THE CITY OF ADRIAN

227 N. WINTER STREET

A DOWNTOWN CONDOMINIUM PROJECT
FOR ANY MORE INFORMATION ABOUT THIS PROPERTY, PLEASE CONTACT:

Chris Miller, Downtown and Economic Development, cmiller@adrianmi.gov

Assistance provided by:
Beckett & Raeder, Inc.
Architects Design Group

Financial assistance provided by Michigan Economic Development Corporation
Project Rising Tide

January 2020
SITE OVERVIEW

EXISTING FACILITY

This building, referred to as the Courthouse Commons due to its proximity to the beautiful Lenawee County District Court, sits on about 0.76 acres between Adrian’s downtown core and the Raisin River. Its origin can be traced back to the first decade of the 20th century. The Kiwani’s Trail is around the corner and stretches eight miles to connect Adrian and Tecumseh. The building formerly served as a mix of office spaces and transitional housing, but most of the units are currently unoccupied. The mid-century-style building has three stories, a parking lot directly to the south, and about 180 feet of frontage on N. Winter Street. On the backside, residents would have lovely views of the Raisin River.

The property’s walk score is 87, which is considered “very walkable.” The score is based on nearby routes to amenities, with a higher weight applied to amenities within a five minute walk. The walk score reflects the less than 0.5-mile walk to the downtown core.

ZONING

The parcel is zoned Central Business (B-3), which is designed to permit a variety of retail, offices, and services in a compact and pedestrian-friendly way. One of the key features of the downtown is mixed-use buildings that provide commercial services on the ground floor and residential above. Per the zoning ordinance, housing is permitted if it serves the elderly, however there is precedent with the Planning Commission to use a conditional approval to permit housing that meets the city’s goals.

SITE UTILITIES

The site is served by municipal water and sewer. Consumers Energy provides power and Citizens Gas Fuel Company provides gas.

ENVIRONMENTAL INFORMATION

According to the Department of Environment, Great Lakes, and Energy, there is no known environmental contamination on this site. While this property sits along the river, it is not in a FEMA designated floodplain due to the steepness of the river’s bank. The age of the building likely means asbestos and other non-compliant materials were used in the construction of this building and must be removed or mitigation during demolition or renovation.
COMMUNITY CONTEXT

REGION

Adrian is an urban hub and county seat in Lenawee County that hosts three growing post-secondary institutions: Adrian College, Siena Heights University, and Jackson College. Unlike many cities in Michigan that have a dwindling young adult population, this city has a strong youth presence. The city is just 30 miles from Ann Arbor, MI, and Toledo, OH, and is the most populous city in the county. Adrian accounts for over 20% of the county’s population (2010 census data) and is home to some of the county’s largest employers. The city is easily accessible by US-223, US-23, M-52, and I-94.

ADRIAN

Throughout Adrian, there are 17 community parks and open spaces, an eight-mile paved trail that connects to Tecumseh, the Lenawee County Fair Grounds, two award-winning school districts (Adrian Public Schools and Madison Schools), and a historic downtown Adrian featuring 21st century dining, shopping, and entertainment. Arts and cultural activities are at the core of Adrian as evidenced by community assets such as the Croswell Opera House. It is the oldest opera house in Michigan and among the top five historic opera houses nationally. Another example is the Adrian Symphony Orchestra, one of the premier small market orchestras in the nation, which attracts the finest musicians from the world’s stages. In addition to the arts, there is also access to career building of all types. The LISD Tech Center is a collaborative space for all students in the county to explore college and CTE careers. Adrian has several anchor employers that provide a diverse array of jobs from healthcare, manufacturing, education, and services.

DOWNTOWN

Adrian’s downtown is undergoing a positive transformation. Over $20 million has been invested in the last decade for a new farmer’s market structure, over 40 building renovations, and upgrades to public parking lots and on-street parking. Specifically, some new improvements include the Croswell Opera House, a community asset that invested in excess of $7 million for renovations, including millions of dollars of support from the community and the state. It is open to the public to provide not only entertainment but educational experiences. Furthermore, the city installed bicycle lanes, the Adrian Amory Event Center and Chaloner’s Cigar House were renovated, the entrepreneurial training program “Launch Lenawee” started, 89 residential units were newly refurbished, and over 70 upper story apartments were built or renovated. The city has stayed true to its architectural history and boasts beautifully maintained buildings in its downtown.

