of the environmental factor was outlined in the *TIDE: Key Empirical Literature* study done by the State of Michigan Cool Cities Team, which pointed to "high quality community amenities to attract young skilled workers and other urban pioneers considered essential for sustaining urban economic development" (Thomas, Darnton, Supanich-Goldner, 2005). These amenities include natural, recreational, cultural and lifestyle amenities, according to Florida, and show a shift in city economies toward sporting facilities, casinos and other entertainment venues. The value in attracting "creative capital" through "quality-of-life" factors can be seen in the emphasis on downtowns, universities, retail districts, professional districts, retail and commercial districts in the interviews. This is compared with less emphasis on grade schools, industrial districts and medical facilities, which might appeal more to stationary families and older populations (Michigan Cool Cities Team).

Concerning deterrents for non-profits for developers, they pointed to investment risk, crime and police training and education as what hinders developers from developing in Detroit. For-profit developers pointed to access to resources, lack of knowledge about the redevelopment process, the negative perception of unfriendly bureaucracy, as well as racial stereotypes. For improvement, non-profit developers pointed to more access to cheap land, focusing resources in planning and a quicker funding process (specifically getting CDBG contracts without excessive regulations regarding, for instance, homeowner insurance and median income guidelines). For-profit developers talked about clear title on city, county and state owned property, with assembly of these developable parcels to attract larger development opportunities. Interagency cooperation and resource listing approaches, and especially better communication with MSHDA, were indicated due to the comprehensive fact-finding abilities concerning development incentives such agencies can provide to developers.

As for success indicators, non-profits pointed to the stabilization of property and residents through service upkeep, as well as community involvement in the process. Also noted was the visual impact of redevelopment, and the appraisal of raised property values in an area was considered important. For-profit developers emphasized financial return, risk and reward, and any catalyst project resulting in further development of an area.

Also important were the “sold-to-unsold” ratios of developments, whether projected expectations were reached, and any positive social impact of the developments.

Conclusion:

Perceptions, process, profit and population are all factors that can deter development, but they also serve as opportunities for becoming positive improvements. The social impact element actually links all developers in that they have committed to Detroit’s redevelopment through different avenues, but with an overall common purpose. Core considerations for government are the consolidation and cooperation of excessive bureaucracy in a city that is shrinking in size. However, Detroit may be able to capitalize on the amenities and people already present by building the stabilizing forces of education, crime prevention, services, quality-of-life and shelter. Incentives, private reinvestment and economic growth are all essential pieces, but as the developers have repeated time and again, social capital, urban redevelopment mission and multi-level cooperation are even more important than competitive advantage. The interviewees agreed that this is only reached through communication, education and changed perceptions among the development community. The flight of the middle class and industry for the suburbs have caused Detroit’s decline, however the “reverse trend” and re-creation of the city will be based on asset building, partnership building, community building and physical building through the city’s dedicated developers. According to *Recycling the City*, these combined factors will all contribute to development success and fulfill the need for “economic, environmental and social sustainability of neighborhoods, cities and regions” (Greenstein and Sungu-Eryilmaz, 2004)

VI. Appendix A:

UP 889
Detroit Development Study Interview Questions
Spring 2006

1. In your opinion as a professional developer, what are the top three advantages of developing real estate in Detroit?

2. In your professional opinion as a developer, what are the top three **disadvantages** of developing real estate in Detroit?

3. In your professional opinion as a developer, what are the top three government or institutional **obstacles** you have encountered with developing in Detroit?

4. When choosing a development site in Detroit, do you prefer, or note prefer, to develop brownfield property and why?

- a. Have you used special funding programs or resources for brownfield redevelopment?

5. When choosing a development site in Detroit, how important is it to be eligible for government property tax abatements or tax credits or special incentives?

a. Which financing incentives do you find most beneficial?

6. In choosing a development site in Detroit, how important is it to be located within any special zones such as Renaissance zone, or Neighborhood Enterprise zone and why?

7. How would you rate your experience with working with Detroit city officials in implementing Detroit based development initiatives? Please comment.

Very Dissatisfied	Dissatisfied	Neither Satisfied or Dissatisfied	Satisfied	Very Satisfied
1	2	3	4	5

8. If you could instantaneously improve any parts of the real estate development process in working with the city of Detroit, what would it be?

9. In your professional opinion, what are the top three governmental incentives that contribute to successful development projects in working with the city of Detroit?

10. Please rate the following according to importance when choosing a real estate site for development or redevelopment site in Detroit and outside of Detroit, where 1 is *not important at all* and 5 is *extremely important*.

	Outside of Detroit	In Detroit
Nearness to a downtown		
Nearness to a university or college		
Nearness to a grade school		
Nearness to a retail district		
Nearness to an industrial district		
Nearness to public transportation		
Nearness to public infrastructure		
Nearness to a commercial district		
High-value location		
Nearness to medical facilities		

11. How does the physical condition of the site effect its development? Please explain.

12. Do you favor larger lending institutions or smaller lending institutions and why?

13. In your professional opinion as a developer, what are the most important relationships that contribute to a successful development in Detroit?

14. In your professional opinion as a developer, what do you think hinders other developers from wanting to develop in Detroit?

15. How do you evaluate the success of a real estate development project upon completion?

16. In your experience what ways would you streamline the development process in Detroit?

Appendix B:

Marcia C. Jones

jonesm46@msu.edu

101 UPLA Building

Michigan State University

East Lansing, MI 48824

(517) 214-7424

Dear Participant:

I would like to interview you for a project that attempts to find out how your company was able to successfully complete the process of real estate development. The purpose of this project is to gather information from several developers associated with several successful development groups and then to summarize and share the information in my senior research paper.

Our interview should take no more than one hour. Your participation is absolutely voluntary. This means that you may chose not to participate at all, or you may refuse to answer certain questions, or you may indicate at any moment that you wish not to complete the interview. This also means that you will not suffer penalty from Michigan State University or any other organization if you decide not to participate. All results of this interview will remain in strict confidence. Every effort will be taken to assure that all information given is handled in a professional manner, and no statements will be attributed to any person by name. If you'd like, you may receive a general report of the finding.

If you have concerns or questions regarding this project you may ask now, or contact me later at (517) 214-7424 or contact my advisor Dr. June Thomas at (517) 355-1696. You may keep this copy of this letter in case you have future questions or concerns. You may indicate your voluntary agreement to participate in this project by allowing us to begin and complete this interview.

Sincerely,

Marcia C. Jones

Masters of Urban and Regional Planning Candidate

Appendix C:

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I. Introduction and Overview of Vacant Land Literature

A. *Recycling the City: The Use and Reuse of Urban Land*

The introduction to *Recycling The City*, by Rosalind Greenstein and Yesim Sungu-Eryilmaz, gives a comprehensive look at the opportunities and challenges faced in the looming presence of inner city redevelopment barriers. The need for “economic, environmental and social sustainability of neighborhoods, cities and regions” (Greenstein, p.1) has propelled the movement for such redevelopment by businesses, governments and community groups, with varying success throughout. To analyze and start the process of redevelopment, one must assess the condition that brought about their creation, the public and private costs of redeveloping and the reuse that should be put in their place. To answer some of this, the article gives an overview of the U.S. shift in economics and manufacturing that has caused movement of business to the suburbs, and more regionally, to the south and west from the traditional northeast. Additionally, zoning regulations and segregation by class have severely hurt the viability of inner cities. Along with these economic and land use patterns are the environmental legacies of an industrialized past, with heavy metal, oil, lead and other contaminants as the artifacts. Creation of the EPA and CERCLA have enforced Superfund cleanup of extreme cases, but much of this legislation has impaired any real progress for less contaminated inner city parcels (Greenstein, p. 3). These negative externalities, paired with perceived contamination and inner city poverty and crime, which often accompany the distressed areas of these sites, has discouraged a large private sector effort. Some success has been reached, such as SoHo’s revitalization of former textile industry factories, as well as the Regional Plan Association’s work to create an outline for public efforts (Greenstein, p.5). The Regional Plan Association’s classification of Tier I, II and III sites according to attractiveness for development was created as part of this New York, Pennsylvania and New Jersey coalition, based on risk and liability, decontamination and cleanup costs.

B. *Terra Incognita* (Ch. 1)

In this introductory chapter titled “ The Different Contexts of Vacant Urban Land, the authors portray the negative and positive aspects of the concept and actuality of vacant land. It is often associated with “abandonment, decay, emptiness” (Bowman, p. 1) and other problems, when in fact this may not always be true. It can also be a positive resource for city expansion, as can be seen in many southern and western cities, such as the article’s example of West Palm Beach. Other words in this scenario to describe vacant land are “availability, space, opportunity, and informality” (Bowman, p.3). Defining the properties of vacant land is important to assess a potential use, including size, condition, slope and ownership. Some classifications of these include 1) remnant parcels 2) parcels with physical limitations 3) corporate reserve parcels 4) parcels held for speculation 5) institutional reserve parcels and 6) derelict parcels (Bowman, p. 4). Another label for vacant land may be TOADS (temporarily obsolete, abandoned, or derelict sites), such as former auto factories, overgrown land or slaughterhouses (Bowman, p.6). *Terra Incognita* seeks to survey cities of 50,000 or more with such

vacant land sites, describe their conditions, supply, policies and trends, while focusing on three case studies of Philadelphia, Phoenix and Seattle.