The downtown is also home to events that keep the area active and vibrant: the annual farmer’s market, Art-a-Licious, Blues and Brews, and Winterfest. On a monthly basis, the downtown hosts First Fridays to showcase its varied options for shopping, dining, and entertainment.

Downtown’s Future

During the community engagement portion of the “ReInvent Downtown Adrian” planning process, three goals were identified in 2018:

» increase the tax base
» increase the number of jobs
» increase the population

Furthermore, retail research from 2014 shows that within the DDA boundaries, there is demand for over 300 more office or residential units. With these goals in mind, the conversion of the Courthouse Commons into condominiums is a step towards inducing population growth downtown. Given that density and foot traffic are of great value to downtown businesses, multi-unit residential structures are a boon for residents and business owners alike.
FLOOR PLAN - LOWER LEVEL

2-bedroom with study - 1,618 sf
1-bedroom with study - 1,077 sf
2-bedroom with study - 1,338 sf

FLOOR PLAN - GROUND LEVEL

2-bedroom with study - 1,325 sf
1-bedroom with study - 947 sf
2-bedroom with study - 1,267 sf
SITE OVERVIEW

The desired development for this site is condominiums. Floor plans and a cash analysis were conducted to determine the layout and feasibility of converting this structure into 15 for-sale units. An example of the preferred exterior design is shown below.

To convert the existing building into the desired condo units below, the southern portion of the existing building would be demolished to make way for a new entry structure with egress stairs and a multi-stop elevator. The interior walls of the existing building would be demolished and replaced with new construction for six new condo units, including four two-bedroom units and two one-bedroom units, per floor. The western portion of the existing roof would also be demolished and re-structured to accommodate the second floor units on the west side of the building overlooking the river. The exterior of the existing building would be totally remodeled with new windows, balconies, awnings, and a façade of EIFS and brick. The exterior improvements include a new parking lot, lighting, and site landscaping. The parcel has land adjacent to the building for parking.

<table>
<thead>
<tr>
<th>PROPOSED SITE FEATURES</th>
<th>FACTS</th>
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<tbody>
<tr>
<td>Number of units</td>
<td>15</td>
</tr>
<tr>
<td>ADA-friendly</td>
<td>All units</td>
</tr>
<tr>
<td>Total square footage</td>
<td>23,644 + balcony</td>
</tr>
<tr>
<td>Cost/square foot</td>
<td>$243</td>
</tr>
<tr>
<td>Estimated price range for 1-bedroom*</td>
<td>$230,121 - $261,711</td>
</tr>
<tr>
<td>Estimated price range for 2-bedroom*</td>
<td>$307,881 - $393,174</td>
</tr>
<tr>
<td>1 bedroom</td>
<td>5</td>
</tr>
<tr>
<td>2 bedroom</td>
<td>10</td>
</tr>
<tr>
<td>Storage</td>
<td>Units provided on the lower level</td>
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<thead>
<tr>
<th>PRICE</th>
<th>UNIT</th>
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<tbody>
<tr>
<td>$10,000</td>
<td>total land costs</td>
</tr>
<tr>
<td>$316,367</td>
<td>improvements/unit</td>
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<tr>
<td>$14,233</td>
<td>soft costs/unit</td>
</tr>
<tr>
<td>$20,333</td>
<td>carrying costs/unit</td>
</tr>
<tr>
<td>$31,667</td>
<td>miscellaneous cost/unit</td>
</tr>
<tr>
<td>$5,749,000</td>
<td>TOTAL</td>
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</table>

* depends on square footage of unit
that can or will no longer be used for the same purpose as the intent of its original design. In addition, the tax increment financing component can pay for demolition, site preparation, public infrastructure, lead and asbestos abatement, and environmental remediation.

**Michigan Community Revitalization Program (MCRP)**

MCRP is a program available from the Michigan Strategic Fund (MSF), in cooperation with MEDC, designed to promote community revitalization that will accelerate private investment in areas of historical disinvestment, contribute to Michigan’s reinvention as a vital, job-generating state, foster redevelopment of functionally obsolete or historic properties, reduce blight, and protect the natural resources of the state. As currently proposed, this site could motivate private investment and redevelop an obsolete property, but this fund has typically been available for housing structures that need gap financing that include rental units. While the funds could be available for a condominium project, it may fare better for funding if rental units were included.