II. Case Studies

A. *Recycling the City* (Ch. 2 and Ch. 7)

Chapter 2 of *Recycling the City* points to Western Europe for guidance on the subject of brownfields redevelopment. “Western European Vacant Land: An Overview of Its History, Context and Policy in the Twentieth Century” by Barry Wood, focuses on Great Britain, France Italy and the Netherlands to promote the “economies in transition” that no longer refer to former Soviet Union countries, and now apply an emerging approach to land use throughout Europe (Wood, p.33). Great Britain, for instance, with a deindustrialization close to that of U.S. cities, has taken an effort to preserve the green belts that prevented sprawl in the 1950’s, while using Enterprise Zones for 10-year periods that take tax stress off the development process in inner cities (Wood, p.34). Derelict Land Grants and Urban Development Corporations are also keys to this equation, with the latter providing public and private compulsory purchase, planned new development, and infrastructure provisions. France, conversely, has relied on its cultural context that reveres the city, using instead a legislative base in “firische” policies that consider historical use, environmental problems, and potential opportunities when presented with land use decisions (Wood, p.35). Decentralized subnational authorities, (divided into regions, departments and municipalities) are all used when confronted with vacant land issues at increasing local scales, such as housing, schools and hospital placement. The Comprehensive Development Act and the Deferred Development Zones, which allow public agencies to act as developers, have further improved the quick handling and implementation of vacant land development. Italy, historically challenged in its land use during tumultuous government changes, has now settled on a collaborative approach between landowners, developers and the city (Wood, p.37). Finally, the Netherlands’ compact city policy, extensive public ownership and Ground Cleansing Interim Act have assured infill and cleanup of 10% of brownfields by the municipalities and 90% by the national government (Wood, p.38).

B. *Seven Cities Report*

In summarizing the "Redevelopment in Seven Cities Comparable to Detroit", by Dr. June Thomas and Jamie Rudell, key facts and figures of political, organizational, infrastructure, amenities and other economic development strategies throughout the Midwest and Northeast were analyzed beside similar factors in Detroit. Recent trends were first established to give a reference point for the data, including Richard Florida's "creativity indices", such as high tech jobs, absolute job growth, and other indicators. First of all, Detroit’s population and immigration from 1980 to 2000 showed a fifth less population, showing a 20.9% loss over this 20-year period. Segregation factors involving the black and Latino populations affected the ranking with the 2nd highest segregation rate of a 23-city study, with the city ranking 4th lowest in terms of college degree on the education side. In more positive trends, child poverty has dropped since the 1990's, and

the city claims the 7th highest homeownership rate among the 23 cities studied as well. A "development beauracracy" and mayor/council problems have inhibited the city's growth, and due to this, CDC's have played an increasingly stronger role in the city's progress, though they are still in need of financial resources. Shining examples are the Community Development Advocates of Detroit and the Economic Growth Corporation. Furthermore, the infrastructure improvements of the recent past have included the GM plaza and the Renaissance center, however, there is a need for a contiguous Central Business District and a better public transit system. On a more positive note, the Wayne State Law School "Emergent Policy Regarding Tax Delinquent Properties" program has been a success, selling lots for \$1 and providing a homesteading initiative. (Thomas and Rudell, p 1-7).

C. Predicting Housing Abandonment with the Philadelphia Neighborhood Information System

Philadelphia's Neighborhood Information System is a useful example of how early warning systems can be established to quantify and organize data on outstanding housing code violations, property conditions, etc, while integrating information about city administration, abandonment policy, process time and physical site legislation regarding vacant land. The technology involved in this was primarily management information systems combined with geographic information systems for the purpose of "planning, intervention and research" (Hillier. p.1). There is also an aspect of this study that focuses on three variables concerning abandoned housing: functional, financial and physical (Hillier, p.3). These issues define and identify where neglect, overdue tax payments, defaulted mortgages and liens are present. Participation from surrounding community members is an essential aspect to this system, which must be fully utilized. Continuous updating and predictions using the system are a key part of its success at the citywide level, that have policy implications such as Mayor John Street's \$250 million investment in blight removal and neighborhood revitalization. Descriptions to make the system understandable through interdependence of factors is an important part of this process (i.e. externalities spillover, ecological impacts, and neighborhood effects) (Hillier, p.6)

D. The Impact of Contamination on the Canton/Southeast Baltimore Land Market

The Impact of Contamination on the Canton/Southeast Baltimore Land Market by Marie Howland, surveyed 69% of the city's industrial land for the purpose of creating a comprehensive analysis for the market of brownfields in the area. The article has two hypotheses: "1) that contamination extinguishes the private demand for industrial land and 2) that contamination reduces the supply of land because owners leave their unused parcels vacant and idle rather than incur cleanup costs" (Howland, p.411). Four barriers to development identified by previous literature include: the lack of process certainty and finality, uncertain liabilities, costs of environmental cleanup and lack of redevelopment financing (Howland, p.412). Using this as the base for cost differentials between brownfields and greenfields, the author goes on to interview owners of the 2,500 industrially zoned acres, asking questions such as the level of contamination (i.e. whether

"known to be clean", "possibly contaminated" or "known to be contaminated") (Howland, p. 414). The existence of buildings on site created another question area, because the value and condition of structures were hard to quantify. The results found were that average price per acre went lower in contaminated sites, however, when several positive factors aligned, good business profit could be made. This happened in places such as Fell's Point where efficient zoning, higher incomes and adjacency to downtown created a better market (p. 416-419). Also noted was that information about the contamination level of a site not large enough or in a good enough market often resulted in its not being tested, and therefore the information is unavailable to planners. Also, the cost of testing was often at the buyer's expense when there was a high enough interest in the property. The author found as well that the city government was the main culprit in hoarding vacant land from development, not CERCLA, as was previously thought. In conclusions to this study, and looking back on the hypothesis, the findings can be summarized to say that an active market and good government policy (aka Maryland's 1997 Voluntary Cleanup Act) should increase both the demand and supply of land for reuse (Howland, p. 418).

E. Reviving America's Forgotten Neighborhoods: An Investigation of Inner City Revitalization Efforts

In Elise Bright's extensive research of successful revitalization efforts across the country, she identifies several key factors for redevelopment, both socioeconomic and physical in nature. Studying Seattle, Minneapolis/St. Paul, Toronto, Ottawa, Montreal, Portland, Boston, Pittsburgh and Cleveland, Bright concludes that safety, service, shelter and social capital are the five determinants of successful programs. In her final conclusions, she highlights resident led decision making, adequate government services, strong mayoral leadership, development incentives, multi-sector partnerships, tracking TOADS, and a regional coordinator position as essential to completing successful redevelopment.

F. Terra Incognita (Ch. 2)

The chapter titled "Cities and Vacant Land: Data and a Model" points out major objectives every city with vacant land should address. These include: improved fiscal condition, decreased social problems, protected property values, and maintained economic health of a region through marketing. Together, these factors can combine to form a downtown development strategy, a housing development project, or a number of other revitalization strategies. Generally, these projects will fall under one of three imperatives: fiscal, social or developmental (Bowman, p. 23-46)

III. Business Perspective on Vacant Land

A. Insuring Redevelopment at Contaminated Properties

This research and theory paper by Kris Wernstedt, Peter B. Meyer and Kristen R. Yount has surveyed and interviewed brownfield developers to provide a reference for

“academic, practitioner and policy audiences”(Wernstedt, p.86). This was done by finding those with private sector experience using environmental insurance (EI) and enumerating the problems, advantages and marketability of such services. Of the 130,000-to 450000 brownfield sites in the country, a large number have been left abandoned since the national brownfields poll conducted in the 1980’s (Wernstedt, p.86). Despite positive aspects of increased redevelopment, such as local tax revenue, better infrastructure, and greenfield protection, communities have failed to redevelop due to structural and perceived challenges in the private arena. Some legislation, such as the Small Business Liability Relief and Brownfield Revitalization Act have started to correct these problems, however, there is still trouble producing “public incentives that reduce regulatory and economic uncertainty” (Wernstedt, p.87). The most widely used tool by developers is the Pollution Liability (PL) insurance coverage, protecting third party owners not responsible for the contamination (Wernstedt, p.88). Secondly, the Cost Cap (CC) legislation protects against unplanned overflow costs due to remediation efforts. Finally, the authors’ survey of 47 developers (out of 244 contacted) came from communities in 19 states, with 20% in Pennsylvania and 11% each in Wisconsin and Maryland. The results of varying uses of environmental insurance listed above (22% PL and 11% CC) resulted in 25% of developers having high profitability (Wernstedt, p.89-90). Environmental insurance was most attractive in the presence of land with off-site migration, monitoring requirements, institutional controls and/or high cleanup costs. Also mentioned as useful tools include: state insurance programs, information dissemination, and financial assistance, though the last is sometimes “counterproductive and less beneficial than public infrastructure investments” (Wernstedt, p.95-96).