**PROJECT PRO FORMA**

A project proforma calculated the estimated sales price of a new condominium. Estimates were made for the cost of land, construction, soft costs, financing, and miscellaneous costs to find that the project is estimated to have an upfront cost of $5,749,000. The average price per unit presents a gap in financing feasibility that would require a subsidy to complete this project. The following section discusses potential project incentives.

**POTENTIAL PROJECT INCENTIVES**

**Brownfield Redevelopment**

Financial assistance is available to help offset the cost of redeveloping contaminated, blighted, or functionally obsolete property. Utilizing tax increment financing, which captures the new property taxes generated by a development project, an investor can be reimbursed over time for certain eligible activities. As a core community, Adrian has the ability to use brownfield tools to redevelop functionally obsolete sites described as buildings

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**FLOOR PLAN- SECOND STORY FLOOR PLAN**

- 2-bedroom with study - 1,325 sf
- 1-bedroom with study - 947 sf
- 2-bedroom with study - 1,267 sf
MARKET CONDITIONS

HOUSING STUDY

Lenawee County conducted a Housing Needs Assessment in 2017 focusing on 12 target markets within the County. Adrian’s submarket included the city, Adrian Township, and Madison Township. In the needs assessment, the findings showed a lack of elevator-served units, two or more story condominium housing, and senior-oriented independent living rental options. Also missing were housing formats that accommodate the growing popularity in downtown residential options located in pedestrian-friendly environments. Both young adults or empty-nesters that value “place” and the convenience that downtown’s various retail and services offer are underserved.

Pent up demand for housing can also be seen by the relatively few housing units built in recent years. According to the 2017 American Community Survey (five year estimates) no new units have been built since 2014. Prior to that only 69 units were built between 2010 and 2013. The lag in housing construction post recession has significantly reduced the supply of housing that is needed to keep a city growing and inclusive. Regarding condominium development, 52 units were built in Adrian in a complex called Evergreen in 2003 that sold for $205,000 each. The other condominiums built in the area, about 374 units in total, are located in Madison Township, Tecumseh, and Blissfield and were built on average about 15 years ago. The Housing Needs Assessment found that between Adrian and Tecumseh 30-50 condo units are needed.

The housing vacancy rate in Adrian is fairly low. In 2017, the vacancy rate was estimated at 5.2%. A consistently low vacancy rate is a positive indicator of a healthy market as it reduces the financial risk to renovate and fill housing units. To find a comparable sales price for a condominium in a similar context is difficult, but city staff is regularly asked about available condos downtown. Coupled with the low vacancy rate and high occupancy rate of established condominium sites, there is likely unmet demand for this type of unit.

INFILL

Adrian is an employment hub. Data from 2017 shows that 8,072 live outside of the city and commute into Adrian for work, compared to 5,893 that live in the city and commute elsewhere. It is undoubtedly a benefit to have a strong job base, yet one downside is increased traffic especially during commute hours. Building infill development can expand housing options so that fewer people are compelled to live outside of the city and commute in. If housing is suitably placed near concentrations of jobs, less people will need to commute by car. This property sits in one of the densest job centers in the city, where there are between 2,398-3,734 jobs per square mile.

Infill is also the preferred development type because of its efficient use of land and supply of services to residents, and because its location to local businesses could help boost patronage.

ADRIAN & TECUMSEH MID-RISE CONDOS RECOMMENDATIONS

<table>
<thead>
<tr>
<th>HOUSING STUDY CRITERIA</th>
<th>FEATURES</th>
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<tbody>
<tr>
<td>DESIGN</td>
<td>3-4 stories, elevator-served</td>
</tr>
<tr>
<td>NUMBER OF UNITS</td>
<td>30-50</td>
</tr>
<tr>
<td>UNIT TYPES</td>
<td>1-, 2-, 3-bedroom(s)</td>
</tr>
<tr>
<td>UNIT SIZES</td>
<td>800 - 1,400 square feet</td>
</tr>
<tr>
<td>AMENITIES</td>
<td>balconies, exterior storage, washer/dryer hookups, central air conditioning</td>
</tr>
<tr>
<td>PRICE POINT</td>
<td>$125,000 - $200,000</td>
</tr>
<tr>
<td>ESTIMATED ABSORPTION</td>
<td>2-3 units per month</td>
</tr>
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source: Lenawee County Housing Needs Assessment
DEMOGRAPHICS & HOUSING DIVERSITY

Adrian’s population had a history of slow and steady growth. However, between 2010 and 2016, there was slight population decline from 21,133 to 20,800, but that trend is expected to reverse and the population to grow to 21,045 over the next five years.