B. Making Business a Partner in Redeveloping Abandoned Central City Property: Is Profit a Realistic Possibility?

Dr. Elise Bright, based out of Texas, created this report for a sustainability conference, focusing of TOADS (temporarily obsolete, abandoned, derelict sites) (Bright, p.2). Mainly from a fiscal impact and benefit-cost analysis, the article interviews key stakeholders, reviews published materials and includes telephone interviews with other possible information sources. While the focus is on areas within Fort Worth, such as the West End Historic Section and Near Southeast Fort Worth, other examples from around the country, including Detroit, Cleveland, Boston and the South Bronx were used (Bright, p.6-9). Some of the tools found most effective in this study were tax abatements, infrastructure cost participation by developers. Development fee rebates, TIF districts, PID districts, section 108 loans, Enterprise Zones, Historical Landmark Tax Credits and brownfields cleanup programs were all identified as best practice development incentives (Bright, p.14-17).

C. Lessons from Private Sector Brownfield Redevelopment

This article by Peter B. Meyers, and Thomas S. Lyons reveals the success of a small number of entrepreneurial firms that deviate from traditional municipal economic development, namely environmental merchant bankers (EMB). They “accept the legal liability for the site operations and remediation; pay for and conduct or direct the

cleanup...capping risk exposures through tailored environmental insurance coverage; obtain government approvals and signoffs on the completion of the contamination mitigation; and put the properties back into the local real estate market by selling or leasing them at a profit”(Meyer, p.3). Their specialized knowledge consists of: site remediation technology, regulatory requirements, legal liability, risk capital financing, urban real estate markets and property valuation processes (Meyer, p.3). Three sources of information for this study were used, including: previous ethnographic research in entrepreneurship of this type and brownfield remediation and financing, as well as EPA papers and presentations from the Brownfields 1997 conference. Interviews of 13 EMB’s were conducted, asking questions about the nature of the firm (history, geography, etc.), business practices, resources used, obstacles, and federal/state regulation effectiveness (Meyer, p.4-5). The findings were categorized according to: characteristics of firms, types of sites used, as well as the public ownership subset of brownfield redevelopment efforts (Meyer, p.4-5).

D. The role of liability, regulation and economic incentives in brownfield remediation and redevelopment: evidence from surveys of developers.

Surveys of developers, such as this article by Anna Alberini and Francesco Trombetta, provide a base of information on how the land market system works with government policy, and what is most beneficial for both. "The role of liability, regulation and economic incentives", as the title states, are critical in that they determine the flow of resources and economic development for core city areas. According to this article, three avenues for funding can be found in 1) liability relief, 2) direct financial incentives and 3) regulatory relief (Alberini, p. 3). The first is worth 21% of the median value of development, while the attractiveness of subsidies often coincides with developers' prior experience with them. State programs that seemed most effective were those that produced "reductions in regulatory burdens, relief from liability for future cleanups and environmental damage once certain mitigation standards are met and/or financial support for regeneration of brownfields" (Alberini, p.3-4). Once redevelopment is actually underway, however, the "immediate contamination costs are considered more important than liability, cleanup costs are often overestimated and ...developers do not believe that 'contamination stigma' may hinder the profitability of redeveloping brownfields"(Alberini, p.4). The survey itself sought to have developers choose between two hypothetical projects based off an accompanying policy mix, including: liability reduction such as certificate insurance (either unavailable or after completion of remediation) to prevent future responsibility for cleanup, regulatory relief (i.e. faster notice of approvals and/or flexible cleanup standards), or simply direct financial incentives (low cost loans, tax credits and cash rebates). Also part of the judging criteria was the parcel's identification as having no contamination, contamination, or previous contamination until recent remediation (Alberini, p.5). Finally, from all of this, seven attributes were given to the alternative choices, including "contamination, cleanup standards, availability of transportation network within 20 km, certificate of completed cleanup that relieves the developer from liability for further cleanups, time for approval of development and cleanup plans by the appropriate government agency, presence/absence of a city within 20 km and government financial incentives” (Alberini,

p.6). The four sections to the questionnaire are as follows: 1) gather information on the business of the respondent's company, 2) provide information on cleanup responsibilities and advantages/disadvantages thereof, 3) the parcel choice section described above, and 4) respondent profile (age, education, position, etc.) (Alberini, p.6-7). A profit formula for the answers was then utilized, with conclusions made around the hypothesis (i.e. preferences of developers with contaminated site experience are different). The questionnaire table, attached, outlines the categories, questions and answers.

E. Recycling the City (Ch. 3)

The chapter titled "The Economics of Vacant Land" by Alan W. Evans, defines vacant land as "underutilized land", "derelict sites" and "brownfield sites" (Evans, p.53). The first category outlines the uncertainty of development and delays because of expectancy of the future profitability. Such speculation, along with the land held under municipalities for expansion, pose a barrier to redevelopment even in booming economies. Brownfield sites, moreover, are defined by the author as the "result when the annual revenue that can be derived from the existing use falls below the cost of maintaining and running the building", in the case of on site structures (Evans, p.57). Finding a new usage incurs a cost as well, whether the site is decontaminated or not. Often the case is that the site must be paid to take off the owner's hands. The author argues that the current interest in abandoned property has come about due to increases in the world's population, but low cost of transportation has made awareness of this resource nonexistent until now. In conclusion, imperfect markets and fluctuating land values make the financial pressures to keep derelict land a reality in need of change (Evans, p.59)

IV. Community Perspective on Vacant Land

A. Seizing City Assets: Ten Steps to Urban Land Reform

Seizing City Assets, by Paul C. Brophy and Jennifer S. Vey, gives a focused strategy model for cities in need of urban redevelopment. This approach is centered on "new markets, community capitalism, and the creation of healthy downtowns and neighborhoods" (Brophy, p. 1). However, due to the fact that only 22% of people work within cities while a third work within the surrounding suburbs, the population, tax base, schools and infrastructure have suffered in city centers. To outline the opportunities and challenges ahead, the authors look to cities with average counts of vacant land of approximately 12,000 parcels for successful solutions (Brophy, p.2). Based off of factors including surrounding historic value, crime, schools, housing stock and other factors, planning efforts can be helped or hindered in the development process. A need for greater coordination between government and developers is sorely needed, as well as perhaps the most important stakeholder: the community members themselves. Taking this into consideration, then, ten steps were developed to streamline the process in a mutually beneficial way. These steps include: 1) know your territory 2) develop a citywide approach to redevelopment, 3) implement neighborhood plans in partnership with community stakeholders, 4) make government effective, 5) create a legal framework

for sound redevelopment, 6) create marketable opportunities, 7) build on natural and historic assets, 9) be sensitive to gentrification and relocation issues and 10) organize for success. Each of these is mapped out in greater detail, with concerns like location and ownership, health and safety, building from assets, political consensus, neighborhood negotiations, zoning overhaul, tax reform, environmental remediation, financial incentives, and unique cultural and natural heritage revitalization. Furthermore, the articles outline successful examples throughout the country applied to each of the steps, such as Richmond's Neighborhoods in Bloom Program, Baltimore Citystat, One Stop Permitting in the Silicon Valley, Missouri's Authorization of Eminent Domain, New Jersey's Smart Building Codes, Chicago's Tax Increment Financing, Providence's River Relocation Program and Portland's Affordable Housing Strategy (Brophy, p.3-19).

B. The Brownfields Challenge: Environmental Justice and the Community Participation Lessons Learned from National Brownfields Pilot Projects

Covering the environmental justice angle to brownfields, this article by John Byrne and Raymond P/ Scatone provides a needed investigation of the Center for Energy and Environmental Policy's study and its inclusiveness of community perspectives and involvement. The goals of this project are to bring greater awareness to the communities affected while forming better conversations between community leaders, government and private stakeholders (Byrne, p. 7-11)

C. Land Bank Authorities: A Guide for the Creation and Operation of the Local Land Banks

Author Frank S. Alexander has done land bank research in St. Louis, Cleveland, Louisville, Atlanta and Genesee County in alignment with the National Vacant Properties Campaign, created to inform and share various innovative techniques in the field. A land bank's ability to "acquire, hold, manage and develop tax-foreclosed property" has created a viable resource in communities such as Flint, where the Michigan Land Bank Fast Track has allowed the Genesee County Land Bank to acquire 3,400 parcels (Alexander, 1-2). The need for awareness and consolidation of government processes, as well as provisions for affordable housing green space consideration and widespread information dispersion are just some avenues for better comprehensive vacant land management. Major challenges communities face include: creating a tax-delinquency inventory, overcoming ineffective tax foreclosure laws, dealing with overwhelming amounts of vacant land for community governments, establishing fair housing considerations, and rewriting outdated state and local laws (Alexander, p.2-3).

D. Recycling the City (Ch 8)

The chapter titled "The Role of Community Development Corporations in Brownfield Redevelopment", by Margaret Dewar and Sabina Deitrick, has taken on the subject of CDC's role in vacant land. Such organizations have already shown incredible success, building 550,000 housing units since the 1960's, generating 30% of the assisted housing in the U.S (Dewar. p.159). The National Congress for Community Economic