The median age for the city is quite young at 33.7 years and remains about the same as 2010. The younger segments of the population are represented by the college-aged students, although the next age group, 25-29 years old, is half the size, meaning that many young professionals tend to leave post graduation. The age cohort 60 years and older is about one-fifth of the total population and is likely growing. This is the expected primary demographic for downtown condos, given their expressed interest to city employees and the common need to downsize.

Income

The housing market in Adrian serves more than the city; its reach pulls into the surrounding townships as well. The surrounding township have higher median and mean household incomes and likely live on larger lots of land that can be cashed out for easy-to-maintain units in the city. Income levels from 2017 are shown in the table, “Income by Community.”

Tapestry Segments in the Adrian Submarket

The tapestry segments are summaries of groups of people based on demographic, consumer, and psychographic data points. When triangulated, these descriptions of residents in the submarket are much richer than data from a single source. These three groups account for a little over 50% of the Adrian submarket. Considering that two of these three groups are empty-nesters, it is likely that when they want to downsize, they will look for units that require little maintenance and are close to essential services.

Group 6B

Residents are entrenched in their traditional, rural lifestyles where homeownership rates are high. Citizens are older, and many have grown children that have moved away. They still cherish family time and also tending to their vegetable gardens and preparing homemade meals. Residents embrace the outdoors; they spend most of their free time preparing for their next fishing, boating, or camping trip. Many have expanded their skill set during their years of employment in the manufacturing and related industries. They may be experts with DIY projects, but the latest technology is not a strength. They can use it when absolutely necessary, but prefer routine face-to-face contact.

INCOME BY COMMUNITY

<table>
<thead>
<tr>
<th>COMMUNITY</th>
<th>MEDIAN HOUSEHOLD INCOME</th>
<th>AVERAGE HOUSEHOLD INCOME</th>
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<tbody>
<tr>
<td>ADRIAN</td>
<td>$36,336</td>
<td>$49,159</td>
</tr>
<tr>
<td>ADRIAN TOWNSHIP</td>
<td>$61,420</td>
<td>$77,929</td>
</tr>
<tr>
<td>MADISON TOWNSHIP</td>
<td>$51,280</td>
<td>$59,599</td>
</tr>
<tr>
<td>LENAWEE COUNTY</td>
<td>$51,339</td>
<td>$64,663</td>
</tr>
</tbody>
</table>

source: ACS 2017 5-Year Estimates
**Group 8G**

These neighborhoods are in urbanized areas within central cities with older housing. Primarily a family market, married couples (with and without children) and single parents that are younger and highly racially diverse. They work mainly in service, manufacturing, and retail trade industries. The median household income is half the US median. Almost 1 in 3 households have income below the poverty level. 60% of householders are renters, living primarily in single-family homes, with a higher proportion of dwellings in 2–4 unit buildings.

**Group 6F**

Well settled, semirural, and semiretired, these older householders are primarily homeowners, and many have paid off their mortgages. Their children have moved away, but they have no plans to leave their homes. Their hearts are with the country; they embrace the slower pace of life but actively participate in outdoor activities and community events. Traditional and patriotic, these residents support their local businesses. This could be another group that may eventually relocate downtown.

Given the expected population growth, low vacancy rates, and different preferences by age and income groups, diverse and high-quality housing is needed to accommodate the range of needs expressed in the graphic below, “Missing Middle Housing.” This development would be considered a “multiplex” that falls on the denser side of the spectrum but is adequately buffered from single-family neighborhoods to reduce any major land use conflicts.

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**MISSING MIDDLE HOUSING**

[Image of Missing Middle Housing diagram]

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