Development argues that CDC's should play a larger role in the area of brownfields, which the authors have supported through their suggestions for more effective nonprofit developing activities. Much of the early CDC's work was based in primarily community organizing and constituency building, however the 70's brought a decline in antipoverty programs that took the mainly social agenda of CDC's into more bricks and mortar operations (Dewar, p.160). Now, it seems, the social and technical skills developed in CDC's original purposes can play a larger role in attracting private development through multiple avenues. By filling in the gaps where private development lacks and decreasing risk by improving areas through grassroots projects, goals of subsidized projects, better environmental health, employment opportunities and affordable housing can be reached. Therefore, the authors have set out criteria for what CDC's projects should focus on in their efforts: benefits to the poor that increase "access to assets", empowerment and organizing of community groups, projects without private sector interest, and projects that lead to future projects (Dewar, p.165-168). Also outlined in the article are the varied roles played by CDC's, including outreach and education, as seen in the Southwest Detroit Environmental Vision. Another role CDC's play is facilitator, using knowledge of development and brownfields, performing site identification and assessment work, as well as creating strategies for community planning, project management and site control. Finally, CDC's can even take on developer and co-developer roles, requiring prior expertise in the development process, as in the example of Cleveland's Second Growth Institute project involving a former axle plant redevelopment (Dewar, p.162-164). The two cities focused on for case studies, consequently, were Detroit and Cleveland. Some of the needed information and procedures needed to make CDC's effective in this area include: land assembly, land assessments, relocation issues, liability information, contamination levels and remediation stats, time constraints and costs, as well as EPA regulation changes regarding different cleanup levels for different reuse and liability protection legislation (Dewar, p.164). Conclusions from the case studies have found that collaborative partnerships, expanded real estate capabilities, strong legal status, unique ability to acquire, assemble and receive grants for vacant land combine the logistical know-how, communication and organizational strengths projects require. Creating contracts that "pull it all together" between government, private and community efforts all make a more effective CDC for reaching redevelopment goals.

V. Institutional/Government's Perspective on Vacant Land

A. The organizational contexts of decisions to invest in environmentally risky urban properties

Kristin R. Yount's article performs in-depth interviews to find the fundamental players, policies and procedures that make brownfields a viable redevelopment option. She points to the 1995 Brownfields Economic Redevelopment Initiative as the starting point for policy progress through surveying pilot projects throughout the country (Yount, p.2). The key players identified in this analysis were the loan officers, division supervisors, environmental risk management officers for lending institutions, and environmental lawyers. To focus on specific lender concerns, the author says that "the borrowers ability to make loan payments may be jeopardized by the cleanup costs and

related legal expenses” and “the lender may not be able to recoup the loan amount if foreclosure measures are taken because the value of the property as security may be eroded as a result of environmental damage and because super liens for cleanup costs may be imposed” (Yount, p.2). Direct liability for cleanup is a major deterrent. However, the Asset Conservation, Lender Liability and Deposit Insurance Protection Act, clarifying participation in management in brownfields that prevent liability, by amending CERCLA’s legislation (Yount, p.3). The interview findings were further proof of the lending system’s approach to brownfields, categorized in this article as Mega Lenders (regional, national, or international institutions –assets exceeding \$10 billion) and Micro Lenders (local lending institutions, i.c. community banks worth less than \$100 million) (Yount, p.3-4).

It was found that most lenders provide an Environmental Review Document, including: 1) a statement of cleanliness and 2) state environmental agency approval of site (Yount, p.3). While Mega lenders are more willing to take risk and automatically reject loans before cleanup, they usually require projects greater than \$1 million to go through Phase I assessment. Micro lenders, conversely, lack the expertise and resource to assess risks, despite FDIC requirements to develop environmental risk programs (though some seminars and environmental consultants are used). Mega lenders often use the assistance of an Environmental Risk Manager (ERM), who works with environmental engineers and credit officers for loan assessment purposes. Environmental Bankers Association is one useful tool for these professionals (Yount, p.4). In conclusion, institution size, allowing the employment of ERM’s or not, and the ability to self-insure against risks, make Mega Lenders more effective at loaning for brownfields.

B. TIDE: Key Empirical Literature

This report developed for the Michigan State Cool Cities Team presents findings on the economic development tools municipalities can grow to increase their marketability to consumers, homebuyers and businesses. The acronym “TIDE” stands for Talent, Innovation, Diversity and Environment indicators developed by Richard Florida’s book *The Creative Class*. The most important aspect of this study for physical redevelopment of Detroit can be seen in the Environment topic, which will help to attract the talent, innovation and diversity desired in this model. Some of the draws that could attract people to Detroit include locational, natural and constructed amenities, such as result from “growth management, design enhancements, creating pedestrian neighborhoods, creating special districts such as some which are anchored by sports stadiums, waterfront development, and examination of permitting systems of code enforcement” mentioned in the report (Thomas, Darnton, Supanich-Goldner, p. 1-5).

C. Recycling the City (Ch. 6)

Chapter 6 of *Recycling the City*, “Survey of State Level Policies to Address Urban Vacant Land and Property Reuse” by Nancy Green Leigh, gives an overview of the types of tools and incentives that can be used to implement brownfield redevelopment. Major powers in this respect include: use of eminent domain, the implementation of financing

tools, tax increment financing, state-level sign-off of brownfields remediation plans, and creation of land banks (Green Leigh, p.112). More property specific approaches include tax lien foreclosures and the right of redemption procedures, which involves either public sale or transfer of property to government, a redemption period policy or separate events for the sale of property and the termination of the right of redemption (Green Leigh, p.122-116). States are often divided in their approach to such action, usually falling into three categories: 1) allow lien enforcement and property sale with out judicial interference, 2) require judicial involvement in sale/term of redemption or 3) permit enforcement of property tax liens with either judicial or non-judicial approach (Green Leigh, P.113). The second option is considered the most relevant for establishing a foundation of the land title for the future. In the area of interest rate incentives for better legal status and vacant land turnover, 16% to 18 % interest rates (enforced penalties) for tax delinquent property has been an effective range among states using this technique. One fault observed on state procedures in the processing of vacant land in an excessive length of time due to a multiplicity of agencies and stakeholders and due process problems. Eminent domain has also been used to amass large amounts of land for blight removal and revitalization. Some proactive city programs using state guidelines have been Chicago, Philadelphia and Baltimore. Chicago's Abandoned Property Program has rehabilitated 1 to 4 unit brick buildings throughout the city when left unoccupied on unpaid taxes. Philadelphia's Neighborhood Transformation Initiative has put \$295 million into plans for demolition of 14,000 vacant lots, while rehabbing 4,500. Finally, Baltimore has enacted 5,000 foreclosures or condemnations throughout the municipalities, using quick take city laws and private sector help. Furthermore, land banking efforts, though plagued with environmental problems, title condition and other difficulties, have been effectively used through early capital investment (Green Leigh, p.118). Tax defaults, donations and barter systems for land has made this method more fluid in places like Atlanta and Cleveland. Split rate taxation is another method of creating separate taxes for land and the other for improvements, which suppresses withholding undeveloped land (Green Leigh. p. 120). Building code reform is another way to improve outdated policies, especially when using the Nationally Applicable Recommended Rehabilitation Provisions (Green Leigh, p. 122). Finally, miscellaneous tools used on a state-by-state basis have included: brownfield voluntary cleanup programs, smart growth infill strategies, urban growth boundaries, enterprise zones (job credits, sales tax exemptions etc), Michigan's Urban Homesteading on Vacant Land Act (\$1 for tax delinquent properties), Development Authorities, Business Improvement Districts, and Tax Increment Financing (Green Leigh, p. 123-128).

D. *Recycling the City* (Ch. 4)

“Turning Brownfields into Community Assets: Barriers to Redevelopment”

In this article by Lavea Brachman, “Barriers to Redevelopment” are identified through the legal, institutional and political obstacles faced when trying to reuse contaminated vacant land. The federal and state regulations with unintended impacts on the marketplace are the focus here, such as the “Fleet Factors”. These disincentive factors are defined by the author as when a “secured lender loses exemption from Superfund liability under certain circumstances”, inhibiting development due to

penalizing institutions because the “lender actually participated in the management or operational affairs of facility operation” of a brownfield (Brachman, p.69). This deterrent and others have spurred counteracting policies and programs such as the US EPA Prospective Purchase Agreement and Assessment and Demonstration Pilots and Grants. Another tool is the Brownfield’s Job Training Pilots and Grants – providing environmental training to residents in brownfield communities, as well as the Brownfields Cleanup Grants, which directly support cleanup activities that create green space, recreation, non-profit facilities, etc. (Brachman, p.70). With increased public benefits of increased property values, jobs, higher tax revenues, less sprawl and preservation of green space and pollution control, these advantages have also prompted the article’s focus of a Model Property Redevelopment Process. This would entail property assessment and process streamlining – liens, mortgages, title search, sheriff’s sale, public notices, notification of prior owners – as well as environmental assessment – Phase I and II projects primarily involving soil borings and testing (Brachman, p.71). The second part of the process would entail applying for government grants/loans, creating safe reuse alternatives, predicting potential health problems, and finally establishing financing and partnerships with the private sector. Examples of successes according to this formula include the Clean Ohio Revitalization Fund and Great Lakes Redevelopment Initiative Fund, among other approaches, such as combining the benefits of the Community Reinvestment Act and the EPA Prospective Purchaser Agreement for secure funding. Many barriers still exist, whether they be property transfer, site control and title problems, to reluctant stakeholders, bureaucratic delays and lack of political will. Hopefully, streamlining the process to remediation in a responsible and efficient way is a viable solution (Brachman, p.72-80). Local based solutions are best, using property inventory, land banks tax incentives and eminent domain to assemble and create economically productive land.

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